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10 **BEFORE THE INSURANCE COMMISSIONER**
11
12 **OF THE STATE OF CALIFORNIA**

13 In the Matter of the Rate Application of
14
15 STATE FARM GENERAL INSURANCE
COMPANY,
16
17 Applicant.

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

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22 **CDI AND SFG'S JOINT STATEMENT OF**
23 **REMAINING DISCOVERY ISSUES**

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25 Hearing Date: October 29, 2025
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1 Per the Court's October 9, 2025 AMENDED SCHEDULING ORDER, The California
2 Department of Insurance ("CDI") and State Farm General Insurance Company ("SFG") hereby
3 submit this JOINT STATEMENT OF REMAINING DISCOVERY ISSUES.

4 **PROCEDURAL HISTORY**

5 On July 21, 2025, CDI served SFG with REQUEST FOR DISCOVERY – SET TWO,
6 including Request No. 48 ("Request 48"), which sought information on SFG's nonrenewal
7 program. On August 5, 2025, SFG produced documents, but CDI asserted the production was
8 deficient. CDI met and conferred multiple times with SFG but the parties were unable to resolve
9 their dispute, and so on August 20, 2025, CDI moved to compel SFG to provide a full response to
10 Request 48.¹ On September 16, 2025, ALJ Seligman held a hearing on, *inter alia*, CDI's motion
11 to compel. During the hearing, CDI submitted on the tentative, but the ALJ ordered the parties to
12 meet and confer further.

13 Subsequent to the September 16th hearing, and at the ALJ's direction, the parties continued
14 to meet and confer. On October 15, 2025, SFG agreed to provide some responsive documents via
15 SERFF. On October 16, 2025, SFG submitted such responsive documents in rule filing 24-651,
16 but not in the instant rate applications. Since CDI sought discovery in this rate hearing and moved
17 to compel as part of the instant rate applications, and because the ALJ does not have jurisdiction
18 over rule filing no. 24-651, which has not been noticed for hearing, CDI reported in its October
19 17, 2025 NOTICE OF TOTAL IMPASSE AND REQUEST FOR FINAL RULING WITHOUT
20 FURTHER HEARING ON CDI'S MOTION TO COMPEL DISCOVERY FROM STATE
21 FARM GENERAL that no additional responsive documents had been submitted in the rate
22 applications that are the subject of this rate hearing. But even if the documents had been
23 submitted in the rate applications, they do not satisfy Request 48.

24 **REMAINING DISCOVERY ISSUES**

25 Request 48 remains at issue, which is re-stated here:

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28 ¹ CDI incorporates by reference the contents of its motion to compel as though fully set
forth herein.

1 Provide any and all DATA, DOCUMENTS, and/or CALCULATIONS which explain the
2 rate impact resulting from APPLICANT's nonrenewal program beginning in March 2024
3 as identified in APPLICANT's rule filings 24-651 and 24-652, including:

4 a. An alternative indication that appropriately adjusts for the non-renewal
5 program that began in March 2024 and excludes data from policies nonrenewed
6 since March 2024;
7 b. The total number of policies nonrenewed since March 2024 by ZIP Code; and
8 c. Specific details of the risks that were non-renewed as part of the nonrenewal
9 program that began in March 2024 and the objective underwriting criteria that
10 detail the risk profiles that are no longer eligible.

11 **CDI's POSITION:**

12 CDI seeks specific information in Request 48 regarding SFG's March 2024 nonrenewal
13 program in order to calculate the estimated rate impact, if any, of such nonrenewals. This is in
14 accordance with the Commissioner's Interim Rate Order, the Notice of Hearing, as well as
15 Proposition 103's mandate that no insurer shall change its rates without the Commissioner's prior
16 approval.² To date, SFG has provided some, but not all, of the specified nonrenewal information
17 that CDI has repeatedly requested. The following is a detailed description of the outstanding
18 information that CDI has explained to SFG through the meet and confer process that CDI requires
19 in response to Request 48:

- 20 1. Outputs from each vendor model (latest versions) used for the underwriting guidelines in
21 order to help CDI determine on what basis SFG is non-renewing policies.
- 22 2. Calculations demonstrating how the outputs from different vendor models were combined,
23 converted into scores, and ranked, including step-by-step calculations as well as the actual
24 calculation and resulting value used to derive the "average expected contribution."³
- 25 3. An explanation of how the management decision to pursue a 30% reduction in extreme
26 outcome risk translated into the multiplier factor of 8.2, which serves as the non-renewal
27 threshold.
- 28 4. The rationale behind the management decision to target a 30% reduction in extreme
29 outcome risk. Supporting analysis may include metrics such as in-force and target loss
30 ratios, pure premium, etc.
- 31 5. The calculation used to translate the removal of 1% of insured exposure into a 30%
32 reduction in catastrophe risk.
- 33 6. The complete model checklist for all vendor models, specifically for the versions used in
34 the newly implemented underwriting guidelines, based on SFG's usage, understanding,
35 and testing of each model.

2 ² Cal. Ins. Code § 1861.05(a).

3 ³ All calculations should be provided in an Excel file, with formulas intact.

1 7. Calculations and support for the rate impact resulting from non-renewals which ties
2 directly back to the risks that were non-renewed. These calculations should not use
3 information from prior filings which use older models and outdated data. These
4 calculations should look at the data in the current filing and adjust the rate indication
5 accordingly.

6 CDI seeks the documents and information above in order to determine what risks are being
7 non-renewed and the resulting rate impact, if any, of SFG's March 2024 non-renewal program
8 and the SFG's ongoing non-renewals. SFG has asserted there is no rate impact resulting from its
9 nonrenewal program; Request 48 simply seeks the documentation that supports this assertion.
10 SFG bears the burden of proving there is no rate impact from the nonrenewal program. The
11 information sought by Request 48 is a critical component of CDI's actuarial review; without the
12 requested information SFG likely cannot meet their burden to show that the requested rate is not
13 excessive, inadequate or unfairly discriminatory. If SFG does not meet its burden, CDI may be
14 required to recommend against adopting the interim rate as a final rate, and SFG will owe
15 refunds. Further, without the requested information, CDI actuaries will be unable to complete
16 their rate analysis and CDI witnesses will be forced to submit incomplete pre-filed direct
17 testimony and/or make assumptions regarding the presumed significant rate impact of the
18 nonrenewal program, to the detriment of SFG.

19 SFG's rate application is not complete without the filing of all underwriting guidelines.
20 (See, 10 CCR 2648.4). Any reliance by SFG upon the 2018 CDI General Counsel opinion letter
21 for a definition of underwriting guidelines is outdated.

22 **SFG'S POSITION:**

23 **GENERAL RESPONSE:** State Farm General has negotiated, and agrees to continue
24 negotiating, with CDI regarding calculations and information requests, submitted as SERFF
25 objections, on the subject matter of this Request. Outside of Discovery, State Farm General
26 wishes to respond to CDI to support CDI's ability to reach conclusions necessary to develop
27 indications on each of State Farm General's filings. That said, State Farm General has nothing
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1 further to produce within the confines of APA discovery, and the parameters of this Request, as a
2 Response to Request Number 48.

3 Specifically, CDI has now stated that it needs model output, responses to model
4 questionnaires, and other model detail to determine rate impact of the block non-renewal. As a
5 threshold matter, neither Request Number 48 nor CDI's motion to compel requests this model
6 information. Such information is not within the scope of Request Number 48, and CDI should
7 not be permitted to reframe its request at this late date through a joint statement. Although State
8 Farm General has repeatedly requested to meet with CDI's actuaries to discuss the information
9 CDI lists in the Joint Statement (recognizing that information as requested through SERFF, not as
10 within the scope of Request No. 48), CDI's actuaries have been unable to meet with State Farm
11 General, so the parties' actuaries have not had an opportunity to discuss this list, or what
12 information CDI believes it would get from it, above what State Farm General has produced, that
13 would bear on rate impact.

14 Putting that fundamental issue aside, State Farm General has already provided detail
15 showing that the non-renewals had no rate impact. It provided that data at a granular level,
16 showing *projected losses removed* and *premiums foregone* as a result of the block non-renewal.
17 That is, State Farm General showed that when its projected losses were reduced by non-renewing
18 policies, the amount of premiums State Farm General collected was also reduced. Because
19 policies with a greater risk of loss are charged more to account for that greater risk of loss,
20 eliminating policies with a higher risk of loss eliminates both the potential losses **and** the
21 additional premium charged for those higher risk policies. This means there is no rate impact
22 from the non-renewals. State Farm General has shown this with the GRID data provided to CDI,
23 as explained further below.

24 This outcome is not surprising, and is in fact *mandated by California law*. **Rate approval**
25 covers the overall amount of premium calculated as necessary to cover insured risks statewide,
26 **and also** the rate differentials (or “relativities”) used to charge higher risk policies more, and
27 lower risk policies less. This concept is explained by California’s First Appellate District Court
28 in *Spanish Speaking Citizens Foundation, Inc. v. Low*, 85 Cal. App. 4th 1179, 1186-92 (2001).

1 State Farm General’s rates were approved in File No. 23-613, at the end of December 2023.
2 Approximately three months later, State Farm submitted its rule filing for the block non-renewal
3 (filing 24-651, filed March 20, 2024), which is the subject of RFP 48. As explained, State Farm
4 General submitted detail showing both the reduction in projected losses, and the reduction in
5 premium due to non-renewal of higher risk policies. **As a matter of law, the premiums charged**
6 **for those higher risk policies presumptively accurately reflect the higher risk of loss,**
7 **because the rates (including the rate differentials accounting for different levels of risk)**
8 **were approved in State Farm General Filing No. 23-613.** *See State Farm General Ins. Co. v.*
9 *Lara*, 71 Cal. App. 4th 148, 191 (2021) (insurers must charge approved rates and Commissioner
10 may not question validity of approved rates by retrospectively seeking to change them); *Davis v.*
11 *CSAA Insurance Exchange*, 114 Cal. App. 5th 121 (2025); *see also* May 10, 2024 Order Denying
12 Consumer Watchdog’s Petition for Hearing in PA-2024-00005 (Filing No. 24-426), Exhibit A to
13 Swope Declaration, p. 3. (denying Consumer Watchdog’s Request for Hearing on “hardened
14 home discount” compliance filing because models used in that filing were already approved in
15 prior filing).

16 That is, State Farm General has provided CDI with all detail necessary to evaluate the rate
17 impact of the block non-renewal.

18 CDI contends it needs model output and multiple additional details to assess rate impact.
19 State Farm General has asked **why**, and **how** does that trade secret information, part of State Farm
20 General’s implementation of its RBC Plan (not rates), possibly affects the rate impact calculation.
21 CDI refuses to respond. CDI thus has not met its burden on this motion to compel, where it is
22 required to explain how the documents it now requests—which are nowhere mentioned in CDI’s
23 Motion to Compel—are in fact responsive to Request 48.

24 As State Farm General explains below, it has no responsive documents for each subpart of
25 Request 48, and the motion to compel should thus be denied.

26 **RESPONSE TO SUBPART a:** *(For convenience, the request is “An alternative*
27 *indication that appropriately adjusts for the non-renewal program that began in March 2024 and*
28 *excludes data from policies non-renewed since March 2024.”)*

1 State Farm General did submit an indication, in its rate application currently at-issue herein,
2 appropriately taking into account the block non-renewal program. The block non-renewal
3 program was submitted in Application No. 24-651, pursuant to State Farm General’s RBC Plan.⁴
4 *See Declaration of Adam Swope ¶¶ 3-4.* There is no indication submitted in filing 24-651 because
5 that filing is a rule filing and the block non-renewal had no rate impact. The block non-renewal
6 program in 24-652 eliminated State Farm General’s apartment business, which is not a subject of
7 any of the three applications at issue here. State Farm General has also made various submissions
8 in SERFF, including on October 16, 2025, showing detail underlying its calculation of rate
9 impact. State Farm General will produce that SERFF submission as a Discovery document.

10 There is no further response, because Government Code § 11507.6 does not entitle a party
11 to call for new calculations that do not already exist. This is an independent and sufficient basis
12 to deny CDI’s motion to compel. Moreover, State Farm General has submitted significant detail
13 supporting its calculation, and does not agree that some “alternative indication” would
14 “appropriately adjust[]” for its RBC Plan block non-renewal. Under state law, State Farm
15 General cannot disclose details of its RBC Plan. As noted, State Farm General will continue to
16 cooperate informally with CDI, but as no “alternative indication” exists, State Farm General has
17 nothing to produce.

18 **RESPONSE TO SUBPART b:** *(For convenience, the request is “The total number of
19 policies nonrenewed since March 2024 by ZIP Code.”)*

20 Exhibit 18 to Filing No. 24-651, filed in SERFF as part of that 3/20/2024 application,
21 identifies the number of policies by ZIP Code to be non-renewed. State Farm General
22 subsequently determined it would suspend non-renewals in all of Los Angeles County following

23 ⁴ Importantly, State Farm General is precluded by statute from disclosing its RBC Plan.
24 *See CIC § 739.8(a), (b); 215 ILCS 5/35A-50.* State Farm General takes this statutory requirement
25 seriously, as it must. To the extent State Farm General is bound by California law to make filings
26 to accomplish the obligations of the RBC Plan, State Farm General interprets the law as
27 permitting a non-specific disclosure of a connection to the RBC Plan to explain the existence of
28 the filing. Any other interpretation would create an intolerable “Catch 22” where an insurer
cannot even disclose to a market regulator why it must take action it has committed to take to its
solvency regulator, and, further, cannot disclose that material is part of an RBC Plan in order to
identify the statutory prohibition on disclosing it. In this discovery response, State Farm General
makes only that very general representation necessitated by a practical construction of the
statute(s), without disclosing anything stated in its RBC Plan.

1 the LA Fires. State Farm General also suspended non-renewals in ZIP Codes in which other
2 wildfire moratoriums were declared. State Farm General submits that the current information it
3 has submitted to CDI is sufficient to determine the total number of nonrenewed policies by ZIP
4 code. However, for CDI's convenience, State Farm General will provide an updated list as
5 modified by the suspensions. Other than as modified in response to wildfires, the non-renewals
6 have been completed. There is no basis for CDI's motion to compel on this Subpart b, as State
7 Farm General has already provided the requested information, and has agreed to further produce
8 the requested information, which it hopes to complete prior to the hearing on this motion.

9 **RESPONSE TO SUBPART c:** *(For convenience, the request is “Specific details of the*
10 *risks that were non-renewed as part of the nonrenewal program that began in March 2024 and*
11 *the objective underwriting criteria that detail the risk profiles that are no longer eligible.”)*

12 The antecedent for each subpart of request 48 is “any and all DATA, DOCUMENTS,
13 and/or CALCULATIONS which explain the rate impact resulting from APPLICANT’s
14 nonrenewal program beginning in March 2024 as identified in APPLICANT’s rule filings 24-651
15 and 24-652” (emphasis added). There is nothing to compel on this request, because as
16 State Farm General has explained, the non-renewals had no rate impact. State Farm General has
17 no documents showing that the non-renewals impacted its rate request, because such documents
18 do not exist. This is an independent and sufficient basis to deny this portion of the motion to
19 compel.

20 State Farm General believes it has fully complied with this request, moreover, outside of
21 the formal APA discovery process, by providing information unobtainable through APA
22 discovery through SERFF. Specifically, State Farm General has explained that it made the
23 business decision to reduce its dollars of risk at the 1/250 PML level by 30%. “PML” stands for
24 Probable Maximum Loss. “1/250” refers to a catastrophic event calculated as likely to occur in 1
25 out of every 250 years. “PML” and various “PML” levels are used in the industry, among other
26 things, by reinsurers considering whether to contract for reinsurance and at what price, and by
27 financial strength ratings agencies evaluating an insurer’s financial strength. The block non-

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1 renewal constitutes a solvency measure in which State Farm General engaged to avoid further
2 deterioration of its financial condition.

3 While this request 48c extends beyond the bounds of permitted APA discovery, State Farm
4 General has disclosed substantial information to CDI regarding the block non-renewal and its
5 ***lack of rate impact***. Specifically, State Farm General has explained that the block non-renewal
6 considered risks throughout the state—not simply high-risk areas—and addressed risks at a
7 multiple of 8.2 of the average risk in the state, which equates to the 30% reduction in the 1/250
8 PML determined to be appropriate for solvency reasons. State Farm General has provided
9 analyses and data, through SERFF, showing contribution to projected losses (including,
10 separately, catastrophe losses), and contribution to premium, at the detailed GRID level (there are
11 430,000 GRID cells in California). *See* Declaration of Adam Swope ¶ 8. This is hundreds of
12 thousands of data points that State Farm General has provided to CDI to show that there is no rate
13 impact. The ***rate impact*** of non-renewals must include both impact on losses and impact on
14 premium collected. Assuming accurate rate differentials (or rate relativities), the reduced losses
15 should balance to the reduced premiums. The detail State Farm General provided shows that they
16 do.

17 The State Farm General block non-renewal is not comparable to programs introduced by
18 other, different insurers to cease writing in high wildfire risk areas as a part of ongoing California
19 operations. State Farm General has never taken such a step, and the block non-renewal is not
20 such a step. Over the course of the last several years, State Farm General (1) ceased writing new
21 policies in certain areas (while continuing to write policies for existing policyholders—no non-
22 renewals); (2) in March, 2023, ceased writing new business in the State of California; and, then,
23 (3) in March, 2024, instituted its block non-renewal program. State Farm General did not, as a
24 part of the block non-renewal program, adopt any rules or guidelines affecting prospective
25 business, existing or new.

26 That is, State Farm General has not adopted any “underwriting guidelines” within the
27 meaning of the definition of “underwriting guidelines” set forth in a CDI General Counsel letter
28 dated August 10, 2018. *See* Letter dated August 10, 2018, signed by Kenneth Schnoll as General

1 Counsel of the California Department of Insurance, attached to Declaration of Vanessa Wells.
2 This General Counsel letter establishes what “underwriting rules” the Commissioner expects
3 insurers to submit in connection with rate applications. It defines “underwriting rules” as:

4 An “underwriting rule” for purposes of this legal opinion shall mean any rule or
5 factor used by an insurer in the process of examining, accepting or rejecting
6 insurance risks, and classifying those risks selected in order to charge the proper
7 premium for each. “Underwriting rules” shall also include, but not be limited to,
8 the “eligibility guidelines” insurers must maintain pursuant to 10 CCR section
9 2360.2. [footnote] Because underwriting rules determine the types of risks to be
10 insured and the types of coverages to be offered, underwriting rules must be
11 analyzed in connection with the rate review process to evaluate the reasonableness
12 of the proposed rate in relation to the specific risks to be insured and coverages to
13 be offered to determine whether such rates are excessive, inadequate, or unfairly
14 discriminatory. (Ins. Code § 1861.05(a))

15 The structure developed to guide State Farm General’s one-time block renewal does not
16 meet this definition. It does not address “the types of risks to be insured and the types of
17 coverages to be offered.” It covers a one-time block non-renewal to reduce solvency risk. It
18 determines nothing on a going forward basis. Existing risks not part of the block non-renewal are
19 not subject to the block non-renewal parameters as a future event. The block non-renewal has no
20 impact on future risks. Should State Farm General open for new business, the block non-renewal
21 has no impact: an opening to new business would be controlled by underwriting rules focused on
22 that event, and subject to review.

23 That is to say, State Farm General has provided CDI with extensive and complete
24 information on the subject matter of this request. With respect to information responsive to this
25 request as stated, and as confined by Government Code § 11507.6, there is nothing further to
26 produce.

1 Further, the block non-renewal is part of State Farm General’s RBC Plan. The details of
2 that Plan are confidential and inadmissible, under both California and Illinois law. *See* footnote
3 1.

4 Information related to State Farm General’s models, moreover, is confidential and trade
5 secret, as explained in the Second Declaration of Heather Pierce, filed on October 22, 2025. To
6 the extent CDI is asking State Farm General to produce trade secret information, it must meet the
7 requirements of *Bridgestone/Firestone, Inc. v. Superior Ct.*, 7 Cal.App.4th 1384 (1992). Under
8 that decision, this Court may order disclosure of trade secret documents only if CDI meets its
9 burden to show that the documents are “directly relevant to a material element of a cause of
10 action” and that CDI would be “unfairly disadvantaged” by a lack of disclosure, and only after the
11 Court has conducted a balancing that weighs “the protection afforded the holder of the privilege”
12 and “any less intrusive alternatives to disclosure proposed by the parties.” *Id.* at 1392-93
13 (emphasis added).

14 CDI has not demonstrated that Request Number 48 seeks the information CDI now
15 describes in the joint statement, much less that this information is relevant to a material element
16 of CDI’s case and that CDI will be unfairly disadvantaged if it does not obtain these highly
17 confidential documents. The burden on State Farm General of production, in contrast, is extreme.
18 Model output information (and other model-related information) is among the most confidential
19 information at State Farm General, because it will allow competitors to determine how best to
20 compete with State Farm General in California. Moreover, State Farm General is *not permitted to*
21 *disclose its RBC Plan* under state law. Given the significant data already produced to CDI
22 showing that the non-renewals had no rate impact, the fact that the non-renewals are required to
23 have no rate impact as a matter of California law, the prohibition on State Farm General sharing
24 information about its RBC Plan, and the extreme competitive harm to State Farm General from
25 disclosure of this information, CDI has not demonstrated its entitlement to production of the
26 documents it seeks. If the Court were to require production of this information, at a minimum, it
27 should do so under an effective protective order that does not permit public disclosure of this
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1 trade secret information. State Farm General expressly requests a protective order to the extent it
2 is required to produce trade secret information to CDI under this request.

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4 Respectfully submitted,

5 DATED: October 22, 2025

/s/ Daniel Wade

6 Daniel Wade
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9 Attorney for the CALIFORNIA
10 DEPARTMENT OF INSURANCE
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13 DATED: October 22, 2025

/s/ Vanessa Wells

14 Vanessa Wells
15 Hogan Lovells US LLP
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18 Attorney for STATE FARM GENERAL
19 INSURANCE COMPANY
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