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11 **BEFORE THE INSURANCE COMMISSIONER**
12 **OF THE STATE OF CALIFORNIA**
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14 In the Matter of the Rate Applications of
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16 STATE FARM GENERAL INSURANCE
COMPANY,
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18 Applicant.

File No. PA-2024-00012

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**THE CALIFORNIA DEPARTMENT OF
INSURANCE'S RESPONSE TO
MERRITT DAVID FARREN'S
PETITION TO PARTICIPTE AND
NOTICE OF INTENT TO SEEK
COMPENSATION**

1 The California Department of Insurance (“Department”) responds as follows to Merritt
2 David Farren’s (“Petitioner’s”) Petition to Participate and Notice of Intent to Seek Compensation.

3 **I. Introduction**

4 Consumer participation is an important part of the Proposition 103 prior rate approval
5 process when the requirements for intervention are met, but intervention is not warranted under
6 these circumstances. Petitioner has not shown he can attend and participate without delaying
7 these proceedings, which have already been set for hearing on an expedited schedule. Regardless
8 of whether the allegations of improper claims-handling practices arising out of the January 2025
9 wildfires in Los Angeles are relevant to rate-setting proceedings in general, it is premature and
10 will cause delay to litigate such issues as part of this proceeding. Applicant State Farm General
11 (“Applicant” or “SFG”) is still processing wildfire claims, and the Department has not yet had the
12 opportunity to investigate the validity of any allegations of improper claims-handling practices,
13 let alone determine whether it is appropriate to initiate an administrative action on this issue.
14 Instead, this is an expedited proceeding in which an interim rate increase has already been
15 approved, subject to proof during the full rate hearing process, but the parties did not raise, and
16 the Court and the Commissioner therefore did not have the opportunity to consider, allegations of
17 improper claims-handling practices as part of setting the interim rate.¹ For these reasons, the
18 Petition should be denied, without prejudice to the Petitioner’s right to seek intervention, as
19 appropriate, in a subsequent administrative action, if any, concerning allegations of improper
20 claims-handling practices arising out of the January 2025 wildfires in Los Angeles.

21 **II. Applicable Law**

22 Consumer participation is an important part of the Proposition 103 prior rate approval
23 process when the requirements for intervention are met. Under Proposition 103, “any person may
24 initiate or intervene in any proceeding permitted or established pursuant to [Chapter 9 of Part 2 of
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27 ¹ Due to the premature nature of the allegations here, the Department does not comment on whether claims-handling
28 issues would be relevant in a hearing on a rate application.

1 Division 1 of the California Insurance Code].” (Ins. Code,² §1861.10(a).) The California Code
2 of Regulations, title 10 (“CCR”) provides that “any person shall be permitted to intervene in any
3 proceeding on any rate application …if the issues to be raised by the intervenor or participant are
4 relevant to the issues of the proceeding.” (CCR §2661.2.)

5 In addition to requiring that intervenors must raise issues that are relevant to the
6 proceeding, the law requires Petitions to Intervene to “include a statement that the intervenor or
7 advocate will be able to attend and participate in the proceedings without delaying the proceeding
8 or any other proceedings before the Commissioner.” (CCR §2661.3(b).)

9 Further, when an intervenor intends to seek compensation, CCR section 2662.2(a)
10 provides that “a person [] representing the interests of consumers may provide to the Public
11 Advisor a request for finding of eligibility to seek compensation.” The request shall include “a
12 showing by the intervenor or participant that it represents the interest of consumers, including a
13 description of the previous work of the intervenor or participant....” (CCR §2662.2(a)(1).)
14 Within 10 days of receiving a request for eligibility to seek compensation, the Public Advisor
15 shall review the request for completeness and may request additional information if the request is
16 not complete. (CCR §2662.2(b).) Once complete, the Commissioner has 15 days to rule on a
17 request for eligibility. (CCR §2662.2(c).)

18 **III. Discussion**

19 **1. Petitioner Has Not Met the Prerequisites for Intervention**

20 While the Department welcomes consumer participation, here Petitioner has not met
21 certain prerequisites for intervention.

22 **i. Petitioner Has Not Stated That He Can Participate Without Causing
23 Delay to The Existing Schedule**

24 Pursuant to CCR section 2661.3, the petition to intervene “shall include a statement that
25 the intervenor or advocate will be able to attend and participate in the proceeding without
26 delaying the proceeding.” The Petition here did not include such a statement. This is critical

27 ² All further statutory references are to the California Insurance Code unless otherwise indicated.
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1 because this proceeding is already underway and the hearing date and all attendant dates have
2 already been set. On March 14, 2025, the Commissioner entered an Order granting interim rate
3 subject to refunds and on May 30 2025 the Administrative Hearing Bureau issued a Scheduling
4 Order setting forth the applicable dates for this hearing. The Scheduling Order in this matter is
5 attached hereto as Exhibit A. All appearances are expected to take place at the Department's
6 Administrative Hearing Room in Oakland, CA, unless noted otherwise.³

7 **ii. As Alleged, the Petition Does Not Establish Petitioner Will Raise Issues
8 Relevant to this Proceeding**

9 Petitioner's failure to establish he can meaningfully participate without causing delay is
10 even more significant here because, as alleged, the Petition does not establish Petitioner will raise
11 issues "relevant" to these proceedings. Here, the rate hearing will determine Applicant's
12 insurance rates, including whether the interim rate was appropriate or whether Applicant owes
13 refunds with interest. Pursuant to section 1861.05, subdivision (a), "no rate shall be approved, or
14 remain in effect, which is excessive, inadequate or unfairly discriminatory." Property and
15 casualty rates in California are determined based on precise, complex, regulatory formulas. In the
16 simplest terms, and generally speaking, the maximum and minimum permitted earned premiums
17 must be calculated and the rate must fall within those ranges to ensure that rates are not excessive
18 or inadequate. (See CCR §§ 2644.2, 2644.3.) The only way to deviate from the rate-making
19 formula is by application of a rate-making exception, called a variance. The variances are also set
20 forth in regulation at CCR section 2644.27. As part of determining the interim rate now at issue in
21 this full rate proceeding, the Commissioner, this Court, and the parties relied on a little-used
22 variance set forth in section 2644.27, subdivision (f)(6) ("Variance 6"). But there was no
23 consideration of whether Applicant's claims-handling practices arising out of the January 2025
24 wildfires were in any way improper or otherwise had any impact on Applicant's rates.⁴

25 Petitioner seems to argue, however, that SFG's rates should not be based upon the rate
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27 ³ In some instances, the Administrative Law Judge may allow remote appearances.

28 ⁴ The rate making formula in the regulations does not contemplate claims-handling as part of rate making.

1 approval formula set forth in the statutes and regulations, but upon SFG’s claims-handling
2 practices. Claims-handling practices and the payment of claims are paramount to the insurance
3 contract entered into between SFG and consumers. But again, those issues are not before the
4 Commissioner in this proceeding, and even if Petitioner could show that claims-handling is
5 relevant to the rate-making formula, it would be premature and/or cause delay to try to insert
6 these new issues into this already ongoing proceeding. This proceeding addresses the rates that
7 SFG may charge consumers based on the rate-making formula and rules codified by statute and
8 regulation, and whether the interim rate is supportable under the formula.

9 Although Petitioner raises serious allegations regarding SFG’s claims-handling practices,
10 this proceeding is not the appropriate forum to address them because Petitioner has not shown
11 they are relevant to the interim rate and/or the rate-making formula and variances sought by SFG.
12 Petitioner may contact the Department’s Consumer Services Bureau to file a complaint against
13 SFG for any alleged claims-handling failures. Petitioner may also file a complaint against SFG in
14 the California court system for any alleged SFG breach of contract, and/or breach of the covenant
15 of good faith and fair dealing. There may well be other avenues for Petitioner to pursue. The
16 Department itself may investigate allegations of improper claims-handling practices by, e.g.,
17 initiating a market conduct exam. But this rate application hearing, which is already in full swing,
18 is not the correct forum to initiate an investigation and address allegations regarding improper
19 claims-handling practices.

20 **iii. Petitioner is Not Eligible to Seek Compensation at This Time**

21 Further, pursuant to CCR section 2661.3(g), Petitions to Intervene shall be granted, if,
22 among other things, the person who files the petition is “otherwise” eligible to seek
23 compensation. To date, Petitioner has not filed a Request for Finding of Eligibility to Seek
24 Compensation pursuant to CCR section 2662.2. Thus, this Petition to Intervene and Notice of
25 Intent to Seek Compensation is premature.

26 Petitioner may file a Request for Finding of Eligibility pursuant to CCR § 2662.2 with the
27 Public Advisor. Because Findings of Eligibility to Seek Compensation are valid for up to two
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1 years and are applicable to any proceeding in which Petitioner might choose to intervene,
2 Department staff believe that the normal procedure, pursuant to which the Public Advisor
3 determines Requests for Eligibility, should be followed.⁵ The Department is concerned that
4 Petitioner's failure to timely file a Request for Finding of Eligibility may improperly delay this
5 proceeding.

6 **IV. CONCLUSION**

7 In summary, while the Department welcomes consumer participation, proposed
8 intervenors must follow the rules for intervention. Petitions to Intervene must allege issues that
9 are relevant to the proceedings in which the petitioner seeks to intervene. The Petitioner must
10 state that they will be able to attend and participate in the proceedings without delaying the
11 proceeding or any other proceedings before the Commissioner. And finally, the Petitioner must
12 have filed a Request for Finding of Eligibility and have been issued a Finding of Eligibility before
13 being eligible to seek compensation.

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16 Dated: June 9, 2025

CALIFORNIA DEPARTMENT OF INSURANCE

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19 By Jennifer McCune
20 Jennifer McCune
21 *Attorneys for the California Department of
Insurance*

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27 ⁵ By way of comparison, this Petition to Intervene is properly heard by this Court because a Notice of Hearing has
28 already been issued in this rate proceeding. (CCR §2661.3, subd. (g).)

EXHIBIT A

**DEPARTMENT OF INSURANCE
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1901 Harrison Street, 3rd Floor
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www.insurance.ca.gov**

**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA**

) File Nos. PA-2024-00011,
) PA-2024-00012, PA-2024-00013
)
In the Matter of the Rate Application of)
)
)
STATE FARM GENERAL INSURANCE)
COMPANY,)
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Applicant.)
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SCHEDULING ORDER

On May 13, 2025 the parties submitted a Joint Scheduling Conference Statement to this court. On May 14, 2025, Administrative Law Judge Karl Fredric J. Seligman conducted a scheduling conference at which time the parties and ALJ Seligman discussed the parties' Joint Scheduling Conference Statement and agreed to add new dates for Motions in Limine, the production of documents, tentative rulings on motions and a new date for a proposed settlement conference. The parties subsequently met and conferred and agreed on dates for Motions in Limine and for the settlement conference.

At the scheduling conference, the parties also discussed and agreed that in the interest of potential settlement and full transparency, the Department and Consumer Watchdog may serve State Farm General with Requests for Information prior to the deadline for serving discovery and that the Department may use SERFF to request

additional data and other information in addition to formal discovery requests.

Pursuant to the Joint Scheduling Conference Statement, discussion at the scheduling conference, calendaring adjustment by the ALJ, and subsequent agreement of the parties on dates for Motions in Limine and the settlement conference, IT IS HEREBY ORDERED, that the parties adhere to the following schedule, unless superseded by a subsequent Order:

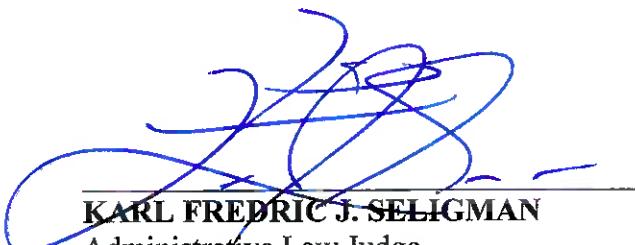
Date	Action
Monday May 19, 2025	SFG provides updated Q1 data and files its updated complete rate applications including Q1 2025 data
Monday June 16	Last Day for all parties to propound discovery. Last day for CWD and CDI to serve Requests for Information on SFG. This date is subject to revision by agreement if CDI's and/or CWD's actuaries have questions regarding the data that SFG is unable to answer promptly
Thursday July 10	Proposed settlement conference
Friday July 11	Last day for all parties to respond to discovery served by June 16
Monday July 21	Last day for parties to produce documents in response to discovery served by June 16
Tuesday July 22	Last day to meet and confer re discovery responses
Tuesday July 29	Last day for CDI/CWD/SFG to file any motion to compel ("MTC") re discovery responses
Friday August 1	Parties' Joint Statement of Undisputed and Disputed Facts and Issues; and witness designations due
Thursday August 7	Last day for responses to MTC re discovery responses

Date	Action
Wednesday August 13 by noon	ALJ to issue tentative on MTC re discovery responses
Thursday August 14	ALJ to hold hearing on MTC re discovery responses
Monday August 18	ALJ to issue decision on MTC discovery
Friday August 22	SFG to file prepared direct testimony (“PDT”), exhibit list and exhibits of direct witnesses
Friday August 29	CDI’s and CWD’s Motions to Strike (MTS) Applicant’s PDT Due
Friday September 5	CDI and CWD to file PDT, exhibit list and exhibits of direct witnesses
Monday September 8	SFG’s response to MTS PDT due
Friday September 12	ALJ to issue tentative on CDI/CWD’s MTS Applicant’s PDT
Monday September 15	ALJ to hold Hearing on CDI’s/CWD’s MTS Applicant’s PDT
Tuesday September 16	Applicant’s MTS CDI’s and CWD’s PDT due
Wednesday September 17	ALJ’s decision on CDI’s/CWD’s MTS Applicant’s PDT due
Thursday September 25	CDI/CWD response to MTS due
Wednesday October 1 by noon	ALJ to issue tentative on Applicant’s MTS CDI/CWD PDT
Thursday October 2	ALJ to hold Hearing on Applicant’s MTS CDI/CWD PDT

Date	Action
Thursday October 2	Motions in Limine (MILs) Due
By Monday October 6	ALJ's decision on Applicant's MTS CDI/CWD PDT due
Thursday October 9	Responses to MILs due
Wednesday October 15 by noon	ALJ to issue tentative on MILs
Thursday October 16	ALJ to hold Hearing on MILs
Monday October 20	ALJ's decision on MILs
Monday October 20, 2025	Live testimony portion of evidentiary hearing on complete rate applications to commence, continuing each consecutive business day through October 31, 2025, until completed

IT IS SO ORDERED.

Dated: May 30, 2025



KARL FREDERIC J. SELIGMAN
Administrative Law Judge
Administrative Hearing Bureau
California Department of Insurance

DECLARATION OF SERVICE BY EMAIL

Case Name/No.: **In the Matter of the Rate Application of:
STATE FARM GENERAL INSURANCE COMPANY
FILE NO. PA-2024-00011, PA-2024-00012 AND PA-2024-00013**

I, FLORINDA CRISTOBAL, declare that:

I am employed in the County of Alameda, California. I am over the age of 18 years and not a party to this action. My business address is State of California, Department of Insurance, Administrative Hearing Bureau, 1901 Harrison Street, 3rd Floor, Oakland, California, 94612.

I am readily familiar with the business practices of the Oakland Office of the California Department of Insurance for collection and processing of correspondence for mailing with the United States Postal Service. Said ordinary business practice is that correspondence is deposited with the United States Postal Service that same day in Oakland, California.

On June 3, 2025 following ordinary business practices, I caused a true and correct copy of the following document(s):

SCHEDULING ORDER

to be placed for collection and mailing at the office of the California Department of Insurance at 1901 Harrison Street, 3rd Floor, Oakland, California, with proper postage prepaid, in a sealed envelope(s) addressed as follows:

(SEE ATTACHED PARTY SERVICE LIST)

In addition, on _____, I also faxed a copy of said document to all parties where indicated to the fax number which is printed under each address on this Declaration.

I declare under penalty of perjury that the foregoing is true and correct, and that this declaration was executed at Oakland, California, on June 3, 2025.

June 3, 2025

DATE



F. CRISTOBAL

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PROOF OF SERVICE
In the Matter of the Rate Applications of
State Farm General Insurance Company, Applicant
CDI File Nos. PA-2024-00011 (RRB File #24-1273),
PA-2024-00012 (RRB File #24-1271) &
PA-2024-00013 (RRB File #24-1330)

I am over the age of eighteen years and am not a party to the within action. I am an employee of the Department of Insurance, State of California, employed at 300 Capitol Mall, Suite 1700, Sacramento, CA 95814. On June 9, 2025, I served the following document(s):

**THE CALIFORNIA DEPARTMENT OF INSURANCE'S RESPONSE TO MERRITT
DAVID FARREN'S PETITION TO PARTICIPATE AND NOTICE OF INTENT TO
SEEK COMPENSATION**

on all persons named on the attached Service List, by the method of service indicated, as follows:

If **U.S. MAIL** is indicated, by placing on this date, true copies in sealed envelopes, addressed to each person indicated, in this office's facility for collection of outgoing items to be sent by mail, pursuant to Code of Civil Procedure Section 1013. I am familiar with this office's practice of collecting and processing documents placed for mailing by U.S. Mail. Under that practice, outgoing items are deposited, in the ordinary course of business, with the U.S. Postal Service on that same day, with postage fully prepaid, in the city and county of Sacramento, California.

If **OVERNIGHT SERVICE** is indicated, by placing on this date, true copies in sealed envelopes, addressed to each person indicated, in this office's facility for collection of outgoing items for overnight delivery, pursuant to Code of Civil Procedure Section 1013. I am familiar with this office's practice of collecting and processing documents placed for overnight delivery. Under that practice, outgoing items are deposited, in the ordinary course of business, with an authorized courier or a facility regularly maintained by one of the following overnight services in the city and county of Sacramento, California: Express Mail, UPS, Federal Express, or Golden State overnight service, with an active account number shown for payment.

If **FAX SERVICE** is indicated, by facsimile transmission this date to fax number stated for the person(s) so marked.

If **PERSONAL SERVICE** is indicated, by hand delivery this date.

If **INTRA-AGENCY MAIL** is indicated, by placing this date in a place designated for collection for delivery by Department of Insurance intra-agency mail.

If **EMAIL** is indicated, by electronic mail transmission this date to the email address(es) listed.

Executed this date at Sacramento, California. I declare under penalty of perjury under the laws of the State of California that the above is true and correct.


Tim Oakes

SERVICE LIST
In the Matter of the Rate Applications of
State Farm General Insurance Company, Applicant
CDI File Nos. PA-2024-00011 (RRB File #24-1273),
PA-2024-00012 (RRB File #24-1271) &
PA-2024-00013 (RRB File #24-1330)

<u>Name/Address</u>	<u>Phone/Fax Numbers</u>	<u>Method of Service</u>
<p>Karl Fredric J. Seligman Administrative Law Judge Administrative Hearing Bureau CALIFORNIA DEPARTMENT OF INSURANCE 1901 Harrison Street, 3rd Floor Oakland, CA 94612 Florinda.Cristobal@insurance.ca.gov Camille.Johnson@insurance.ca.gov</p>	<p>Tel: (415) 538-4243 Fax: (510) 238-7828</p>	Via EMAIL
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///	///	///

NON PARTY