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BEFORE THE INSURANCE COMMISSIONER

OF THE STATE OF CALIFORNIA

In the Matter of the Rate Application of STATE FARM GENERAL INSURANCE COMPANY, Applicant.	File Nos. PA-2024-00011, PA-2024-00012, PA-2024-00013 **CDI's MOTION TO STRIKE PORTIONS OF STATE FARM GENERAL'S WITNESSES' PRE-FILED DIRECT TESTIMONY** Hearing Date: December 10, 2025

I. INTRODUCTION

The California Department of Insurance ("CDI") objects to and moves for an order striking portions of the pre-filed direct testimony of witnesses provided by Applicant State Farm General Insurance Company ("SFG"), and exhibits thereto, and further moves for an order precluding SFG from adducing evidence at hearing that attempts to relitigate the regulatory formula or that pertains to the risk-based capital of insurers, which was previously excluded. CDI makes this Motion pursuant to California Code of Regulations, title 10 ("10 CCR"), section 2655.6(b), which allows a party to move to strike all or part of any pre-filed direct testimony, and Government Code section 11512, which permits the Court to rule upon the "admission and exclusion of

evidence." SFG's witnesses' pre-filed direct testimony includes instances where SFG seeks to relitigate provisions of the applicable prior approval regulations, as well as orders previously issued by the Court in this matter. (10 CCR § 2646.4(c).) Additionally, some of SFG's witnesses present irrelevant or unnecessarily cumulative testimony that will require the undue consumption of time at hearing. (Gov. Code, § 11513(f); 10 CCR § 2654.1(c).) Finally, some of SFG's witnesses lack foundation to testify, or offer unsupported hearsay or improper legal opinion on certain issues, resulting in unreliable evidence. (See Gov. Code, § 11513(c), (d).) Accordingly, CDI requests that this Court strike all such improper testimony from SFG's witnesses pre-filed direct testimony and exclude improper evidence from the hearing in this matter.

II. IMPERMISSIBLE TESTIMONY AND EVIDENCE SHOULD BE EXCLUDED

CDI primarily moves to strike and exclude testimony and evidence by SFG's witnesses that is relitigation; is unnecessarily cumulative and will require the undue consumption of time at hearing; lacks foundation; consists of improper legal opinion; consists of impermissible hearsay; or is otherwise irrelevant.

A. Relitigation of Matters Already Determined by the Ratemaking Formula or by Prior Order of this Court Is Impermissible

The relitigation bar found at 10 CCR section 2646.4(c) prohibits SFG and its witnesses from challenging the regulatory ratemaking formula or the Court's prior orders in this forum.

Under 10 CCR § 2646.4(b), the purpose of a hearing on a pending rate application is to determine whether: "(1) the insurer has properly applied the statute and these regulations" in determining the rate; or (2) any variance should be applied to adjust the rate. But, "[r]elitigation in a hearing on an individual insurer's rates of a matter already determined either by these regulations or by a generic determination *is out of order and shall not be permitted*." (10 CCR § 2646.4(c) (emphasis added).) The California Supreme Court previously upheld the relitigation bar for ratemaking purposes:

> [T]he effect of the "relitigation bar" is unobjectionable. In adjudication, the judge applies declared law; he does not entertain the question whether its underlying premises are sound. That is as it should be. Otherwise, standardless, ad hoc decisionmaking would result. Similarly, in quasi-adjudicatory proceedings, the

> administrative law judge applies adopted regulations; he does not entertain the question whether their underlying premises are sound. That is also as it should be, and for the same reason.
>
> (*20th Century Ins. Co. v. Garamendi* (1994) 8 Cal.4th 216, 312.)

Here, based on its witnesses' pre-filed direct testimony, SFG seeks to relitigate parts of the ratemaking formula and the factors used to determine whether a variance should be applied to adjust the rate. But such relitigation "shall not be permitted," and CDI moves to strike and exclude testimony and evidence by SFG's witnesses concerning the premises underlying the ratemaking regulations, including argument that SFG should not be subject to the regulations or deserves special treatment not provided for in the regulations.

Additionally, in the Proposed Decision Approving Stipulation that was adopted by the Commissioner on May 13, 2025, this Court excluded all evidence pertaining to risk-based capital for insurers ("RBC") and struck all express references to RBC from the record. To the extent SFG is attempting to relitigate this Court's prior order excluding RBC evidence from this administrative hearing, any witnesses' pre-filed direct testimony referencing RBC should be stricken.

Accordingly, this administrative hearing is not the appropriate venue for SFG to challenge the ratemaking regulations or their underlying rationale, or orders previously issued by this Court.

B. The Court Should Eliminate Irrelevant and Unnecessarily Cumulative Evidence to Avoid Undue Consumption of Time

As a threshold issue, only relevant evidence is admissible at hearing. (Gov. Code, § 11513(c); Evid. Code, § 350.) "Relevant evidence" is evidence "having any tendency in reason to prove or disprove any *disputed fact that is of consequence to the determination of the action*." (Evid. Code, § 210 (emphasis added).)

Duplicative testimony should be excluded as irrelevant and necessitating the undue consumption of time. (Gov. Code, § 11513(f).) This Court is authorized to "limit the number of witnesses, the time for testimony upon a particular issue, and use other procedures in order to avoid unnecessarily cumulative evidence or the undue consumption of time." (10 CCR § 2654.1(c).)

Portions of SFG's witnesses' testimony focus on irrelevant issues that are not in dispute.

Portions of the testimony are also duplicative. Such testimony is inadmissible and should be stricken. Accordingly, CDI moves to strike and exclude any and all such unnecessarily cumulative and irrelevant evidence, in order to expedite this hearing process.

C. The Court Should Prohibit Witnesses from Testifying Without Laying a Foundation of Personal or Expert Knowledge

There are also instances where SFG's witnesses proffer testimony without laying the proper foundation, and/or without personal knowledge. (Evid. Code, §§ 702, 720, 801.) CDI objects to the admissibility of and moves to strike such evidence where it is unreliable. (See Gov. Code, § 11513(c).)

D. Legal Argument Is Not Admissible Testimony

An expert may not testify about issues of law or draw legal conclusions, nor may an expert expound on how the law should apply to a particular set of facts. (Evid. Code, § 801; *Nevarrez v. San Marino Skilled Nursing & Wellness Ctr., LLC* (2013) 221 Cal.App.4th 102, 122.) "The manner in which the law should apply to particular facts is a legal question and is not subject to expert opinion." (*Downer v. Bramet* (1984) 152 Cal.App.3d 837, 841.) Such legal arguments and conclusions should be reserved for a party's legal brief. (See *Roundy's Inc. v. N.L.R.B.* (7th Cir. 2012) 674 F.3d 638, 648.)

E. The Court Should Prohibit Unsupported Hearsay

Government Code section 11513(d) provides, "Hearsay evidence may be used for the purpose of supplementing or explaining other evidence but over timely objection shall not be sufficient in itself to support a finding unless it would be admissible over objection in civil actions." SFG has not supplemented or explained hearsay testimony with other evidence. Therefore, such testimony must be stricken.

III. SPECIFIC PAGES AND LINES OF OBJECTIONABLE TESTIMONY THAT SHOULD BE EXCLUDED

Pursuant to 10 CCR section 2655.6 and California Government Code section 11512, which permits the Court to rule upon the "admission and exclusion of evidence," CDI objects to, and moves to strike, the specific pages and lines of the Pre-Filed Direct Testimony of SFG's

witnesses and exhibits identified in the table below, based upon the specified grounds and authority:

SFG WITNESS	TESTIMONY TO BE STRICKEN	GROUNDS FOR STRIKING
BRYON EHRHART	Paragraphs 23-27, 31, 33-34; 9:6-10:25, 11:17-21, 12:8-20. ("23. I am aware that Consumer Watchdog has opposed State Farm General's Request for Emergency Interim Rate Approval, in part, because it believes that State Farm General's diminishing surplus is the result of "overpaying for reinsurance purchased from its parent company." Consumer Watchdog's Response to Proposed Stipulation for Emergency Interim Rate Approval (Feb. 7, 2025); see also Consumer Watchdog's preliminary response in opposition to State Farm General Insurance Company's Letter Request for Emergency Interim Rate Increase Approvals (Feb. 5, 2025). I also have reviewed Consumer Watchdog's Objections to CDI's and State Farm's Two Way Stipulation To Interim Rate, as well as the Declaration of Benjamin A. Armstrong in support of those objections. 24. The objections submitted by Consumer Watchdog (CW) and Mr. Armstrong's declaration (collectively, the "Objections") contain several allegations about State Farm General's reinsurance program that I believe to be incorrect and inconsistent with both the facts of State Farm General's reinsurance program and with the realities of the reinsurance market. 25. First, the Objections contend that State Farm General purchased too much reinsurance. This is not consistent with State Farm General's high catastrophe reinsurance retentions. As described in paragraphs 21 and 22, State Farm General has retained catastrophe losses of 25% of policyholder surplus, as opposed to other similar insurers that generally retain 3% to 10%, which means State Farm General purchases less reinsurance than other similar insurers. In fact, State Farm General's catastrophe retentions have led State Farm General to	**Prohibited Re-litigation per 10 CCR §2646.4(c), Irrelevant**. In these sections, Ehrhart cites to and addresses CW's objections raised in (1) CW's opposition to SFG's Request for Emergency Interim Rate Approval, and (2) CW's Preliminary Response in Opposition to SFG's Letter Request for Emergency Interim Rate Approval. But these objections and issues to which Ehrhart responds have already been resolved because SFG's Emergency Interim Rate was approved at the Interim Rate Hearing. Thus, references to these objections and filings re SFG's Interim Rate were previously litigated and thus are prohibited relitigation and also irrelevant.

SFG WITNESS	TESTIMONY TO BE STRICKEN	GROUNDS FOR STRIKING
	purchase certain additional reinsurance to protect against the risk of, for example, retaining more than one and a half catastrophe reinsurance retentions per year. These so-called aggregate reinsurance programs were also purchased from State Farm General's parent (State Farm Mutual) or other of its affiliates at costs well below the prices State Farm General could have negotiated in the unaffiliated reinsurance market. 26. The Objections suggesting that State Farm purchased too much reinsurance also ignore the changing nature of catastrophe claims exposure. Every year, State Farm General estimates its probable maximum loss (PML) from wildfires, fires following earthquakes, and earthquake damage from shaking structures through the use of both its own historical loss experience and vendor models for each of these sources of catastrophe losses. These historical and modeled loss event outcomes are studied in ranges, with probabilities of occurrence assigned to each event, and, when studied as a collective group of ascendingly larger events, a probability of non-exceedance can be determined. 27. State Farm General's modeled PMLs have been increasing dramatically over the years. Rising catastrophe claims exposure thus has required State Farm General to place progressively larger reinsurance limits each year, rising to $8.9 billion in 2024. These reinsurance limits are the largest in the California market exposed to wildfire risk, fire following earthquake, and earthquake (risk taken by State Farm General that the California Earthquake Authority is unauthorized to insure). State Farm General's increased reinsurance limits do not reflect that it is purchasing too much reinsurance, as the Objections contend. Rather, to the contrary, State Farm General has needed to place increasing amounts of reinsurance limits because it is facing rising catastrophe exposure.") ("31. The Objections also state that State Farm General paid too much for the	

SFG WITNESS	TESTIMONY TO BE STRICKEN	GROUNDS FOR STRIKING
	reinsurance it purchased from affiliated reinsurers. This criticism is unsupported. Based on my experience and regular market discussions, there is very little appetite in the reinsurance market for additional capacity for any California wildfire exposed limit anywhere near the prices State Fann General has been able to attain from its affiliated and unaffiliated reinsurers.") ("33. Thus, statements within the Objections that State Farm General has paid too much for its reinsurance program are not supported by comparing the costs State Farm actually has paid over the period from 2015 to 2024 to the costs it would have been required to pay to place the same limits in the unaffiliated reinsurance market. In my view, the reason that State Farm General has been able to place the overall catastrophe reinsurance program at costs lower than the unaffiliated reinsurance market rates is due to its ownership by SFMAIC. Thus, State Farm General benefitted very materially from placing the majority of its reinsurance with affiliated reinsurers. 34. The Objections also state that the State Farm General reinsurance programs have provided little to no benefit to State Farm General. This assertion is inconsistent with the benefits the reinsurance program provides State Farm General, inconsistent with the general purpose of reinsurance, and inconsistent with the workings of the reinsurance marketplace.")	

SFG WITNESS	TESTIMONY TO BE STRICKEN	GROUNDS FOR STRIKING
	Paragraphs 35-39; 12:21-14:15. ("35. I have studied and have personal knowledge of State Farm General's reinsurance programs over the 2015 to 2024 period. During the 2015 to 2024 period, these annual reinsurance programs have provided material benefit to State Farm General, above and beyond the benefits previously discussed. 36. My study included a close look at the impact of the 2017 and 2018 California wildfires on State Farm General's financial statements. My study shows that for both the 2017 and 2018 accident years State Farm General benefitted materially from the existence of the 2017 and 2018 catastrophe reinsurance programs, respectively. To be specific, my review demonstrated that, for the 2017 accident year, State Farm General benefited from an initial cession to reinsurers of $1.8 billion in losses and loss adjustment expenses from the 2017 fires when the December 31, 2017 financial statements were filed with various departments of insurance, including the California Department of lnsurance. Specifically, during 2017, State Farm General suffered a then record of $4.9 billion gross (direct) accident year losses and loss adjustment expenses - an amount that was reduced by $1.8 billion, the amount of risk State Farm General ceded to its reinsurers. This $1.8 billion reduction was a substantial benefit to State Farm General. 37. At the beginning of 2017 State Farm General had policyholder surplus of $4.1 billion. If these reinsurance programs had not been in place, then the policyholder surplus reduction on the 2017 financial statements would have been material - likely more than 40%. In 2018, the gross (direct) loss estimates for the 2017 accident year, a portion of which being attributable to the 2017 fires, were reduced by over $1.1 billion, to approximately $3.8 billion, because the fire damage fortunately turned out to be less than initially estimated. But even at this lower $3.8 billion estimate of the losses, the catastrophe reinsurance program	**Irrelevant**. In these sections, Ehrhart focuses primarily on the effect of the 2017-2018 California wildfires on SFG's reinsurance rates for purposes of the Interim Rate Hearing. But again, what happened 7-8 years ago in terms of SFG's reinsurance rates -- as they apply to the Interim Rate Hearing determination -- is irrelevant to SFG's current rate determination.

SFG WITNESS	TESTIMONY TO BE STRICKEN	GROUNDS FOR STRIKING
	still provided $1 billion of benefit to the company, or about 31 % of its policyholder surplus - a very material benefit. In 2019, the gross (direct) loss estimates for the 2017 accident year, which again, were attributable in part to the 2017 fires, were reduced again by over $0.1 billion ($100,000,000) because the fire damage was thankfully even less than initially re-estimated in 2018. But even at this lower estimate of the losses the catastrophe reinsurance program still provided $0.9 billion ($900,000,000) of benefit to the company, or about 36% of its policyholder surplus - remaining a very material benefit to State Farm General. 38. In 2020, large subrogation recoveries reduced State Farm General's 2017 accident year gross (direct) losses by $0.9 billion to approximately $2.8 billion and reduced the ceded losses by $0.7 billion to $0.2 billion. ($200,000,000). Even then, when I looked at the 2017 accident year re-estimated through the end of 2024, the catastrophe reinsurance program for 2017 provided continuing benefits of $0.139 billion ($139,000,000). CW and Mr. Armstrong's analysis misses these important financial statement and economic benefits provided through State Farm General's reinsurance contracts. To be clear, State Farm General' s reinsurers took the risk that material ($0.9 billion in this case) subrogation benefits might not be available for the 2017 fires and paid losses to State Farm General before the subrogation settlements monies became available to the company. 39. I also studied the 2018 accident year and also found that State Farm General materially benefitted from the 2018 catastrophe reinsurance program. The initial estimate of State Farm General's 2018 gross (direct) accident year losses, including the 2018 California wildfires, was $2.9 billion, and these losses were offset by $0.3 billion of cessions to reinsurers. The ability to recover approximately $300,000,000 - over 10% of the gross (direct) loss - is a material benefit. Through 2020 and 2021 subrogation settlements reduced the estimated 2018 gross (direct) accident year losses by $0.5+ billion	

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	to $2.1 billion and reduced the ceded losses by $0.25 billion ($250,000,000). Again, State Farm General's reinsurers took the risk that material subrogation benefits might not be available for the 2018 fires and paid losses to State Farm General before the subrogation settlements monies became available to the company.")	
BRETT HOROFF	Paragraph 2, 4:1-18; Paragraph 1, 22: 14-18; Paragraph 2, pages 22-30, Paragraph 1, 38: 6-8, 12. All testimony regarding use of geometric weighting of historical CAT Ratios in calculating the CAT Factor not in compliance with matter No. PA-2015-00004 ("11-7-16 SFG Precedential Rate Order").	**Prohibited Re-litigation per 10 CCR §2646.4(c).** This witness attempts to relitigate the use of the geometric average weighting approach for catastrophe load in a manner that is inconsistent with the 11-7-16 Order in matter No. PA-2015-00004 ("SFG Precedential Rate Order").
HEATHER PIERCE	Paragraph 8; 3:3-7. ("State Farm General relies on its premiums, investment income, reserves, policyholder surplus, and reinsurance to provide sufficient resources to protect its policyholders by (i) paying their non-catastrophe and catastrophe claims and (ii) maintaining its financial strength, as measured both by the Illinois Department of Insurance using Risk-Based Capital (RBC) ratios (which essentially measure State Farm General's surplus…")	**Violation of prior order/ Prohibited Re-litigation per 10 CCR §2646.4(c)**. The testimony effectively violates the ALJ's Proposed Decision issued on May 12, 2025 ("Prior Order"), which was adopted by the Commissioner on May 13, 2025. This testimony attempts to re-litigate or indirectly reintroduce an issue expressly resolved by the ALJ's Prior Order prohibiting the introduction of evidence related to the RBC ratio. On page 20 of the Prior Order, the ALJ

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		granted the Motion to Exclude Evidence Regarding Rate Based Capital *(RBC)* Evidence. **Irrelevant**. Because RBC evidence has been excluded, any such reference and underlying information related to the RBC is irrelevant. (Gov. Code, § 11513 (b).) **Lack of Foundation**. Any opinion relying on excluded RBC concepts or data, lacks proper foundation.
	Paragraph 13; 4:25-26. ("As noted, a key component of State Farm General's ability to pay policyholder claims and to maintain (i) adequate RBC ratios for the Illinois Department of Insuranceadd	**Violation of prior order/ Prohibited Re-litigation per 10 CCR §2646.4(c).** The testimony effectively violates the ALJ's Proposed Decision issued on May 12, 2025 ("Prior Order"), which was adopted by the Commissioner on May 13, 2025. This testimony attempts to re-litigate or indirectly reintroduce an issue expressly resolved by the ALJ's Prior Order prohibiting the introduction of evidence related to the RBC ratio. On page 20 of the Prior Order, the ALJ granted the Motion to Exclude Evidence Regarding Rate Based Capital *(RBC)* Evidence. **Irrelevant**. Because RBC evidence has been excluded, any such reference and underlying information related to the RBC is irrelevant. (Gov. Code, §

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		11513 (b).) **Lack of Foundation**. Any opinion relying on excluded RBC concepts or data, and even if it is just a sentence, lacks proper foundation.
WESLIE SAWYER	Paragraphs 21-30; 7:13-8:26. ("21. My responsibilities include working with State Farm General's solvency regulator with respect to solvency filings. State Farm General's solvency regulator is the Illinois Department of Insurance, because State Farm General is domiciled in Illinois. 22. The NAIC has adopted Model Laws which provide a uniform structure for solvency regulation across all states. Certain of the Model Laws must be adopted in substantially similar form to the Model Law for a jurisdiction to be and remain "accredited," such that the state is recognized as adequately ensuring solvency of insurers domiciled in that state. Such Model Laws include the HCA, which I noted above (Model Law #440), and the Risk-Based Capital for Insurers Model Act (#312). Both Illinois and California have adopted their versions of these Model Laws. I am not an attorney, and I do not know the specific sections of Illinois or California law. For my purposes as an insurance professional responsible for compliance with certain solvency standards, I use and refer to the Model Act (meaning, in this case, #312), and I understand its purposes. 23. The Model Act identifies four levels of solvency concern applicable to insurance companies. 24. "Company Action Level Event" is a defined term in the NAIC Model Act. It is one of four graduating levels of solvency concern. At the "Company Action Level Event," an insurer is required to submit a Plan to the solvency regulator demonstrating how the insurer intends to eliminate the	**Prohibited by prior order/ Prohibited Re-litigation per 10 CCR §2646.4(c)**. Testimony regarding RBC is prohibited by the ALJ's Proposed Decision issued on May 12, 2025 ("Prior Order"), which was adopted by the Commissioner on May 13, 2025. This testimony attempts to re-litigate or indirectly reintroduce an issue expressly resolved by the ALJ's Prior Order prohibiting the introduction of evidence related to the RBC ratio. On page 20 of the Prior Order, the ALJ granted the Motion to Exclude Evidence Regarding Rate Based Capital *(RBC)* Evidence. **Irrelevant**. Because RBC evidence has been excluded, any such reference and underlying information related to the RBC is irrelevant. (Gov. Code, § 11513 (b).) **Lack of Foundation**. Any opinion relying on excluded RBC concepts or data, lacks proper foundation.

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	event. 25. The next level (in order of increasing concern) is called a "Regulatory Action Level Event." At this level, the regulator may conduct an intensive examination of the company, reviewing the company's books and records, and may impose elements of a Plan the regulator deems necessary. 26. The following level is labeled the "Authorized Control Level Event." At this level of solvency concern, the regulator is authorized to seize control of the company. 27. The final level is called the "Mandatory Control Level Event." At this level of concern, the regulator is required to take control of the company. 28. The data that is used to assess these levels of concern is only available annually, in alignment with the Annual Financial Statement timing. Consequently, an assessment of an insurer's financial condition for 2023 (for example), is made in early 2024. 29. State Farm General was assessed as at the "Company Action Level" for 2023 (assessment in early 2024) and for 2024 (assessment made in early 2025). For 2024, State Farm General was only 0.24% above the Regulatory Control Level. 30. Based on the solvency regulator's assessments, State Farm General has been required to submit Plans to the regulator explaining State Farm General's proposals to address status as experiencing a "company level action event. State Farm General is not permitted to disclose these Plans.")	
	Paragraph 30; 8:25-26. State Farm General is not permitted to disclose these Plans.	**Improper legal conclusion.** This witness is not an attorney and is not qualified to make legal conclusions.

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ADAM SWOPE	Paragraph 59, 17: 5-8. ("In State Farm General's previous homeowner's rate case, PA-2015-00004, the Commissioner rejected the use of trending methodologies, such as those used with noncatastrophe losses. The Commissioner, however, allowed "geometric weighting" of annual catastrophe losses to allow for a changing mix of business.")	**Improper Legal Argument/ Prohibited Re-litigation per 10 CCR §2646.4(c).** This witness attempts to relitigate the use of the geometric average weighting approach for catastrophe load in a manner that is inconsistent with the 11-7-16 SFG Precedential Rate Order in CDI matter No. PA-2015-00004.
	Paragraph 67; 18:21-23. ("67. The parameters for the block non-renewal were chosen based on the contribution to the overall risk profile of the company. While the non-renewed policies were generally in areas that are above average for wildfire risk, that was not the basis for the selection of the policies.")	**Lack of Foundation**. CDI objects that Mr. Swope's testimony does not describe the facts or materials that provide an adequate basis for determining the reasons and decisions made by SFG to nonrenew policies. Mr. Swope has not testified that he knows the basis for selection of the policies. **Hearsay.** This testimony does not indicate that SFG's decision to nonrenew and the basis for making that decision was made by Mr. Swope. Mr. Swope has not testified that he has personal knowledge of the basis for selection of the policies.
	Paragraphs 66, 68; 18:18-20, 18:24-26. ("66. Starting in July of 2024, State Farm General began a non-renewal process for approximately 30,000 personal lines policies, with approximately 29,000 of them in Non-Tenant Homeowners. This was filed back in March of 2024 (CDI filing #24-651).") ("68. At the time of the filing, State Farm General determined that the non-renewals would not have a material rate impact. This was supported in the block non-renewal filing (a rule filing, CDI filing 24-651).")	**Lack of Foundation**. This testimony refers to a CDI filing not in evidence. The witness does not cite the exhibit.

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GEORGE ZANJANI	Paragraph 70; 26:23-27:2. ("Thus, the evidence suggests…)	**Lack of Foundation.** Witness does not state to what "evidence" he refers. Witness states an opinion based on prior testimony without any citations to record evidence or PDT exhibits.
	Paragraph 74; 27:23-27 ("74. The rate regulations permit a variance for leverage (Variance 3) that allows a successful applicant to apply a factor of 0.85 to the leverage ratio mandated by the regulation. This variance does not require the applicant to invoke Variances 6 or 9. Thus, an insurer's leverage could be as low as 0.85 x 1.0295 = 0.875075 if a company were successful in requesting this variance.")	**Irrelevant.** Variance 3 is not relevant to this hearing.
	Paragraph 81; 29:6-7. ("It is evident that SFG is in a weak financial condition and, thus, meets the prerequisite for Variance 6.")	**Improper Legal Argument. Lack of Foundation**. Witness has not analyzed the specific requirements of the regulation; witness is making a general statement about SFG's financial condition that amounts to improper legal argument. Witness is not an attorney.
	Paragraph 82; 29:12-18. ("I believe the rate is inadequate (*in the confiscatory sense*) for the particular case of SFG, whose successful operation requires costly activities – specifically, significant reinsurance and/or recapitalization – that are not covered by the maximum permitted rate…Thus, *from an economic perspective*, I believe the requirements of Variance 9, as I understand them, are met.")	**Improper Legal Argument.** Witness states a belief that *the rate is inadequate in the confiscatory sense* within the meaning of Variance 9 – a question of law and fact. Witness is not an attorney. **Irrelevant.** It is not relevant whether the witness believes the requirements of Variance 9 are met *from an economic perspective*. Variance 9 is a question of law and fact. **Prohibited Re-litigation per**

SFG WITNESS	TESTIMONY TO BE STRICKEN	GROUNDS FOR STRIKING
		10 CCR §2646.4(c). Witness attempts to relitigate the fact that reinsurance costs are not accounted for in the regulatory formula. Reinsurance costs are not a factor in determining whether to apply a variance.
	Paragraph 83; 29:23-24. ("SFG *as an economic matter* should be entitled to Variance 6 and Variance 9.")	**Irrelevant/Prohibited Re-litigation per 10 CCR §2646.4(c).** The witness's opinion that SFG is entitled to variances as an economic matter is irrelevant. Whether to apply a variance is a question of law and fact based on the factors set forth in the regulations.
	Paragraph 94; 33:8-12. ("Thus, viewed from the perspective of SFG's *particular situation of an undiversified standalone property insurer*, as well as through the lens of California's rate regulation at the time of SFG's filing—which, in the particular case of SFG, did not provide for sufficient risk-bearing capital to withstand catastrophes such as the fires of 2025, the requested variance of a 0.50 leverage ratio is reasonable.")	**Prohibited Re-litigation per 10 CCR §2646.4(c)**. Witness attempts to create an exception to the rate formula when the regulatory formula properly makes generic determinations and applies a consistent methodology. *See 20th Century Ins. Co. v. Garamendi* (1994) 8 Cal.4th 216, 312.
	Paragraphs 115-116; 43:1-15. ("115. The combined margin for the net cost of reinsurance and profit often runs well above 10 percent in Homeowners rate filings in catastrophe prone states. The recent Homeowners hearing in North Carolina in late 2024 provides a particularly illustrative example. In that rate hearing in which I testified, the North Carolina Rate Bureau (NCRB) had filed for a profit load	**Irrelevant**. It is not relevant to a California rate hearing what average reinsurance costs are in another state or nationally. **Hearsay**. Witness quotes another expert witness in another proceeding. **Prohibited Re-litigation per 10 CCR §2646.4(c).** Witness attempts to relitigate

SFG WITNESS	TESTIMONY TO BE STRICKEN	GROUNDS FOR STRIKING
	of 9.0 percent and a net cost of reinsurance of about 23 percent, for a combined load of about 32 percent. Also in that hearing, Mr. Schwartz, serving as an expert retained by the North Carolina Department of Insurance (NCDOI), advocated instead for a 15 percent net cost of reinsurance—calculated on the basis of national data, rather than anything specific to North Carolina—and a 4 percent profit load, for a total 19 percent combined load for those two components. 116. Importantly, Mr. Schwartz's calculation of the net cost of reinsurance in North Carolina, as previously noted, was not specific to North Carolina and was based on national figures for Homeowners reinsurance. Thus, even setting underwriting profit aside, the total margin in the rate that was proposed by Mr. Schwartz—based on national figures, as are a number of the parameters in California's rate regulation—was 15 percent, well above the 9.3 percent being proposed by SFG.")	the fact that reinsurance costs are not accounted for in the regulatory formula. Reinsurance costs are not a factor in determining whether to apply variances.
Duplicative Testimony	The Pierce Testimony at paragraphs 14 and 15 is duplicative of the Ehrhart Testimony at paragraphs 16 and 17.	CDI objects to and moves to strike the duplicative portions of this testimony[1] because its admission will cause "unnecessary delay" and "necessitate the undue consumption of time." (10 CCR § 2654.1(b); Gov. Code, § 11513(f).) This Court "may limit the number of witnesses, the time for testimony upon a particular issue, and use other procedures in order to avoid unnecessarily cumulative evidence or the undue consumption of time." (10 CCR § 2654.1(c).)
	The Pierce Testimony at paragraph 22 is	Same objections.

[1] CDI does not move to strike all portions of both witnesses' duplicative testimony, but instead requests that Applicant provide one witness' testimony on each issue.

SFG WITNESS	TESTIMONY TO BE STRICKEN	GROUNDS FOR STRIKING
	duplicative of the Ehrhart Testimony at paragraph 32; 11:22-27, 12:1-5.	
	The Pierce Testimony at paragraphs 23-27; 9:1-27, 10:1-19, is duplicative of the Ehrhart Testimony at paragraphs 36-39; 13:1-27, 14:1-15.	Same objections.
	The Pierce Testimony at paragraphs 29-30; 11:12-27, 12:1-3, is duplicative of the Ehrhart Testimony at paragraphs 13 and 14.	Same objections.

IV. CONCLUSION

For the reasons set forth above, CDI objects to and moves to strike portions of SFG's witnesses' pre-filed direct testimony, and all referenced exhibits. CDI further moves for an order precluding SFG from submitting other evidence or testimony on these improper issues at hearing in this matter. (Gov. Code, § 11512; 10 CCR § 2655.6(b).)

Certain SFG witnesses proffer testimony regarding risk-based capital and incorporating reinsurance costs into both the ratemaking formula and determining the applicability of variances. All such argument is prohibited under the relitigation bar, and all evidence and testimony in support of such argument should be stricken as impermissible relitigation and irrelevant. (10 CCR § 2646.4(c).)

Additionally, some of SFG's witnesses offer unnecessarily duplicative or cumulative testimony that will cause undue delay and necessitate the undue consumption of time at the hearing, or hearsay testimony lacking appropriate corroboration. (Gov. Code, § 11513(c), (d), (f); 10 CCR § 2654.1(b), (c).) CDI also asserts other appropriate objections to SFG's proposed testimony where the testimony is irrelevant or the witness lacks foundation, lacks personal knowledge, and/or expresses improper legal argument or legal conclusion. (Evid. Code, §§ 210, 350, 702, 720, 801.)

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For the foregoing reasons, CDI objects to and moves to strike the inadmissible portions of the pre-filed direct testimony of SFG's witnesses.

Dated: November 24, 2025

Jennifer McCune

JENNIFER MCCUNE
Attorney
California Department of Insurance

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 1901 Harrison Street, 4th Floor, Oakland, CA 94612. On November 24, 2025, I served the following document(s):

CDI's MOTION TO STRIKE PORTIONS OF SFG's WITNESSES' PRE-FILED DIRECT TESTIMONY

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 Oakland, 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 Oakland, 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 Oakland, California. I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Cecilia Padua
Cecilia Padua

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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)

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