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12
13 **BEFORE THE INSURANCE COMMISSIONER**
14 **OF THE STATE OF CALIFORNIA**
15

16 In the Matter of the Rate Applications of

17 STATE FARM GENERAL INSURANCE
18 COMPANY,
19 Applicant.

File Nos. PA-2024-00011, PA-2024-00012,
PA-2024-00013

**THE CALIFORNIA DEPARTMENT OF
INSURANCE'S OPPOSITION TO
CONSUMER WATCHDOG'S MOTION
TO COMPEL**

Hearing Date: 9/16/2025
Hearing Time: 1:00 p.m.

TABLE OF CONTENTS

I.	INTRODUCTION.....	6
II.	STATEMENT OF FACTS	6
A.	CW's Deficient Meet and Confer	7
1.	Following the parties' initial meet-and-confer efforts, CDI understood the only remaining dispute concerned Request No. 20.....	7
2.	CW's third meet-and-confer letter was untimely and in bad faith.....	9
III.	ARGUMENT	10
A.	Relevant Law Relating to Discovery in Administrative Proceedings.....	10
B.	CW's motion to compel Internal Communications should be denied because the request remains overbroad, seeks irrelevant information, and seeks documents protected by attorney work product, attorney client communications and deliberative process privileges.	12
1.	CW's Internal Communications Request is impermissibly overbroad.	12
2.	CW is conducting an impermissible fishing expedition for ex parte communications without indicating any reason to believe they exist.	14
3.	CW's demand for internal communications should be denied because the only relevant documents it seeks are substantive internal communications but they are protected from disclosure by attorney work product, attorney client communication and deliberative process privileges.	14
C.	Financial Documents - Relevant law relating to the Commissioner's examination authority and confidential information held by insurance regulators.....	19
1.	The Commissioner's Examination Duties	19
2.	California Statutory Protections for Confidential Insurer Information.....	20
3.	Illinois Statutory Protections for Confidential Insurer Information.....	21
4.	The National Association of Insurance Commissioners' Master Information Sharing and Confidentiality Agreement	22
D.	CW's motion to compel should be denied because the documents it seeks related to FSB are privileged and not discoverable as a matter of law	22
E.	The Documents CW seeks are not relevant and must remain protected under a balancing test	24
1.	The important public interest in maintaining the confidentiality of regulator-only documents outweighs any interest in disclosure	25

1 2. The documents have limited probative value..... 25

2 IV. CONCLUSION 27

3

4

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16

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TABLE OF AUTHORITIES

CASES

<i>Board of Registered Nursing v. Superior Court</i> (2021) 59 Cal.App.5th 1011	16
<i>County of Orange v. Superior Court of Orange County</i> (2000) 79 Cal.App.4th 759	24
<i>Gallimore v. State Farm Fire & Casualty Ins. Co.</i> (2003) 102 Cal.App.4th 1388	20
<i>Johnson v. Department of Transportation</i> (2025) 109 Cal.App.5th 917	15
<i>People v. Superior Court (Barrett)</i> (2000) 80 Cal.App.4th 1305	24
<i>Pomona Valley Hospital Medical Center v. Superior Court</i> (1997) 55 Cal.App.4th 93	11
<i>RLI Ins. Co. Group v. Superior Court</i> (1996) 51 Cal.App.4th 415	11, 17
<i>Romero v. California State Labor Commissioner</i> (1969) 276 Cal.App.2d 787	12
<i>Sander v. State Bar of California</i> (2013) 58 Cal.4th 300	15

STATUTES

Administrative Procedure Act.....	<i>passim</i>
Civil Discovery Act.....	11
California Code of Civil Procedure, § 2017.010.....	11
California Evidence Code, § 952.....	15
§ 954.....	15
§ 1040.....	15, 21, 22, 24
§ 1041.....	21, 23
California Government Code, § 11430.40.....	18
§ 11430.50.....	18
§ 11507.6.....	11, 15

1	California Insurance Code,	
2	§ 730.....	21, 23
3	§ 730 (a)	19
4	§ 730 (b)	19
5	§ 733 (a)	19
6	§ 733 (b)	19
7	§ 735.5.....	20, 22, 23, 24
8	§ 739, subd. (l)	21
9	§ 739.2.....	21
10	§ 739.8.....	21, 22, 24
11	§ 1215.8.....	20, 24
12	§ 1861.05.....	26
13	§ 1861.08, subd. (e).....	11
14	§ 12919.....	21, 22, 24
15	Illinois Insurance Code,	
16	215 ILCS 5/129.8 (c)(1).....	22
17	215 ILCS 5/131.22.....	22
18	215 ILCS 5/136 (6)(b).....	22
19	215 ILCS 5/136 (6)(d).....	22
20	215 ILCS 5/401	21, 24
21	215 ILCS 5/401, subd. (a).....	22
22	215 ILCS 5/401, subd. (b).....	22
23	215 ILCS 5/404.....	23
24	Proposition 103	11, 14, 26
25	REGULATIONS	
26	California Code of Regulations, Title 10,	
27	§ 2644.27(f)(6)	7, 17
28	§ 2655.1.....	23

I. INTRODUCTION

The California Department of Insurance (“CDI” or “Department”) opposes the motion to compel by intervenor Consumer Watchdog (“CW”) because it seeks documents that are either irrelevant, privileged, protected by the deliberative process and/or statutorily required to be kept confidential. Instead of seeking to make its own contribution to this matter by having its actuaries analyze State Farm General’s (“SFG”) publicly filed rate applications and relevant data it obtains from SFG through discovery, CW instead wants to look at the Department’s internal communications regarding this matter. But based on important public policy considerations, codified in statute by the legislature, CDI’s internal communications and deliberations are protected from disclosure. Importantly, in its meet and confer letter filed the same day it filed this motion to compel, CW seems to admit that its overly broad discovery into CDI’s internal communications is intended not to determine information relevant to disputed facts and issues in this rate hearing, but rather to look for the theoretical existence of improper ex parte communications. However, there is no evidence that such communications exist. Given that, it is not appropriate to require CDI to undertake extensive investigation, document review, production, and privilege logging to “prove a negative” that has nothing to do with the factual matters at issue in this administrative rate hearing. Based upon all of the foregoing, CW’s motion to compel should be denied in its entirety.

II. STATEMENT OF FACTS

CW served its document production requests to the Department on June 30, 2025.¹ CDI served its responses and objections on July 30, 2025; provided amended responses and objections and produced responsive, nonprivileged documents on August 5, 2025²; and produced a privilege log on August 14, 2025.³

¹ See Declaration of Nikki McKennedy in Support of Opposition to Consumer Watchdog’s Motion to Compel Further Discovery from the Department (McKennedy Declaration), filed concurrently herewith, at ¶ 2.

² See ¶ 3 of McKennedy Declaration.

³ See ¶ 8 of McKennedy Declaration.

1 **A. CW’s Deficient Meet and Confer**

2 The relief CW seeks in its motion to compel is unclear, and it has not met and conferred
3 either in good faith or in a timely fashion.

4 **1. Following the parties’ initial meet-and-confer efforts, CDI understood**
5 **the only remaining dispute concerned Request No. 20.**

6 Per the Court’s Amended Scheduling Order issued on August 7, 2025, the last day for the
7 parties to timely meet and confer regarding the discovery responses was August 13, 2025.⁴ On
8 August 12, 2025, CW sent its first meet-and-confer letter raising issues regarding CDI’s
9 responses to its Requests No. 4, 10, 11, 15, 20, 21, 24, 26, and 27.⁵ Based upon CW’s instant
10 motion, CDI now understands CW may be moving to compel further responses to Requests No.
11 4, 5, 10, 11, 15, 20, 21, and 23. CW has *never met and conferred* with CDI *at all* regarding
12 Requests Nos. 5 and 23⁶, and CDI therefore objects to this motion to compel further responses to
13 those particular requests as premature and in bad faith.

14 Accordingly, CDI addresses those requests which it understands to be properly at issue
15 here and regarding which it has met and conferred with CW. These requests may be loosely
16 grouped into three categories:

- 17 • Requests No. 4⁷ and 15⁸ seek CDI’s internal “analysis” of various legal and
18 ratemaking issues (the “Analysis Requests”);

19
20

⁴ See ¶ 9 of McKennedy Declaration.

21 See ¶ 5 of McKennedy Declaration.

22 ⁶ CDI will meet and confer regarding these requests if directed to do so by the Court, but notes that the deadline to
23 meet and confer was August 13, 2025.

24 ⁷ Request No. 4 states: Provide all DOCUMENTS and COMMUNICATIONS RELATED TO CDI analysis,
25 interpretation, or implementation of 10 CCR § 2644.27(f)(6) and the meaning of the language contained therein,
including the phrases “protect the insurer’s solvency,” “plan to restore the financial condition,” “insurer’s condition
is restored,” and “compensate consumers for excessive charges.”

26 ⁸ Request No. 15 states: Provide all DOCUMENTS and COMMUNICATIONS, other than DOCUMENTS and
27 COMMUNICATIONS already produced by CDI or made available to the public via SERFF, RELATED TO CDI
analysis of the possible impact of the interim and final rate determinations in this matter on STATE FARM’s
financial condition over the course of the next five years.

- Requests No. 10⁹, 11¹⁰, and 21¹¹ seek documents CDI may have concerning SFG’s financial condition, including confidential communications CDI may have had with the Illinois Department of Insurance (“IDOI”), SFG’s home-state regulator (the “Illinois Requests”); and
- Request No. 20¹² seeks CDI’s internal communications between unidentified “CDI staff” and the Commissioner and/or multiple members of his executive team regarding this matter (the “Internal Communications Request”).

Counsel for the parties met and conferred virtually on August 13, 2025, regarding CDI’s responses to these discovery requests.¹³ As to the Analysis Requests, CDI’s counsel explained that requests seeking CDI’s non-public “analysis” of the various issues in this rate hearing were improper, as they call for a myriad of documents indisputably protected by the privileges afforded attorney-client communications, attorney work product, and internal deliberations, and that it would be unduly burdensome to identify the potentially responsive but privileged documents on a privilege log.

As to the Illinois Requests, CDI’s counsel explained that the Financial Surveillance Branch within the Department had responsive documents, but that these documents were all privileged and CDI was statutorily prohibited from producing them. CDI’s counsel agreed to

⁹ Request No. 10 states: Provide all COMMUNICATIONS between STATE FARM and CDI, other than COMMUNICATIONS already produced by CDI or made available to the public via SERFF, RELATED TO STATE FARM’s financial condition dated on or after June 1, 2024.

¹⁰ Request No. 11 states: Provide all DOCUMENTS RELATED TO STATE FARM’s financial condition, other than DOCUMENTS already produced by CDI or made available to the public via SERFF, dated on or after June 1, 2024.

¹¹ Request No. 21 states: Provide all COMMUNICATIONS between CDI or the Insurance Commissioner and any rating agency (e.g., Illinois Department of Insurance) RELATED TO STATE FARM and/or THIS PROCEEDING.

¹² Request No. 20 states: “Provide all COMMUNICATIONS between CDI staff and the Insurance Commissioner or executive office personnel RELATED TO THIS PROCEEDING.” “RELATED TO” was defined to mean, “constitutes, contains, embodies, comprises, reflects, identifies, states, deals with, comments on, responds to, describes, analyzes, was made by, was used to determine, was consulted by YOU or any witness YOU intend to call at the hearing on this matter, or is in any way pertinent to the subject matter described in the request.” “THIS PROCEEDING” was defined to mean “the above referenced applications: PA-2024-00011, PA-2024-00012, PA-2024-00013.”

¹³ See ¶ 6 of McKennedy Declaration.

1 provide a privilege log. As an alternative to producing these highly confidential documents,
2 CDI's counsel proposed the possibility of the parties entering into a stipulation regarding
3 undisputed facts concerning SFG's financial condition, based upon publicly available data in the
4 company's annual statements. CW's counsel did not agree to stipulate.

5 Regarding the Internal Communications Request, CDI explained that the terms "CDI
6 staff" and "executive office personnel" were unclear and that the request was overly broad, given
7 that there are approximately 1,400 employees at the Department. In responding to the request,
8 CDI had therefore interpreted the term "CDI staff" to mean the prosecutorial staff litigating this
9 rate hearing and "executive office personnel" to mean the Commissioner, and had determined
10 there were no responsive documents.

11 Following the August 13 meet-and-confer, CW sent a second meet-and-confer letter that
12 same day,¹⁴ in which it followed up *only* on Request No. 20. CDI provided its privilege log on
13 August 14, 2025, and CDI's counsel responded to CW's second letter in writing on August 15,
14 2025.¹⁵

15 Because CW's second meet-and-confer letter did not raise any additional issues or
16 respond to CDI's objections regarding any of CW's requests discussed in the parties' virtual
17 meet-and-confer on August 13, 2025, other than Request No. 20, CDI understood CW's concerns
18 regarding the other requests were resolved.

19 **2. CW's third meet-and-confer letter was untimely and in bad faith.**

20 On August 20, 2025, the same day it served and filed the instant motion to compel, CW
21 sent a third, belated meet-and-confer letter.¹⁶ In that untimely meet-and-confer letter, CW again
22 raised concerns regarding what it described as the "financial condition documents" (Requests No.
23 4, 10, 11, and 15) ("Financial Condition Requests"), asserting that CDI is required to produce
24 "responsive, non-privileged documents" and to state any "specific privileges that apply to such

25 ¹⁴ See ¶ 7 of McKennedy Declaration.

26 ¹⁵ See ¶ 9 of McKennedy Declaration.

27 ¹⁶ See ¶¶ 10 and 12 of McKennedy Declaration.

documents.”

This assertion completely ignored CDI’s actual discovery responses. They state CDI has **no** responsive, nonprivileged documents (see responses, “... the Department is currently unaware of any non-privileged documents that may be relevant and responsive to this request”). It also completely ignored CDI’s privilege log, which, as CW requested, states “any specific privileges that apply.” CDI’s privilege log lists 21 documents responsive to the Financial Condition Requests and specifically identifies applicable privileges that prevent their disclosure.

At no time did CW ever seek to meet and confer with CDI regarding its responses to Requests No. 5 and 23, but CW’s instant motion to compel now apparently seeks to require CDI to respond further to these requests. CDI strenuously objects to CW’s bad faith meet-and-confer machinations.

III. ARGUMENT

CW’s motion to compel discovery should be denied. Despite meeting and conferring, CW’s Internal Communications Request remains overly broad, vague, and ambiguous, and seeks information irrelevant to this rate proceeding. CW’s Financial Condition Requests, as counsel explained to CW during the meet-and-confer process and as detailed in CDI’s objections and privilege log, seek privileged, statutorily protected information that CDI is not permitted to disclose. CW offers no compelling reason to violate the statutory protections afforded to these documents. Otherwise, and despite diligent investigation, CDI is currently unaware of any responsive, non-privileged documents.

A. Relevant Law Relating to Discovery in Administrative Proceedings

Under the Administrative Procedure Act (“APA”), discovery in administrative proceedings is, by design, limited in scope as reflected in both its statutory history and the language of the statute itself.

During the overhaul of the APA in 1995, the California Law Revision Commission noted that the 1945 APA provided for limited discovery in administrative adjudications, and that the “extensive discovery available in civil proceedings was inappropriate for administrative adjudications,”

1 which should be “simple, quick, and inexpensive.” For that reason, the
2 Commission stated that the proposed revised APA continued the “limited
3 discovery approach” of existing law. (25 Cal.L.Rev.Comm. Reports 55,
4 116 (1995).)

5 Discovery under the APA is governed by Section 11507.6 of the Government Code. The
6 broadest category of discovery authorized by this section is subsection (e), which provides that,
7 upon written request, a party is entitled to inspect and make a copy of “[a]ny other writing or
8 thing which is relevant and which would be admissible in evidence” that is in the other party’s
9 possession, custody, or control. This is intentionally narrower than the scope of allowable
10 discovery in civil proceedings. Under the Civil Discovery Act, any party may obtain discovery
11 regarding “any matter, not privileged, that is relevant to the subject matter involved in the
12 pending action” if it is either “admissible in evidence or appears reasonably calculated to lead to
13 the discovery of admissible evidence.” (Code Civ. Proc., § 2017.010.) Thus, the APA applies
14 the narrower “admissible in evidence” standard, and does not use the Code of Civil Procedure’s
15 broader standard allowing discovery of any document that is, “reasonably calculated to lead to the
16 discovery of admissible evidence.”

17 In *RLI Ins. Co. Group v. Superior Court* (1996) 51 Cal.App.4th 415, 433–434, the court
18 recognized the “statutory mandate” in Proposition 103 rate hearings that “discovery shall be
19 liberally construed,” as set forth in Insurance Code section 1861.08, subdivision (e).¹⁷ But despite
20 this mandate, the court in *RLI Insurance* found that the trial court properly declined to compel
21 discovery of certain documents that would not “prove anything of relevance” at an insurer’s rate
22 rollback hearing. (*Id.* at 436.)

23 Relevance as the threshold requirement for discoverability is further illustrated in *Pomona*
24 *Valley Hospital Medical Center v. Superior Court* (1997) 55 Cal.App.4th 93. In *Pomona*, the

25 ¹⁷ Although 1861.08 (e) says that discovery in administrative rate hearings shall be liberally construed, it goes on to
26 say “as provided in Gov’t. Code section 11507.7”. Gov’t Code section 11507.7 limits discovery to “relevant and
27 admissible evidence”. Thus, the Insurance Code’s requirement that discovery be liberally construed is limited by
28 11507.7 which requires the discovery to be admissible. As discussed above, this is a narrower standard than the civil
code standard which allows discovery of anything that “is reasonably calculated to lead to the discovery of
admissible evidence”.

1 California Court of Appeal barred discovery of suspected agency misconduct because it was not
2 relevant to the matter at issue in the administrative hearing. (*Id.* at 105.) The court noted that
3 discovery in the writ context — which, like discovery in administrative proceedings, is more
4 limited than general civil discovery and turns on relevance — “cannot be used to go on a fishing
5 expedition looking for unknown facts to support speculative theories ... Until the moving party
6 identifies what evidence he or she seeks to discover, no determination can be made as to whether
7 the evidence is relevant.” (*Id.* at 102.)

8 **B. CW’s motion to compel Internal Communications should be denied because**
9 **the request remains overbroad, seeks irrelevant information, and seeks**
10 **documents protected by attorney work product, attorney client**
11 **communications and deliberative process privileges.**

12 **1. CW’s Internal Communications Request is impermissibly overbroad.**

13 Courts have enforced the APA’s reasonable limitations on discovery by precluding
14 discovery requests in administrative proceedings that are vague, ambiguous, and overbroad. In
15 *Romero v. California State Labor Commissioner* (1969) 276 Cal.App.2d 787, the California
16 Court of Appeal determined that the requesting party was not entitled to responses to an
17 interrogatory that required the responding party to provide the “identity ‘of all persons ... having
18 knowledge of relevant facts,’” as they were “‘shotgun’ requests ‘as broad as space.’” (*Id.* at 794.)

19 CW’s Internal Communications Request, No. 20, is also a “shotgun” request as it seeks to
20 require CDI to search the communications of the entire Department and is so overbroad as to
21 render the request unanswerable. It seeks “all COMMUNICATIONS between CDI staff and the
22 Insurance Commissioner or executive office personnel RELATED TO THIS PROCEEDING.”

23 Such a request is ridiculously unlimited. As this Court is well aware, this is a highly
24 public proceeding that frequently appears in news reports. CW itself has been in regular contact
25 with the press, and the Court has been diligent in protecting the public’s right of access to these
26 proceedings. There are approximately 1,400 Department employees, and most, if not all, of these
27 employees are likely to be aware of this proceeding because they work at the Department of
28 Insurance, and this is a very publicized insurance rate matter. Department employees may be

1 communicating with their coworkers, colleagues, and even supervisors about it. As worded,
2 CW's request apparently seeks any communications, as simple as "I saw a news article about the
3 rate hearing" – without any suggestion, let alone assurances, that this overly broad and
4 burdensome request seeks *admissible* evidence.

5 And because CW failed to define "CDI Staff" or "executive office personnel," the request
6 essentially implicates the entirety of the Department of Insurance, including the ALJ and his staff,
7 as well as his supervisor, the Deputy Commissioner of Administration and Licensing Services,
8 and the approximately 1,400 Department employees. In a good faith effort to respond to the
9 request, as CDI explained in the meet and confer, CDI interpreted "executive office personnel" to
10 mean the Commissioner and "CDI staff" to mean the CDI staff actively involved in this rate
11 hearing; however, this has been insufficient for CW. Instead, as CW met and conferred with
12 CDI, CW's definition of "executive office personnel" has been ever-changing. At the same time,
13 it has never attempted to narrow its definition of "CDI staff" from the 1,400 Department
14 employees to a subset of staff that are involved in this proceeding.

15 In its second meet and confer letter dated August 13, 2025, CW provided a broad list of 12
16 executive staff. CDI responded in writing that this list was too broad. At the last minute before
17 filing and serving its motion to compel, CW removed a mere three people from its list of
18 executives. While CDI appreciates CW's attempt to cure the overbroad nature of the request, CW
19 still lists nine executives with no showing of why they are on the list. In fact, CW listed CDI
20 executives who are clearly not substantively involved in the proceeding. For example, CW
21 demanded that CDI search the records of the Deputy Commissioner of Enforcement. A cursory
22 review of CDI's Enforcement Branch on CDI's website indicates this Deputy Commissioner
23 oversees criminal fraud investigations of insurers, brokers, agents and others (Cal. Department of
24 Insurance/About Us/About the Department/Enforcement Branch:
25 <https://www.insurance.ca.gov/0500-about-us/02-department/035-eb/index.cfm> (last visited
26 August 27, 2025).) None of that is at issue in this matter.

1 **2. CW is conducting an impermissible fishing expedition for ex parte**
2 **communications without indicating any reason to believe they exist.**

3 CW has not explained why the communications it seeks to discover are relevant to the
4 subject matter of this proceeding. Rather than addressing how the communications by and
5 between each person listed would be relevant and admissible in this proceeding, CW's motion
6 attempts to justify its overbroad Internal Communications Request (No. 20) by claiming it is
7 necessary to ferret out (nonexistent) improper ex parte communications. However, although
8 discovery is to be liberally construed in Proposition 103 rate proceedings, CW's purpose in
9 seeking to compel the Department to conduct a scorched earth search of its numerous internal
10 employee records, looking for the proverbial "needle in a haystack" that CDI has no reason to
11 believe exists, does not meet the standard for compelling further response here.

12 CW states that it "assumes there have been no such [ex-parte] communications with the
13 ALJ from any person, because if there were, the ALJ would have been required to notify
14 Consumer Watchdog and provide Consumer Watchdog an opportunity to respond." (CW motion
15 to compel, 11:21 -23.) CDI agrees with CW's assumption that there have been no ex parte
16 communications with the ALJ. The same assumption, of course, applies to the Commissioner and
17 illustrates the egregious nature of CW's fishing expedition thinly disguised as discovery. As CW
18 points out, if there is an improper ex parte communication with the Commissioner, the
19 Commissioner is required to notify all parties and give them an opportunity to respond. To be
20 clear, once again, CDI is not aware of any such improper ex parte communications.

21 **3. CW's demand for internal communications should be denied because**
22 **the only relevant documents it seeks are substantive internal**
23 **communications but they are protected from disclosure by attorney**
24 **work product, attorney client communication and deliberative process**
25 **privileges.**

26 Ex parte communications aside, CW's request No. 20 calls for all internal CDI
27 communications related to "THIS PROCEEDING." Again, there is ambiguity here as CW defines
28 "THIS PROCEEDING" as the rate applications. The broadest interpretation would include any

1 communications, substantive¹⁸ or non-substantive.¹⁹ If CW is seeking substantive
2 communications, privileges are implicated. If CW is demanding non-substantive
3 communications, relevance is implicated. With respect to substantive communications, the APA
4 states explicitly that a party is not entitled to any discovery that is privileged from disclosure by
5 law or otherwise made confidential or protected as the attorney's work product. (Gov. Code, §
6 11507.6.)

7 Two categories of privileges must be considered when determining admissibility. The
8 first is the Attorney-Client Privilege/Attorney Work Product. A client has the privilege to refuse
9 to disclose, and to prevent others from disclosing, confidential communications between the
10 client and their lawyer. This privilege can be claimed by the client, an authorized representative,
11 or the attorney, provided the client has not waived the privilege (Evid. Code section 954). The
12 definition of a protected "confidential communication" includes "a legal opinion formed." (Evid.
13 Code section 952.)

14 Corporate clients and public entities can claim the privilege. [citation] Attorney
15 communications with agents and employees of such entities may be covered by the
16 privilege. [citation] '[T]o determine whether a communication is privileged, the focus of
17 the inquiry is the dominant purpose of the relationship between the parties to the
18 communication.' (*Johnson v. Department of Transportation* (2025) 109 Cal.App.5th 917,
19 936, as modified on denial of reh'g (Apr. 1, 2025), order vacated (Apr. 4, 2025), as
20 modified on denial of reh'g (Apr. 4, 2025), review denied (June 25, 2025).)

21 The second privilege that must be considered is the Official Information/Deliberative
22 Process privilege.

23 The official information privilege and the related deliberative process privilege apply
24 specifically to confidential information maintained by the government. Under
25 longstanding common law and statutory principles, information obtained through a
26 promise of confidentiality is not subject to the right of public access when the public
27 interest would be furthered by maintaining confidentiality. [Citations.] This principle is
28 currently reflected in Evidence Code section 1040, which provides a privilege to a public
entity to refuse to disclose information acquired in confidence if 'there is a necessity for

¹⁸ Substantive communications include those involving the mental processes by which a given decision was reached, as well as the substance of conversations, discussions, debates, deliberations, and similar materials that reflect advice, opinions, and recommendations used in the formulation of government policy.

¹⁹ Non-substantive communications include ministerial communications, such as a question regarding the date of a hearing in this matter.

1 preserving the confidentiality of the information that outweighs the necessity for
2 disclosure.’ (*Sander v. State Bar of California* (2013) 58 Cal.4th 300, 325, 165
Cal.Rptr.3d 250, 314 P.3d 488.)

3 Under the deliberative process privilege, senior officials of all three branches of
4 government enjoy a qualified, limited privilege not to disclose or to be examined
5 concerning not only the mental processes by which a given decision was reached, but the
6 substance of conversations, discussions, debates, deliberations and like materials
7 reflecting advice, opinions, and recommendations by which government policy is
8 processed and formulated. [Citation.] The privilege rests on the policy of protecting the
9 decision making processes of government agencies. [Citation.] The key question in every
10 case is whether the disclosure of materials would expose an agency’s decision making
11 process in such a way as to discourage candid discussion within the agency and thereby
12 undermine the agency’s ability to perform its functions. (*Board of Registered Nursing v.*
13 *Superior Court* (2021) 59 Cal.App.5th 1011, 1040. [internal quotations omitted].)

14 CW has demanded production of all communications related to this proceeding between
15 CDI staff on the one hand and the Insurance Commissioner or executive office personnel on the
16 other hand. As of the eve of filing its motion, CW defined “executive office personnel” to
17 include:

- 18 • Ricardo Lara, Insurance Commissioner
- 19 • Michael Martinez, Chief Deputy Commissioner
- 20 • Ken Allen, Deputy Commissioner, Rate Regulation
- 21 • Tony Cignarale, Deputy Commissioner, Consumer Services and Market Conduct
- 22 • Teresa Campbell, General Counsel and Deputy Commissioner
- 23 • Michael Soller, Deputy Commissioner, Communications and Press Relations
- 24 • Lucy Wang, Special Counsel and Deputy Commissioner
- 25 • Eric Charlick, Deputy Commissioner, Enforcement
- 26 • Laurie Menchaca, Deputy Commissioner, Administration and Licensing Services

27 CW is not entitled to all substantive communications within CDI regarding this matter.
28 The attorney client privilege, protections afforded to attorney work product, and deliberative
process privilege protects most of the substantive communications from disclosure. And many
such communications simply are not relevant to the rate determination in this matter. CDI staff
and executives may have personal opinions regarding the approval of SFG’s rates, but if they are
not actually involved in this litigation as either prosecutorial staff or decisionmakers, such

1 personal opinions are not relevant. The analysis of CDI's rate regulation staff, including any
2 relevant actuarial opinions formed, will be offered to the ALJ during the hearing and the ALJ will
3 make recommendations as to the rate based on the evidence presented.²⁰ CDI is not on trial here.
4 It is SFG's burden to prove to the ALJ that the interim rate should be approved. To require CDI to
5 produce all substantive internal communications would severely hamper its ability to freely
6 exchange ideas and information, and make good policy decisions regarding its position on this or
7 any matter pending before it. Accordingly, substantive communications should be protected
8 under the deliberative process privilege. Further, requiring production of nonsubstantive
9 communications would be unduly burdensome, and they also have no relevance to this matter.

10 CW stated on the eve of filing this motion that what it is actually seeking is any improper
11 ex parte communications with the Commissioner. CDI understands this to include the
12 Commissioner's attorney, the Special Counsel. Again, CDI has already informed CW that it is
13 unaware of any nonprivileged, responsive communications between the CDI staff involved on the
14 prosecutorial side of this proceeding and the Commissioner; CDI now broadens its prior response
15 to make clear that it is similarly unaware of any nonprivileged, responsive communications
16 between the CDI prosecutorial staff and the Commissioner's Special Counsel. However, given
17 the lateness of CW's disclosure regarding what it is actually seeking with this discovery request,
18 CDI has been unable to clarify this issue further, and the breadth of CW's list of additional
19 executive office personnel whose communications it demands be searched suggests that CW is
20 seeking more than ex parte communications.

21 Moreover, CW's Request No. 20 as clarified by CW does not seek relevant evidence.

22
23 ²⁰ CW's opening brief dwells on ex parte communications and FSB internal communications as well as FSB
24 generated or collected documents that may reveal SFG's financial condition. To the extent that CW may add to their
25 argument that they are entitled to review documents reflecting CDI's "working law" as provided in *RLI Ins. Co. v.*
26 *Superior Court* (1996) 51 Cal.App.4th 415, 433-439, the case is inapposite. In *RLI*, the Court reasoned that an
27 insurer was entitled to documents reflecting any "working law" CDI had developed because it would reveal "any rule
or practice applied to analogous situations in the rollback context." Here there are no analogous situations for CDI to
rely on in analyzing, interpreting, or implementing 10 CCR §2644.27(f)(6). This is a case of first impression for CDI
and the privileges relied upon are necessary "for protecting agency deliberations in order to encourage candor" so
that CDI may take positions that support good public policy. There is no competing interest in discovering "working
law" as no working law exists.

1 There is no adjudicative decision presently before the Commissioner. Currently, this adjudicative
2 proceeding is before the ALJ. If and when the ALJ sends a proposed decision to the
3 Commissioner for adoption, rejection, or mitigation, CDI assumes the Commissioner will then
4 disclose any improper substantive ex parte communications he – or any decisional advisors who
5 may ultimately assist him in making an adjudicative decision - may have received while the
6 proceeding is pending. (Gov. Code, §§ 11430.40, 11430.50.)

7 The same is true for the ALJ, his supervising Deputy Commissioner, and his staff. This
8 adjudicative proceeding is presently pending before the ALJ. Like CW, CDI assumes that the
9 ALJ will disclose any improper substantive ex parte communications he or his staff may receive
10 while this proceeding is pending. (Gov. Code, §§ 11430.40, 11430.50.) Otherwise, all substantive
11 communications related to this matter between CDI staff that are not part of the prosecution team
12 and the Commissioner will be privileged, either as attorney-client communications or part of the
13 deliberative process. If CW seeks such substantive communications, they are unavailable as a
14 matter of law. If CW seeks nonsubstantive communications, they are not relevant and the request
15 is overly burdensome. Either way, there is no basis to compel and CW's motion should be denied.

16 CW also seeks communications between CDI staff and CDI's General Counsel and Chief
17 Deputy Commissioner. CDI's General Counsel and Chief Deputy Commissioner are supervising
18 the prosecutorial team in this matter. Thus, any substantive communications between CDI staff
19 and these two positions regarding this matter would fall under the attorney-client/attorney work
20 product and deliberative process privileges. Any demand for nonsubstantive communications
21 would be irrelevant and unduly burdensome.

22 Substantive communications regarding this matter between CDI staff and the other non-
23 attorney Deputy Commissioners, including the Deputy Commissioner of Rate Regulation, also
24 fall under the attorney-client/attorney work product and deliberative process privileges, thus
25 prohibiting disclosure of those communications. And again, CW's demand for nonsubstantive
26 communications between these groups should be considered irrelevant and denied.

27 Ultimately, requiring CDI to search for communications between any CDI staff and any

1 executives listed by CW, for all communications concerning “THIS PROCEEDING” would be
2 unduly burdensome. CW fails to explain why it believes the Deputy Commissioners of
3 Consumer Services and Market Conduct, Communications and Press Relations, Enforcement, and
4 Administration and Licensing Services would have any relevant communications with CDI staff
5 regarding this matter. Does CDI have an obligation to search the emails of every employee at
6 CDI who may have mentioned this matter? Staff includes employees of the Administrative and
7 Licensing Branch, who have questions about budgets or coding expenses for this matter. Staff
8 have been involved in security, travel arrangements, and courtroom setup for this proceeding.
9 CDI should not be required to search all communications to determine whether they are improper
10 substantive ex parte communications or protected by privilege without some showing by CW of
11 how those communications would be relevant.

12 In short, CW is conducting an impermissible fishing expedition with Request No. 20. CW
13 is essentially asking this court to rule that any time CDI staff mentions or discusses a litigation
14 matter with any executive, that communication should be discoverable in the litigation. Such a
15 ruling would cripple the CDI from an operational standpoint.

16 **C. Financial Documents - Relevant law relating to the Commissioner’s**
17 **examination authority and confidential information held by insurance**
18 **regulators**

19 **1. The Commissioner’s Examination Duties**

20 Included within the duties of the Insurance Commissioner is the duty to examine the
21 business affairs and financial condition of insurers doing business in the state.²¹ The
22 Commissioner’s exam duties are broad, including, without limitation, he is afforded “free access”
23 to “all the books and papers of the company,” and the ability to “thoroughly inspect and examine
all [the companies’] affairs.”²²

24 Within CDI, these duties are carried out through the Department’s Financial Surveillance
25

26 ²¹ See Ins. Code section 730 (a), (b).

27 ²² See Ins. Code section 733 (a), (b).

1 Branch (FSB). FSB’s mission is to assure that all insurers licensed to do business in California (as
2 well as those insurers operating on a non-admitted or surplus lines basis) maintain the financial
3 stability and viability necessary to provide the benefits and protection they have promised their
4 California policyholders.²³

5 **2. California Statutory Protections for Confidential Insurer Information**

6 In recognition of the necessity for the Commissioner, as regulator, to obtain accurate
7 information as part of his exam duties, and to promote the efficient exchange of information as
8 part of a robust and fair insurance marketplace, the legislature has codified multiple protections
9 for information discovered, disclosed or developed by the Commissioner regarding licensees.
10 Failure to uphold these privileges will “undermine the legislative scheme that encourages the flow
11 of that information to those in government who are responsible for overseeing the whole of the
12 insurance industry for benefit of the public.”²⁴ Indeed, the California Evidence Code recognizes
13 that such “official information” received in confidence by a public employee in the course of his
14 or her job duties is subject to an absolute privilege when disclosure is forbidden by a state statute.

15 Specifically, section 735.5, subdivision (c) provides “[a]ll working papers, recorded
16 information, documents, and copies thereof produced by, obtained by, or disclosed to the
17 commissioner or any other person in the course of an examination . . . shall be given confidential
18 treatment and are not subject to subpoena and shall not be made public by the commissioner or
19 any other person,” except as provided by statute. The narrow exceptions authorize information to
20 be disclosed in the commissioner’s discretion, when he deems it appropriate “in the furtherance of
21 any legal or regulatory action”; to federal and state law enforcement officials and other state or
22 country departments of insurance; and to the NAIC. Under section 1215.8, information obtained

23
24 ²³ See Cal. Dept of Insurance/About Us/About the Department/Financial Surveillance Branch:
<https://www.insurance.ca.gov/0500-about-us/02-department/040-fsb/index.cfm>. (last visited August 27, 2025).)

25
26 ²⁴ *Gallimore v. State Farm Fire & Casualty Ins. Co.* (2003) 102 Cal.App.4th 1388, 1395 n.6 [trial court’s dismissal
27 pursuant to Ins. C. § 735.5(a) in case arising from confidential materials submitted to the department in connection
with an exam].

1 and disclosed in the course of an exam or investigation and certain information mandated to be
2 reported related to insurance holding companies is further recognized as being proprietary and
3 containing trade secrets, and it shall be kept confidential, are not subject to disclosure “except to
4 insurance departments of other states” without the insurer’s consent or unless the commissioner
5 determines to do so would be in the public interest.

6 Domestic insurers are required to provide to the commissioner and file with the NAIC
7 their Risk Based Capital (RBC) Reports (§§ 739, subd. (l); 739.2) and section 739.8 expressly
8 recognizes that all RBC Reports, “to the extent the information within those reports is not
9 required to be set forth in a publicly available annual statement schedule,” and RBC Plans,
10 “including the results or report of any examination or analysis of an insurer performed pursuant to
11 those plans, and any Corrective Order issued by the commissioner,” shall be kept confidential
12 because they “constitute information that might be damaging to the insurer if made available to its
13 competitors.” Other statutes, while protecting the confidentiality of certain insurer information,
14 further require or authorize such information to be provide to other regulators and the NAIC.

15 In addition, Section 12919 provides broad protections for communications to the
16 commissioner and CDI “in respect to any fact concerning the holder of, or applicant for, any
17 certificate or license issued, and provides such communications are “in official confidence within
18 the meaning of Sections 1040 and 1041 of the Evidence Code.”

19 3. Illinois Statutory Protections for Confidential Insurer Information

20 Applicant, SFG, is domesticated in Illinois and licensed to transact business in California.
21 Per section 730, “the Commissioner, whenever he or she deems necessary, ...shall examine the
22 business and affairs of the insurer.” Similar to the California Insurance Commissioner’s powers,
23 the Illinois Director of Insurance (Director) is empowered to conduct investigations,
24 examinations, investigations and hearings necessary to enforce the insurance laws of that state.²⁵
25 Under Illinois law, “records or documents containing or disclosing any analysis, opinion,
26

27 ²⁵ See., e.g., 215 ILCS 5/401.

1 calculation, ratio, recommendation, advice, viewpoint, or estimation by any Department staff
2 regarding the financial or market condition of an insurer not otherwise made part of the public
3 record by the Director” are exempt from Illinois disclosure requirements, except as the Director
4 shall determine for good reason.²⁶ Similar to the California statutes, Illinois statutes empower the
5 Director to share such information with law enforcement, other insurance regulators and the
6 NAIC.²⁷

7 **4. The National Association of Insurance Commissioners’ Master**
8 **Information Sharing and Confidentiality Agreement**

9 Here, in furtherance of its regulatory objectives, and pursuant to statutory authority, CDI
10 has executed a NAIC Master Information Sharing and Confidentiality Agreement between CDI
11 and other participating United States insurance regulators.(“NAIC Information Sharing
12 Agreement”).²⁸ This form of agreement is part of the NAIC’s Financial Regulation Standard and
13 Accreditation Program, and it allows for participating regulators to receive otherwise confidential
14 information from other state regulatory officials, providing that those officials are required, under
15 their law, to maintain its confidentiality. The information at issue in this Motion was provided by
16 the IDOI to CDI pursuant to the terms of this NAIC Information Sharing Agreement.

17 **D. CW’s motion to compel should be denied because the documents it seeks**
18 **related to FSB are privileged and not discoverable as a matter of law**

19 Relevant provisions of the Evidence Code, Government Code, and California Code of
20 Regulations provide that information that is protected by law or privileged shall not be
21 discovered. Here, CDI has provided a privilege log specifying the 21 documents, some with
22 attachments, it is withholding pursuant to multiple codified privileges, including those set forth in
23 California Insurance Code sections 735.5, 739.8, and 12919; California Evidence Code sections

24
25 ²⁶ 215 ILCS 5/401, subd. (a).

26 ²⁷ See, e.g., 215 ILCS 5/401, subd. (b); see also 215 ILCS 5/129.8 (c)(1) [ORSA-related information]; 5/131.22
[examinations and investigations], 5/136(6)(b) and (d) [workpapers in support of Statement of Actuarial Opinion].

27 ²⁸ See ¶ 8, McKennedy Declaration.

1 1040 and 1041; and 215 Illinois Code section 5/404.²⁹ The privilege log further cites the NAIC
2 Information Sharing Agreement as an additional basis to protect the documents identified. There
3 can be no legitimate dispute that these documents are not discoverable, and on that basis alone,
4 CW's motion should be denied.

5 CW nevertheless argues CDI's privilege log "has not provided enough information in its
6 privilege log to determine whether these documents are being appropriately withheld." (See Motion,
7 p. 7.) Not so.³⁰ Section 730 provides for examination of the "business affairs" of insurers, including
8 their financial condition, and under section 735.5 these documents are absolutely privileged. Such
9 financial examinations within CDI are conducted by its FSB. The documents identified on CDI's
10 privilege log are maintained by CDI's FSB and the log clearly indicates they originated from the IDOI
11 or are communications between CDI's FSB and the IDOI and are further subject to protection under
12 Illinois law and the NAIC Information Sharing Agreement.³¹ In its privilege log, CDI provided
13 detailed document descriptions, which, in some instances, show on their face that the documents
14
15

16 ²⁹ On its face, SFG's Request recognizes documents protected by section 739.8 are not discoverable and excludes
17 these documents from the Request. (See Request No. 1 ["... This request does not include DOCUMENTS identified
18 in California Insurance Code sections 739.8(a)."] Documents 1, 1A, 2, 3, 4, 5, 5A, 6, 6A, 7, 2[sic], 21, 21A and 22
are all protected under 739.8, subdivision (a) (related to RBC Reports) (See Montgomery Decl., ¶ 3, Ex. A [privilege
log]) and the Motion should be denied as to those documents on that basis alone.

19 ³⁰ By way of example only, CDI describes one entry in detail. The log for Document 22 shows that the document is a
20 memorandum, dated March 4, 2025, from IL DOI to "All Licensed States regarding State Farm General Insurance
21 (NAIC matter #25151)." The log also identifies that the document is responsive to SFG's first document request, and
22 the log lists various California code sections providing privilege and protections for the communication, including
23 section 735.5. The requirements for listing withheld documents provides that "[w]hen a party withholds information
24 otherwise discoverable by claiming it is privileged, that party shall make the claim expressly and shall describe the
nature of the documents, communications, or things not produced or disclosed in a manner that, without revealing
information itself privileged or protected, will enable other parties to assess the applicability of the specifically
asserted privilege or protection." Regulation 2655.1(b). Here, CDI provided a detailed privilege log which complies
with Regulation 2655.1. In particular, CDI has described the nature of the document: a memo from the Illinois
Department of Insurance to all other licensed states. Other documents are similarly described in accordance with the
applicable Regulation.

25
26 ³¹ As shown on the Privilege Log, many documents originate from or are exchanged with FSB employees including
27 Laura Clements, FSB's Field Examinations Division Chief; Michelle Lo, FSB's Financial Analysis Division Chief;
Regina Inouye, Senior Insurance Examiner (Specialist); Victoria Zarata, Senior Insurance Examiner (Supervisor);
Sandy Yang, Supervising Insurance Examiner.

1 relate to the protected RBC Reports.³²

2 CW further argues, “these documents do not appear to be generated ‘in the course of an
3 examination’,” but are relevant to SFG’s financial condition and are subject to disclosure regardless
4 of where in the Department they are located.³³ But that only shows why these documents *must be*
5 unconditionally protected. The California legislature and the Illinois legislature have enacted
6 numerous confidentiality protections, and the NAIC has instituted practices to facilitate the secure and
7 efficient exchange of information between regulators; there is no basis for this Court to disrupt the
8 numerous laws protecting this information.

9 **E. The Documents CW seeks are not relevant and must remain protected under**
10 **a balancing test**

11 As set forth above, documents protected by sections 735.5, 739.8 and 1215.8 and 215
12 Illinois Code section 5/401 are subject to absolute protection and cannot be ordered disclosed.³⁴
13 Accordingly, those documents must be protected regardless of their relevance, or lack thereof.

14 However, in the alternative, even if no statutory protection applies, the documents must
15 remain confidential under a balancing test, because the public interest in preserving
16 confidentiality outweighs the necessity for disclosure.³⁵ Absent a statutory prohibition on
17 disclosure, application of the official information privilege involves the Court weighing the
18 competing interests of confidentiality versus disclosure,³⁶ and a court should preclude disclosure
19 as against the public interest where “there is a necessity for preserving the confidentiality of the
20 information that outweighs the necessity for disclosure in the interest of justice”³⁷ The Court
21 retains wide discretion to protect against the disclosure of information that might unduly violate a

22
23 ³² See, ¶ 8, McKennedy Declaration, Ex. 6 attaching CDI’s privilege log. See Docs. 5A, 6A, 21A; *see also* § 739.8.

24 ³³ See Motion at p.P. 7, 10.

25 ³⁴ See also Evid. Code, § 1040, subd. (a).

26 ³⁵ See Evid. Code, § 1040, subd. (b)(2); *see also* § 12919.

27 ³⁶ See *County of Orange v. Superior Court of Orange County* (2000) 79 Cal.App.4th 759, 763.

28 ³⁷ *Id.*; *see also*, Evid. Code, § 1040, subd. (b)(2).

legitimate governmental interest.³⁸

1. The important public interest in maintaining the confidentiality of regulator-only documents outweighs any interest in disclosure

Here, the Illinois Department of Insurance has sought leave to enter a special appearance to oppose efforts to compel its confidential information from CDI. As discussed herein, the ability for regulators to engage in candid examination and to freely exchange information among other regulators without jeopardizing the confidentiality of that information is essential to regulation of the insurance marketplace. Insurance is regulated by the states, but oversight depends heavily on the ability of individual state regulators to share sensitive financial and supervisory information across jurisdictions without fear of later disclosure. If the Court were to compel production here, that could have a chilling effect on the ability of regulators to share information. There is no stretch of the imagination required to understand how an insurer could gain advantage by prematurely learning confidential information derived from the exam process or a regulator's observations or conclusions. However, the balancing of interests under section 1040 "does not license fishing trips," and there is no basis for CW to obtain the information sought.

2. The documents have limited probative value

In addition, CW cannot establish the documents have sufficient relevance here. While SFG's financial condition is relevant, that is not the end of the inquiry, and SFG has not shown reasons for the disclosure of these documents that outweigh the important public interest in maintaining confidentiality.

SFG has placed its financial condition at issue in this hearing by requesting "Variance 6" – an increase from the maximum permitted earned premium under regular ratemaking formulas. Under Variance 6, an insurer may seek an increase over the maximum earned premium allowable under the ratemaking formulas if its "financial condition is such" that the premium should be increased to "protect the insurer's solvency." When seeking an increase under Variance 6, the

³⁸ *People v. Superior Court (Barrett)* (2000) 80 Cal.App.4th 1305.

insurer's application "shall" include, among other requirements, a showing of the insurer's financial condition "based on generally accepted standards such as the [NAIC] Regulatory Information System" and a plan to restore the applicant's financial condition. Applicant SFG bears the burden of proof to establish the rates it seeks are justified and lawful pursuant to the provisions of Proposition 103.

While CDI does not dispute that Illinois, as SFG's home-state regulator, has authority to regulate the solvency of the company, a solvency determination is not the same as the Commissioner's authority to determine whether an applicant has made the requisite showing for a rate application. Indeed, Proposition 103, adopted by the voters in 1988 not only set forth the prior approval process for rate applications in California under section 1861.05, but also made the Commissioner an elected position. To suggest Illinois's determination is dispositive of a California ratemaking determination runs contrary to the voters' intent to guard against unfairly discriminatory and excessive rates and to vest power with an elected official. Allowing an out-of-state regulator's determination as to a company's financial condition to dictate whether an insurer qualifies for Variance 6 would undermine California's statutory framework and strip the Commissioner of the authority vested exclusively in the office by the voters and Legislature.

Moreover, information relating to SFG's financial condition is clearly within SFG's possession, custody and control and SFG cannot shirk its burden to establish its entitlement to Variance 6 by relying on confidential regulator-only documents. Because SFG's financial condition is based on its own records, there is no justification for breaching CDI's (and IDOI's) statutory and evidentiary privileges. Indeed, SFG has numerous alternative avenues to demonstrate its financial condition without intruding into protected regulator-to-regulator communications. SFG itself holds the most direct and complete evidence of its financial health. Its statutory financial statements and annual and quarterly filings all provide ample data from which its solvency can be assessed. These documents are prepared and certified by SFG and are available for regulatory review and hearing purposes without any need to compel privileged material. SFG's financial condition is also documented in its public filings, including financial

1 statements submitted to the NAIC, public-facing disclosures, and actuarial memoranda supporting
2 its filings. These sources supply the very evidence CW seeks from CDI and are accessible
3 without intruding upon privileged communications. SFG may also retain and present expert
4 testimony regarding its financial condition.

5 **IV. CONCLUSION**

6 For the foregoing reasons, CW's motion to compel should be denied.

7
8 Dated: September 5, 2025

CALIFORNIA DEPARTMENT OF INSURANCE

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10 

11 By

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