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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 **ORDER ADOPTING PROPOSED DECISION APPROVING STIPULATION, ADDITIONAL AGREEMENT AND ORDER WITH MINOR CHANGES**

This Order Adopting Proposed Decision Approving Stipulation, Additional Agreement and Order represents the culmination of an extensive process involving three rate applications filed by State Farm General Insurance Company ("SFG") in June and July 2024: 1) 24-1271/PA-2024-00011: Homeowners Non-Tenant policies, 2) 24-1273/PA-2024-00012: Overall Renter/Condo Tenant policies, and 3) 24-1330/PA 2024-00013: Rental Dwelling policies. In August and September 2024, Consumer Watchdog filed petitions to intervene in each of these three applications, and those petitions were granted.

The relevant history for the applications is as follows:

On February 3, 2025, SFG submitted a request for an emergency interim rate approval.

On February 7, 2025, SFG and the California Department of Insurance ("Department") entered into a stipulation to an interim rate. On February 14, 2025, I sent a letter to SFG, copy to Consumer Watchdog and the Department, asking SFG questions about its emergency interim rate request. On February 25, 2025, SFG responded to those questions.

On February 26, 2025 and March 11, 2025, I held conferences with SFG, Consumer Watchdog and the Department (the "Parties") concerning the emergency interim rate request. The March 11, 2025 conference addressed proposed resolution.

On March 14, 2025, I issued an order on the interim rate request which required the Department to issue a notice of hearing and provisionally granted emergency interim rates, subject to a hearing on April 8, 2025 and a proposed decision. The hearing was held by Administrative Law Judge Karl-Frederic J. Seligman's ("ALJ") on April 8-10, 2025. Following review of the facts, findings and conclusions of the ALJ's Proposed Decision, I adopted the Proposed Decision on May 13, 2025.

On December 2, 2025, pursuant to the Parties' request, the ALJ issued an order suspending the proceedings to allow the Parties an opportunity to focus on settlement.

On March 6, 2026, the Parties, entered into a Stipulation and Request for Proposed Decision and Order re Rate Application. On the same day, SFG and Consumer Watchdog entered into an Additional Agreement.

On May 7, 2026, the ALJ issued a Proposed Decision Approving Stipulation, Additional Agreement and Order ("Proposed Decision"). I received the Proposed Decision on May 8, 2026 and, have duly considered the facts, findings and conclusions set forth in the Proposed Decision.

Now, pursuant to Cal Code of Regulations, Title 10, section 2656.1, *et seq.*, and Government Code section 11517, *et seq*., pursuant to my duties as Commissioner of the Department of Insurance for the State of California, which includes protection of the integrity of the insurance market, and its current and future policyholders, in the interests of safeguarding the solvency of California's insurance market and access to insurance by policyholders, **IT IS ORDERED** that the attached Proposed Decision approving the Proposed Interim Rate Stipulation is **ADOPTED WITH MINOR CHANGES** to reflect the following clarifications which do not affect the factual or legal basis of the Proposed Decision:

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1. The date from which refunds and interest are due for all forms covered by the Proposed Stipulation for the Interim Rate Period is June 1, 2025, and ending when the rate changes stipulated to are put into effect by State Farm.

2. The references in the Section 1 to Paragraphs O, P and Q are changed to refer to Paragraphs P, Q and R.

Other than these minor changes, this Order does not make findings on issues unaddressed by the May 7, 2026 Proposed Decision, including the continuation of certain policies and the potential issue of unfair discrimination within the meaning of Insurance Code sections 1858 or 1861.05(a).

DATED: July 23, 2026

By: ____________________________
RICARDO LARA
Insurance Commissioner

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BEFORE THE INSURANCE COMMISSIONER

OF THE STATE OF CALIFORNIA

In the Matter of the Rate Applications of STATE FARM GENERAL INSURANCE COMPANY, Applicant.	File Nos. PA-2024-00011, PA-2024-00012, PA-2024-00013 **PROPOSED DECISION APPROVING STIPULATION, ADDITIONAL AGREEMENT AND ORDER**[1]

APPEARANCES

Hogan Lovells US LLP for State Farm General Insurance Company,
by Attorney Vanessa Wells, Attorney Katherine Wellington, Attorney Michael M. Maddigan, and Attorney Christine Wang;

The California Department of Insurance,
by Attorney Nikki S. McKennedy, Attorney Jennifer McCune, and Attorney Lisbeth Landsman-Smith;

Consumer Watchdog,
by Attorney Pamela M. Pressley, Attorney William Pletcher, Attorney Harvey Rosenfield, Attorney Benjamin Powell, Attorney Ryan Mellino, and associating with Attorney Christina Tusan and Attorney Adrian Barnes of Tusan Law, PC.

Before Karl-Fredric J. Seligman, Administrative Law Judge, Administrative Hearing Bureau.

[1] This Order is issued under Cal. Code Regs. tit. 10, § 2656.1, which governs the submission, review, and approval of settlements in rate proceedings.

INTRODUCTION[2]

This Proposed Decision arises from a prior-approval rate proceeding under the Insurance Code,[3] which requires insurers to obtain regulatory approval of proposed rates before they take effect.[4] Specifically, the proceeding concerns the premiums that State Farm General Insurance Company (SFG, State Farm, or Applicant) seeks to charge in several lines of insurance, as set out in the following applications:[5]

1. **File No. 24-1271 / PA-2024-00011:** Homeowners Non-Tenant (HO-3) policies.
2. **File No. 24-1273 / PA-2024-00012:** Overall Renter/Condo Tenant policies.
3. **File No. 24-1330 / PA-2024-00013:** Rental Dwelling policies.

On May 13, 2025, the Commissioner adopted the ALJ's previous Proposed Decision in this case, which approved the *Stipulation to Interim Rate Subject to Refunds with Interest Pending a Final Determination of the Legality of the Rate*. That Proposed Decision followed an April 2025 formal in-person evidentiary hearing on objections raised by intervenor Consumer Watchdog (CW, Watchdog, or Intervenor)[6] to the emergency interim rate request (Interim Rate Hearing).[7]

The parties subsequently engaged in several months of discovery and contested motion practice in preparation for a full evidentiary rate hearing on the Applications.

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[2] The procedural history included reflects only the salient events leading to the settlement. It is not a comprehensive account of every event or filing in the record. As is customary in legal proceedings, the terminology used preserves the words, phrases, and characterizations appearing in the original materials. Certain entries may be described in general terms (for example, "letter" or "correspondence") when the record did not provide more specific characterizations or when summarizing.

[3] Ins. Code, §§ 1861.01, subd. (c), 1861.05; Cal. Code Regs., tit. 10, § 2644.1; *Amwest Surety Ins. Co. v. Wilson* (1995) 11 Cal.4th 1243, 1259.

[4] Proposition 103 was enacted by the voters on November 8, 1988. Among other things, it established a method for the regulation of insurance rates consisting of a rate rollback period and "a permanent regulatory regime comprising the 'prior approval' system." (*20th Century Ins. Co.* v. *Garamendi* (1994) 9 Cal.4th 216, 243, 252, 288-289.) Its rate regulation provisions are found in the Insurance Code, commencing with section 1861.01.

[5] Hereinafter, these applications shall be collectively referred to as the "Applications."

[6] Ins. Code, § 1861.10, subd. (a); Cal. Code Regs., tit. 10, § 2662.2, subd. (a).

[7] Cal. Code Regs., tit. 10, § 2656.1, subd. (g).

These preliminary matters proved heavily contested and presented exceptionally difficult questions from both legal and practical perspectives. The law-and-motion phase required the parties to address, among others, advanced issues involving intellectual property, potential conflicts with insurance law, foreign-law considerations, novel factual circumstances, and nuanced legal positions that also implicated questions of first impression. Much of the most time and resource consuming law and motion work centered on disputes over whether certain information was subject to only a conditional release, permanently precluded from public disclosure, even at later stages of case adjudication, or inaccessible to a party altogether. State Farm argued that the business value of certain materials and information was significant and that it would pursue interlocutory appeals, if necessary, to protect them. In addition, the parties acknowledged that a full trial on the merits was not expected to be any less complex or resource-consuming than the extensive law-and-motion phase that preceded it. In crafting and updating the Scheduling Order, the anticipated administrative trial time for the full evidentiary rate hearing was fairly estimated in the range of up to four weeks.

At the parties' request, the ALJ issued an order on December 2, 2025, suspending traditional adjudication to allow the parties an opportunity to focus on settlement. The ALJ conducted a status conference on January 28, 2026, at which the parties reported that they had not yet reached an understanding but wished to continue their efforts. Accordingly, the ALJ kept the suspension in effect. A second status conference was held on February 17, 2026, but the case remained unresolved, and the parties again expressed a desire to continue working toward a voluntary resolution. The ALJ therefore maintained the suspension. At the third status conference convened to review the parties' settlement efforts, held February 27, 2026, the parties informed the ALJ that they had reached a settlement in principle. Accordingly, the ALJ kept the suspension in effect pending the filing of a formal written settlement agreement.

On March 9, 2026, the parties filed[8] their *Stipulation and Request for Proposed Decision re Rate Applications* (*Proposed Stipulation*). The agreed-upon overall rate changes are as follows:

1. **+17%** for the non-tenant Homeowners policy form;
2. **+8.9%** for the Tenant policy forms, consisting of **+15.65%** for the renters policy form and **+5.8%** for the condominium unit-owners policy form; and
3. **+32.8%** for the rental-dwelling policy form.

Upon the Commissioner's order adopting this Proposed Decision approving the *Proposed Stipulation* Applicant will implement this rate change with an effective date of June 1, 2025, in accordance with the terms of the *Proposed Stipulation* itself, and the required updated Applications. The incremental rate increase for the renters policy form over the emergency interim rate will take effect on July 1, 2026, or as soon thereafter as it may be implemented.

For the condominium unit-owners policy form, the parties agree that SFG will issue refunds to policyholders equal to the difference between the stipulated rate of +5.8% and the emergency interim rate of +15%, plus interest at 10%.

For the rental-dwelling policy form, the parties agree that SFG will issue refunds to policyholders for premiums paid during the Interim Rate Period equal to the difference between the stipulated rate of +32.8% and the emergency interim rate of +38%, plus interest at 10%.

For the homeowners non-tenant policy form, the parties agree that SFG does not owe refunds to policyholders for premiums paid during the Interim Rate Period because the stipulated rate of +17% (if approved as the final rate by the Commissioner) is equal to the +17% emergency interim rate ordered on May 13, 2025, and effective June 1, 2025.

Similarly, for the renters policy form, the parties agree that SFG does not owe refunds because the stipulated rate of +15.65% is higher than the emergency interim rate of +15%.

[8] Cal. Code Regs., tit. 10, § 2656.1, subd, (c).

In agreeing that the +17% rate for the non-tenant homeowners form is appropriate, the parties have agreed to apply Variance 6 based on SFG's financial condition. Applying Variance 6 allowed the parties to increase SFG's maximum permitted earned premium and to agree to certain related implementation terms.

The following chart summarizes the rates the Applicant initially sought in its rate applications, the interim emergency rate requested in connection with the hearing on the contested *Stipulation to Interim Rate Subject to Refunds with Interest Pending a Final Determination of the Legality of the Rate*, the Interim Rate allowed by the Commissioner's adoption of the ALJ's *Proposed Decision Approving the Stipulation to Interim Rate Subject to Refunds with Interest Pending a Final Determination of the Legality of the Rate*, and the Proposed Stipulated Settlement Rates.

Application	**Rate Applicant Requested**	**Interim Rate Requested**	**Interim Rate Allowed**	***Proposed Stipulation* Rate**
24-1271 **PA-2024-00011** Homeowners Non-Tenant HO-3	+30.0%	+22.0%	+17.0%	17%
24-1273 **PA-2024-00012** Overall Renter/Condo Tenant	+41.8%	+15.0%	+15.0%	8.9% [Renter 15.65%] [Condo 5.8%
24-1330 **PA-2024-00013** Rental Dwelling	+38.0%	+38.0%	+38.0%	32.8%

In support of the *Proposed Stipulation*, the parties also filed the declarations of Benjamin A. Armstrong (CW, 3/27/26), Tina Shaw (CDI, 3/27/26), Adam Swope (SFG, 3/20/26), and Vanessa Wells (SFG, 3/20/26). Wells also incorporated by reference the pre-filed direct testimony from the Interim Rate Hearing for Adam Swope, Brett Horoff, Weslie Sawyer, Dr.

George Zanjani, and Bryon Ehrhart, and separately re-filed Swope's pre-filed direct testimony as part of her submission. In addition, State Farm filed the Annual Statement for State Farm for 2025, as required by the *Proposed Stipulation*, all of which are received into evidence.

On March 9, 2026, SFG and CW filed a document titled *Additional Agreement Between State Farm General and Consumer Watchdog* (*Proposed Additional Agreement*).[9]

On March 16, 2026, the California Department of Insurance's Rate Enforcement Bureau (CDI or Department) filed a *Statement of Non-Objection to the Additional Agreement*. The Department advised the ALJ, in pertinent part, that it is not a party to that agreement, and while acknowledges that it touches on claims-handling matters does not believe it resolves any issues relevant to determining the overall appropriate rates. The Department further contends that the *Proposed Additional Agreement* should not be incorporated into any proposed decision by the ALJ or submitted to the Commissioner for acceptance or rejection.

On April 1, 2026, State Farm filed *State Farm General Insurance Company's Response to Consumer Watchdog's Response to CDI's Statement of Non-Objection to the Additional Agreement*. In that filing, State Farm disputed that claims practices have any bearing on this or any other rate proceeding while affirming that it will honor the commitments it made in the Additional Agreement. State Farm further emphasized that its willingness to settle should not be mistaken for agreement with Consumer Watchdog's positions or as establishing any precedent regarding what agreements it may be willing to make in the future. Otherwise, State Farm took no position on procedure.

After carefully considering the evidence and arguments presented by the parties, the ALJ concludes that approval of the *Proposed Stipulation* and the *Proposed Additional Agreement* is

[9] Hereinafter referred to as the "*Proposed Additional Agreement*."

warranted for the reasons discussed below. If the Commissioner adopts this Proposed Decision, they will take effect according to their terms.

PROPOSED STIPULATION[10]

The *Proposed Stipulation* is incorporated by reference into this Proposed Decision and attached as Exhibit A.

PROPOSED ADDITIONAL AGREEMENT

The *Proposed Additional Agreement* is incorporated by reference into this Proposed Decision and attached as Exhibit B.

FINDINGS[11]

1. The procedural history and background set out in the Introduction above are incorporated by reference for all purposes of this Proposed Decision and adopted as though fully set out here.
2. No agreement or commitment to compensate Consumer Watchdog is contained in the *Proposed Stipulation* or the *Proposed Additional Agreement.*[12]
3. The Declaration of Tina Shaw in Support of Settlement is incorporated by reference for all purposes of this Proposed Decision and adopted as though fully set out here.
4. The Declaration of Benjamin A. Armstrong in Support of Settlement Stipulation is incorporated by reference for all purposes of this Proposed Decision and adopted as though fully set out here.
5. The *Proposed Stipulation*, attached as Exhibit A, is incorporated by reference for all purposes of this Proposed Decision and adopted as though fully set out here.
6. The *Proposed Additional Agreement*, attached as Exhibit B, is incorporated by reference for all purposes of this Proposed Decision and adopted as though fully set out here.
7. State Farm General relied in part on the evidence already submitted in its Pre-Filed Direct Testimony rather than submitting entirely new actuarial or financial declarations.
8. The Applicant submitted the Pre-Filed Direct Testimony of Adam Swope, Brett Horoff, Weslie Sawyer, and Dr. George Zanjani, all of which were received into evidence.
9. The stipulated rate changes fall within the minimum and maximum indicated rate changes in the updated filings submitted on May 19, 2025.

[10] Cal. Code Regs., tit. 10, § 2656.3, subd. (b).
[11] For brevity and efficiency, the findings are tailored as necessary to resolve the issues presented by the analysis and evaluation of approving the *Proposed Stipulation* and the *Proposed Additional Agreement.* Additional facts may also be set forth in the analysis, all of which constitute findings of fact.
[12] Cal. Code Regs., tit. 10, § 2656.1, subd. (b).

10. State Farm General submitted its 2025 Annual Statement, which confirms that no dividends were paid to stockholders or policyholders in 2025.

11. State Farm General submitted Exhibit 15, its plan to restore financial condition, which addresses elements (B) and (D) of Variance 6.

12. The stipulated effective dates and refund provisions for the renters, condominium unit owners, and rental dwelling policy forms are as set out in the *Proposed Stipulation*.

13. The California homeowners insurance market remains in crisis, which magnifies the public interest in the availability of stable insurance and lawful and proficient claims handling.

14. State Farm General's policyholder surplus has been deteriorating since 2017, and its leverage ratio has risen to levels indicating insufficient surplus to support high-risk premium writings.

15. The Annual Statement for 2025 reports adverse development in excess of eight hundred million dollars, indicating that State Farm General faced a genuine risk of insolvency absent the four hundred million dollar surplus note from its parent.

16. The stipulated rates in the *Proposed Stipulation* - 17% for homeowners, 15.65% for renters, 5.8% for condominium unit owners, and 32.8% for rental dwelling - fall within the range supported by the actuarial evidence and are not excessive, inadequate, or unfairly discriminatory.

17. The *Proposed Stipulation* provides substantial consumer benefits, including avoided costs relative to the filed rates, refunds for certain policy forms, and a one-time 2.5% discount tied to State Farm General's premium to surplus ratio.

18. The *Proposed Additional Agreement* provides a structured mechanism for forwarding and reviewing complaints arising from the Los Angeles wildfires and promotes transparency and timely resolution of outstanding issues.

19. The *Proposed Additional Agreement* is limited in duration (1 year), preserves the Department's authority to investigate and take action regarding claims handling, and does not impair policyholder rights or restrict regulatory powers.

20. The signatories view the *Proposed Additional Agreement* as supplemental to the *Proposed Stipulation* rather than as a mutually exclusive arrangement.

21. All parties support approval of the *Proposed Stipulation*. Consumer Watchdog also supports approval of the *Proposed Additional Agreement*. State Farm General commits to adhering to the *Proposed Additional Agreement* notwithstanding, and takes no position on procedure for Commissioner approval.

22. No objections were filed to either the *Proposed Stipulation* or the *Proposed Additional Agreement*.

23. Settlement was reached through arm's length bargaining, and the investigation and discovery undertaken were sufficient to allow counsel to act intelligently.

24. Counsel and experts for all parties are experienced in complex rate matters, and their declarations provide substantial support for the stipulated rates and settlement terms.

25. The record contains no evidence of fraud, overreaching, collusion, or any term that is palpably wrong or unconscionable in either the *Proposed Stipulation* or the *Proposed Additional Agreement.*
26. The *Proposed Stipulation* and the *Proposed Additional Agreement*, taken together or independently, advance the public interest by promoting stability in the insurance marketplace, reducing uncertainty, and ensuring transparency and accountability consistent with Proposition 103.

REVIEW OF *PROPOSED STIPULATION*

In determining whether to approve or reject the *Proposed Stipulation*, the regulations provide in relevant part:[13]

> The administrative law judge shall reject a *proposed stipulation* or settlement whenever, in his or her judgment, the stipulation or settlement is not in the public interest and is not, taken as a whole, fundamentally fair, adequate and reasonable.

This standard of review is substantially a restatement of the standard courts apply when reviewing class action settlements. It is also identical to the California Public Utilities Commission's standard.[14] In the context of Proposition 103 proceedings, a fairness, adequacy, and reasonableness determination involves balancing some or all of the following factors: (1) the relative strength of each party's case; (2) the risk, expense, complexity, and likely duration of further litigation, with the attendant delay in modifying the rate; (3) the terms of the settlement; (4) the amount of discovery undertaken; (5) the current state of the proceedings; (6) the experience and views of counsel and/or the parties' managers or experts; (7) the involvement of a governmental entity; and (8) the reaction of consumers to the proposed settlement.[15]

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[13] Cal. Code Regs., tit. 10, § 2656.2, subd. (a).
[14] *Officers for Justice v. Civil Service Commission of the City & County of San Francisco* (9th Cir. 1982) 688 F.2d 615, 625, cert. denied (1983) 459 U.S. 1217; *In re PG&E (Diablo Canyon)* (1988) 30 Cal.P.U.C.2d 189, 222.
[15] *Officers for Justice*, supra, 688 F.2d at page 625; *Dunk v. Ford Motor Co.* (1996) 48 Cal.App.4th 1794, 1801–1803; *Protective Committee of Independent Stockholders v. Andersen* (1968) 390 U.S. 414, 424–425 (bankruptcy context).

Posture and Complexity[16]

As detailed in the Introduction above, the parties engaged in months of discovery and contested law-and-motion practice in preparation for a full evidentiary rate hearing. Those proceedings involved unusually complex legal, factual, and procedural issues requiring extensive briefing and argument. The disputes included questions of conditional disclosure, permanent nondisclosure, and party access to sensitive information, as well as State Farm's stated intention to pursue interlocutory review to protect certain information that would undoubtedly have been protracted.

In addition to those already described complexities, the record shows that further litigation would have introduced additional layers of difficulty unique to this proceeding. The application of Variance 6, a provision rarely invoked, would itself have required a searching and somewhat holistic inquiry into SFG's financial condition.[17] As the Shaw Declaration explains, Variance 6 relies in part on the regulator's broad evaluative judgment rather than a prescribed formula. Its novelty and absence of precedent, other than rejection of its use, would have made the trial phase especially cumbersome, requiring the ALJ to resolve questions of first impression about the appropriate remedy, the permissible scope of adjustments to the ratemaking formula, and the interaction between Variance 6 and other regulatory provisions.

The Wells Declaration further underscores the complexity of a full evidentiary hearing. If the matter proceeded to trial, SFG was poised to pursue higher rates to remedy its financial circumstances than those reflected in the settlement by advancing alternative methodologies for trend, loss development, catastrophe adjustment, and the leverage factor. Those positions would have required the ALJ to adjudicate multiple competing actuarial frameworks, each supported by

[16] The discussion in this section primarily applies to factors 1, 2, 4, and 5.

[17] Cal. Code Regs., tit. 10, § 2644.27, subd. (f)(6).

expert testimony and extensive data. The resulting evidentiary burden would have been substantial and time consuming to resolve.

Given that history, the risk, expense, and duration of continued litigation were substantial. Finally, the parties also acknowledged that a full evidentiary hearing would be no less complex or resource-consuming than the law-and-motion phase already completed. The Scheduling Order reflected this reality: the anticipated administrative trial time for a full rate hearing was reasonably estimated at up to four weeks but, especially with interlocutory appeals, could stretch longer.

These considerations weigh strongly in favor of settlement.

Positions[18]

The settlement is supported by exceptionally experienced counsel for all parties, including the Department, SFG, and Consumer Watchdog. The Department's Chief Actuary and Consumer Watchdog's Staff Actuary both provided detailed, data-driven declarations supporting the stipulated rates and the acceptable application of Variance 6. The involvement of the Department as a governmental entity further supports the fairness and reasonableness of the settlement.

As part of its Applications, State Farm requested that the Department apply Variance 6. Under that provision, an insurer may seek an adjustment to the maximum rate it is permitted to charge under the ratemaking formula on the ground that its financial condition is such that its maximum permitted earned premium should be increased to protect its solvency. Variance 6 is rarely requested by insurers, and its use here required the Department to undertake a searching and holistic assessment of SFG's financial condition. The declarations of Tina Shaw, Chief Actuary of the Department, and Benjamin Armstrong, Staff Actuary for Consumer Watchdog,

[18] The discussion in this section primarily applies to factors 3, 6 and 7.

are uncontested and provide substantial expert support for the settlement, including application of Variance 6.

Both experts independently concluded that SFG's deteriorating financial condition warranted relief under Variance 6.

The Shaw Declaration explains that policyholder surplus is a key measure of an insurer's financial health and its ability to meet ongoing obligations, including the payment of claims. Shaw's review of SFG's financial statements shows that SFG's policyholder surplus has been deteriorating since 2017. She concluded that SFG's financial condition warrants relief under Variance 6 and that, under these unique circumstances, it is appropriate to allow a one-time higher rate of return of 14.54% in the ratemaking formula to enable SFG to build additional surplus. Although Shaw does not agree with all of State Farm's actuarial selections, her independent review supports the stipulated rates and the conclusion that the settlement results in rates that are not excessive, inadequate, or unfairly discriminatory. She further concludes that the terms of the settlement are fundamentally fair, adequate, reasonable, and in the interests of justice.

Armstrong's declaration independently reaches the same conclusion. He evaluated SFG's updated Applications, analyzed trend, development, and catastrophe adjustments, and reviewed SFG's financial condition following the 2025 wildfires. He concluded that the stipulated rates—17% for homeowners, 15.65% for renters, 5.8% for condominium unit owners, and 32.8% for rental dwelling - are actuarially sound and fundamentally fair, adequate, reasonable, and in the interests of justice. Armstrong also quantified the consumer benefits of the settlement, including avoided costs relative to the filed rates and refunds for certain policy forms.

Together, the expert evidence demonstrates that SFG's financial condition satisfies the requirements of Variance 6, that the stipulated rates fall within the range supported by the record, and that the settlement terms are fair, adequate, reasonable, and in the public interest.

In sum, in agreeing that the plus 17% rate for the non-tenant homeowners form is appropriate, the parties applied Variance 6 based on SFG's financial condition. Applying Variance 6 allowed the parties to increase SFG's maximum permitted earned premium and to agree to related implementation terms, including SFG's plan to restore its financial condition and the one-time 2.5% discount tied to its premium to surplus ratio. Both experts also concluded that the stipulated rates - 17% for homeowners, 15.65% for renters, 5.8% for condominium unit owners, and 32.8% for rental dwelling - are actuarially sound and fundamentally fair, adequate, reasonable, and in the interests of justice.

These positions weigh strongly in favor of settlement.

Terms[19]

The settlement produces substantial consumer benefits relative to the rates SFG sought in its Applications. Armstrong's analysis shows that the settlement avoids approximately $492 million in additional costs to consumers compared to the initially sought rates. It also requires the certain refunds and includes the one-time 2.5% discount tied to SFG's financial-restoration metrics, both as mentioned above.

The terms weigh in favor of settlement.

Public Interest and Conclusion[20]

The Insurance Code expressly prohibits approving rates that are excessive, inadequate, unfairly discriminatory, or otherwise in violation of the Insurance Code.[21] State Farm's rates can

[19] The discussion in this section primarily applies to factor 3.
[20] The discussion in this section applies to factors 7 and 8.
[21] Ins. Code, § 1861.05, subd. (a).

be neither excessive nor inadequate.[22] These commands reflect Proposition 103's core principles: preventing arbitrary insurance rates and practices, promoting a competitive insurance marketplace, and ensuring that insurance remains fair, accessible, and affordable. These principles guide the review of any *proposed stipulation* or settlement, for the public has a direct and substantial interest in maintaining Proposition 103's central objective of ensuring that premiums are set at the lowest rate possible consistent with solvency and fairness.

The record presents both favorable and unfavorable considerations. On the one hand, the evidence shows that SFG's financial condition has been fragile for several years. As the Shaw Declaration explains, State Farm's policyholder surplus has been deteriorating since 2017. Without the four hundred million dollar surplus note from its parent, SFG's year end 2025 surplus would have fallen below one billion dollars. Shaw further notes that Applicant's leverage ratio has risen to levels that indicate insufficient surplus to support high risk premium writings. In her view, this condition warrants relief under Variance 6 and justifies a temporary allowance of a higher rate of return of 14.54% to enable SFG to rebuild surplus under these unique circumstances, consistent with the purpose of Variance 6.

The Annual Statement for 2025 reinforces these concerns. Adverse development in excess of eight hundred million dollars was reported, indicating that the year end 2024 surplus was lower than previously understood and that SFG was facing a genuine risk of insolvency. The record also shows that SFG lost ground between 2024 and 2025 even after receiving the four hundred million dollar surplus note, due in part to adverse development in non homeowners lines. Although the 53.7% loss ratio for 2025 appears low for a year with a major catastrophe, most of the adverse development did not arise from homeowners coverage, which is central to understanding the loss ratio in context. These observations underscore that SFG remains

[22] Cal. Code Regs., tit. 10, § 2641.1 et seq.

financially vulnerable and that continued regulatory oversight is necessary to ensure that State Farm does not slip away from the solvency protections that Proposition 103 requires.

On the other hand, the record also shows that the interim rate increase did stabilize SFG, even if the company remains in a delicate position. The evidence demonstrates that SFG has filed or will file rate applications in other lines where rates may be inadequate, which is a positive development for long term stability. The settlement also includes safeguards, including SFG's plan to restore its financial condition, the one time discount tied to its premium to surplus ratio, and the Department's continuing oversight.

Importantly, the actuarial evidence supports the stipulated rates. Armstrong's declaration provides an independent analysis of frequency, severity, and premium trend data for each line of business. And once again, he concluded that the agreed upon overall rate increases of 17% for homeowners, 15.65% for renters, 5.8% for condominium unit owners, and 32.8% for rental dwelling are actuarially sound and fundamentally fair, adequate, reasonable, and in the interests of justice and consumers. He further concludes that the settlement results in rates that are not excessive, not inadequate, and not unfairly discriminatory. Armstrong also quantified the consumer savings achieved by the settlement, which are substantial when compared to the rates SFG sought in its Applications.

The settlement also provides refunds for certain policy forms. These terms advance the public interest by mitigating the economic and coverage impacts of prolonged litigation, reducing uncertainty in the insurance marketplace, and promoting stability in a sector that affects millions of Californians.

Settlement of the Applications also serves the public interest because Proposition 103 established a regulatory framework designed to protect consumers and ratepayers, ensure transparency in agency decision making, and guarantee meaningful public participation in the rate approval process. The initiative's intervention provisions ensure that consumers are represented and negotiated resolutions can advance the statutory goal of safeguarding the public from unjustified rates. At the same time, settlement promotes efficient resolution of complex issues while preserving transparency and accountability through public filing and review by the Department and participating intervenors.

In reviewing the fairness of settlement agreements, the inquiry and analysis is properly limited to the extent necessary to reach a reasoned judgment that the agreement is not the product of fraud, overreaching, or collusion, and that the settlement taken as a whole is fair, reasonable, and adequate to all concerned.[23] Review of a settlement should not become a full hearing on the merits or a rehearsal for one that requires the ALJ to reach ultimate conclusions on contested issues of fact or law.[24] Although the ALJ has identified both favorable and unfavorable considerations in the course of this evaluation, those observations do not alter this governing standard.[25] The question is not whether the ALJ would reach the same actuarial or economic judgments as the parties' experts, but whether anything in the record provides a reason to seriously doubt their professional conclusions to such a degree that the settlement should be disturbed. On this record, there is no such reason, and the expert evidence supports approval of the *Proposed Stipulation*.

The record here also demonstrates that the settlement was reached through arm's length bargaining, that investigation and discovery were sufficient to allow counsel to act intelligently, that counsel and experts on all sides are experienced in complex rate matters, and that no

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[23] *Dunk v. Ford Motor Co.*, supra, 48 Cal.App.4th at page 1801; *Reed v. United Teachers of Los Angeles* (2012) 208 Cal.App.4th 322, 336-337.
[24] *Officers for Justice*, supra, 688 F.2d at page 625.
[25] This standard also confirms that the ALJ need not resolve or adopt the alternate actuarial or economic theories advanced in the Wells Declaration, the Swope Declaration, or the Pre-Filed Direct Testimony referenced therein. Those theories are considered only to the extent necessary to determine whether anything in the record provides a reason to disturb the settlement, and nothing in the record does.

objections have been raised. Given these observations, the presumption of fairness also applies in this case to support the ALJ's conclusion.[26]

Balancing all relevant factors, including the strength of the parties' positions, the complexity and duration of further litigation, the extensive discovery already undertaken, the expert evidence supporting the stipulated rates, the consumer benefits achieved, and the views of experienced counsel and actuaries, the *Proposed Stipulation* is, taken as a whole, fundamentally fair, adequate, reasonable, and in the public interest.

Accordingly, the ALJ recommends adoption of the *Proposed Stipulation* to the Commissioner.

REVIEW OF *PROPOSED ADDITIONAL AGREEMENT*

The ALJ must decline the Department's request that the *Proposed Additional Agreement* not be reviewed or transmitted to the Commissioner. The question for the ALJ is not whether the *Proposed Additional Agreement* addresses rates directly, but whether it falls within the scope of matters that must be reviewed and transmitted to the Commissioner under the governing statutes and regulations. The answer is yes.

Although the Department expresses the view that the *Proposed Additional Agreement* does not address rates,[27] the regulations permit stipulations between or among any of the parties, and they allow settlement of an outcome without resolving every material issue.[28] Moreover, the signatories appear to view the *Proposed Additional Agreement* as supplemental to the *Proposed Stipulation* rather than as a mutually exclusive arrangement.

The submitted record directs itself more specifically toward the *Proposed Stipulation*, with the *Proposed Additional Agreement* addressed more narrowly because the parties did not submit

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[26] *Dunk v. Ford Motor Co.* (1996) 48 Cal.App.4th 1794, 1801–1803, citing Newberg and Conte, *Newberg on Class Actions*, section 11.41, page 11-91.
[27] Cal. Code Regs., tit. 10, § 2656.1, subds. (d).
[28] Cal. Code Regs., tit. 10, § 2656.1, subds. (a).

separate declarations for each. But the *Proposed Additional Agreement* is exceptionally concise, only two pages, and its purpose is equally plain and straightforward. Again, the filings indicate reliance on the declarations submitted in support of the *Proposed Stipulation*, and the record directs itself more fully toward that agreement. The *Proposed Additional Agreement*, by contrast, is addressed more narrowly because the parties did not submit separate declarations for each. But the *Proposed Additional Agreement* is exceptionally concise, only two pages, and its purpose is equally plain and straightforward. Notwithstanding these differences in presentation, it is clear that for the signatories the *Proposed Additional Agreement* stands properly alongside the *Proposed Stipulation*. And regardless of structure, the record is sufficient to permit a reasoned judgment under the governing standards of review.[29]

The ALJ's authority is statutory in nature and must be exercised as prescribed by the governing statutes and regulations.[30] The *Proposed Additional Agreement* was filed without objection,[31] and it would therefore be improper for the ALJ to simply disregard it *nunc pro tunc*. As intervenor Consumer Watchdog correctly observes, there is no exception in the law for settlement agreements that one of the parties to a rate proceeding declines to join. It is for the Commissioner, not the ALJ, to determine whether to adopt this Proposed Decision recommending the *Proposed Additional Agreement*, return the matter to AHB for further development of the record, reject the Proposed Decision recommending the *Proposed Additional Agreement* and issue another order, or take no action, because these determinations require the exercise of policy judgment and regulatory discretion that the statutory framework assigns to the Commissioner in the first instance, as the statewide officer charged with protecting consumers,

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[29] Cal. Code Regs., tit. 10, § 2656.2, subd. (a).
[30] *American Federation of Labor v. Unemployment Ins. Appeals Bd.* (1996) 13 Cal.4th 1017, 1023; *Valero Refining Co. - California v. Bay Area Air Quality Management Dist. Hearing Bd.* (2020) 49 Cal.App.5th 618, 637.
[31] Cal. Code Regs., tit. 10, § 2656.1, subds. (g).

ensuring transparency in rate proceedings, and maintaining the integrity of the Proposition 103 regulatory system.

Excluding the *Proposed Additional Agreement* from the Commissioner's review would also prevent the Commissioner from considering the perspectives of the parties that advanced it and would undermine the transparency that the Proposition 103 framework is designed to ensure. One purpose of the intervenor system is to provide an avenue for consumer representatives to advance new or different ideas that, although novel, may inform future policy determinations, including what may properly be evaluated in connection with a rate application and how. No party has ever raised a viable argument that the statutory framework is too narrow for a rate proceeding to encompass the subject matter addressed in the *Proposed Additional Agreement.*

Consistent with CDI's Statement of Non-Objection to State Farm General Insurance Company's and Consumer Watchdog's Additional Agreement filed on March 16, 2026, nothing in the *Proposed Additional Agreement* appears facially improper. The Department simply did not elect to join in it, perhaps for very sound operational or other reasons not developed in the available record. Nevertheless, the terms are straightforward, limited in duration, and don't disturb the Department's authority to investigate and take action regarding claims handling. The *Proposed Additional Agreement* does not impair policyholder rights, does not restrict the Department's regulatory powers, and does not conflict with the statutory requirement that rates be fair, reasonable, and not excessive, inadequate, or unfairly discriminatory. Nor does it introduce any term that is palpably wrong, unconscionable, or inconsistent with the protections Proposition 103 requires.

At the same time, the *Proposed Additional Agreement* meaningfully advances the general statutory objectives that govern all insurance regulatory oversight, including this rate proceeding. It provides a structured mechanism for forwarding and reviewing complaints arising from the

Los Angeles wildfires, a subject that was squarely presented during discovery, though its relevance to rates and rate setting was disputed, much like the dispute over block nonrenewals. The parties are all cognizant of the expectations of the public and policyholders regarding claims handling, and the *Proposed Additional Agreement* represents one means by which consumers may observe their government acting to safeguard their interests. The signatories are also willing to be bound by the *Proposed Additional Agreement*, and they have voluntarily entered into it and presented it to the Commissioner for consideration. The *Proposed Additional Agreement* further promotes transparency, facilitates communication between policyholders and the insurer, and ensures that unresolved issues receive timely attention. These features support the public interest by encouraging orderly resolution of outstanding matters without impairing the Department's authority or altering the stipulated rates in the *Proposed Stipulation*.

Other regulatory institutions also encounter settlements to which the regulator is not a signatory, and how they handle them differs based on their own policy determinations. Once again, the Commissioner is the official charged with making such policy judgments here, inclusive of whether agreements of this nature are desirable in the insurance context when voluntarily proffered and, specifically, whether the *Proposed Additional Agreement* warrants approval, modification, rejection, or no action at all. Allowing the *Proposed Additional Agreement* also keeps the Commissioner actively engaged in monitoring the market at every opportunity, notwithstanding that the Department ordinarily employs other tools to do so.

In sum, declining to review the *Proposed Additional Agreement* would be to ignore the ALJ's requirement to follow the law, constitute an improper gatekeeping supervision of the Commissioner, and stand inconsistent with the transparency and accountability that Proposition 103 seeks to promote. The *Proposed Additional Agreement* does not undermine the actuarial or financial conclusions supporting the *Proposed Stipulation*, and it advances transparency and consumer protection in a manner consistent with Proposition 103. While ALJ review does not compel approval, here the record supports it and the ALJ concludes that the *Proposed Additional Agreement* is, taken as a whole, fundamentally fair, adequate, reasonable, and consistent with the statutory framework. That the *Proposed Additional Agreement* is viewed as aligned with the *Proposed Stipulation* weighed in favor of this outcome.

Accordingly, the ALJ and recommends adoption of the *Proposed Additional Agreement* to the Commissioner.

ORDER

1. The *Proposed Stipulation* is APPROVED.
2. The *Proposed Additional Agreement* is APPROVED.
3. Upon adoption by the Commissioner, the parties shall comply with every term, condition, and obligation set forth in the *Proposed Stipulation*.
4. Upon adoption by the Commissioner, the parties shall comply with every term, condition, and obligation set forth in the *Proposed Additional Agreement*.
5. Jurisdiction is retained to ensure compliance with this Order.
6. Jurisdiction is retained to ensure compliance with the *Proposed Stipulation*.
7. Jurisdiction is also retained, to the extent the Commissioner elects to exercise discretion, to ensure compliance with, or to take any other action proper with respect to, the *Proposed Additional Agreement*.
8. The *Proposed Stipulation*,[32] the *Proposed Additional Agreement*,[33] and this Order, as well as underlying settlement communications, discussions, admissions, concessions, or offers, are not precedential and are not discoverable or admissible in other proceedings, and do not constitute approval of, or precedent regarding, any principle or issue in any future proceeding.
9. Any and all communications, discussions, admissions, concessions, or offers to stipulate or settle, whether oral or written, made during a settlement conference,

[32] Cal. Code Regs., tit. 10, § 2656.1, subd. (d).
[33] Id.

mediation, negotiation, or settlement discussions, are privileged and confidential and accordingly inadmissible in other proceedings.

10. In all other respects, this matter is closed before AHB and the ALJ, except as the law otherwise provides and/or the Commissioner may hereinafter delegate.

This Proposed Decision is submitted based on the entire record in this proceeding, and its adoption is recommended as the decision of the Insurance Commissioner of the State of California.

IT IS SO ORDERED.

Dated: May 7, 2026

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

EXHIBIT A

(Stipulation and Request for Proposed Decision re Rate Applications (Proposed Stipulation))

Submitted in Connection With Proposed Decision in

In the Matter of the Rate Applications of STATE FARM GENERAL INSURANCE COMPANY, Applicant.

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

PROPOSED DECISION APPROVING STIPULATION, ADDITIONAL AGREEMENT AND ORDER

California Department of Insurance

Administrative Hearing Bureau

Date Submitted: May 7, 2026

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BEFORE THE INSURANCE COMMISSIONER

OF THE STATE OF CALIFORNIA

In the Matter of the Rate Applications of

STATE FARM GENERAL INSURANCE COMPANY,

Applicant.

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

STIPULATION AND REQUEST FOR PROPOSED DECISION AND ORDER RE RATE APPLICATION

Hearing Date: N/A

The California Department of Insurance ("Department"), State Farm General Insurance Company ("Applicant" or "SFG"), and Petitioner/Intervenor Consumer Watchdog ("CW") (collectively "Parties") hereby stipulate and agree to the resolution of this matter on the terms stated herein, and request that the Administrative Law Judge issue a proposed decision for adoption as an order by the Insurance Commissioner of the State of California on the basis of the evidence and the Parties' agreement.

RECITALS

A. In June and July of 2024, Applicant filed with the Department the following rate applications ("Applications"), requesting the overall rate increases for each of the policy forms as set forth below:

Submitted	CDI File #	Company File #	Policy Form	Rate Change Requested
06/27/2024	24-1271	HO-47123	Homeowners Non-Tenant	+30.0%
6/27/2024	24-1273	HO-47281	Overall Tenant forms including:[1]	+41.8%
			Renters	+52%
			Condo Unit Owner	+36%
7/5/2024	24-1330	RD-47124	Rental Dwelling	+38.0%

B. In each of the Applications, Applicant requests that its maximum permitted earned premium be increased in order to protect Applicant's solvency, pursuant to California Code of Regulations, title 10, section 2644.27, subdivision (f)(6) ("Variance 6").[2]

C. The Applications are subject to California Insurance Code section 1861.05.

D. On July 26, 2024, as to File No. 24-1271, August 19, 2024 as to File No. 24-1273, and August 26, 2024 as to File No. 24-1330, Petitioner/Intervenor Consumer Watchdog submitted timely Petitions to Intervene, Petitions for Hearing, and Notices of Intent to Seek Compensation

[1] The "Tenant Forms" include (1) Renters insurance and (2) Condo Unit Owners insurance.

[2] Unless otherwise indicated, references to "Regulation" or "Regulations" in this Stipulation shall mean the California Code of Regulations, title 10.

on each of the Applications. On August 12, 2024 as to File No. 24-1271, September 5, 2024 as to File No. 24-1273, and September 3, 2024 as to File No. 24-1330, Applicant submitted its Answer to Intervenor's Petition for Hearing in each of the Applications. On August 24, 2024 as to File No. 24-1271, September 3, 2024 as to File No. 24-1273, and September 10, 2024 as to File No. 24-1330, the Commissioner granted Consumer Watchdog's Petitions to Intervene.

E. On July 5, 2024, the Department notified the public of the Applications as to File Nos. 24-1271 and 24-1273, and on July 12, 2024, as to File No. 24-1330 (SERFF tracking no. SFMA-134139896, SFMA-134139931, and SFMA-134139850 respectively) pursuant to Insurance Code section 1861.05.

F. On September 3, 2024, for Files Nos. 24-1271 and 24-1273 and September 10, 2024 for File No. 24-1330, Applicant waived the 60-day and 180-day "deemed approved" dates set forth in Insurance Code section 1861.05(c) for these Applications with a five-day grace period for reactivation.

G. On January 7, 2025, the Palisades and Eaton Fires erupted in Los Angeles.

H. On February 3, 2025, Applicant submitted a letter to the Commissioner, with enclosures, requesting the Commissioner approve an immediate interim rate request of 22% for its non-tenant homeowners line (File No. 24-1271), 15% for the tenant forms (including renters and condo unit owners) (File No. 24-1273), and 38% in its rental dwelling line (File No. 24-1330) in the pending Applications (the "Interim Rate Request"), subject to refunds with interest following a full rate hearing should the Commissioner ultimately determine the Interim Rate Request was excessive.

I. On March 14, 2025, the Commissioner issued an Order Regarding State Farm General Insurance Company's Request For An Emergency Interim Rate Pending Rate Hearing, which ordered the Department to issue a Notice of Hearing on SFG's Applications and an Administrative Law Judge to hold a hearing regarding SFG's emergency interim rate requests based on updated rate-setting data through the end of the first quarter of 2025 in the Applications, a two-way stipulation between the Department and SFG, and CW's objections to the interim rate.

J. On March 17, 2025, the Department issued a Notice of Hearing in this matter.

K. In April of 2025, the Department held an interim rate hearing to determine interim emergency rates subject to refunds, if applicable, following a full rate hearing process.

L. In May of 2025, after the interim rate hearing, the Administrative Law Judge issued a proposed decision, which the Commissioner adopted. Specifically, on May 13, 2025 the Commissioner issued an Order Adopting the Proposed Decision. The Commissioner approved emergency interim rates as set forth below, subject to refunds with interest if he found the rates to be excessive after the full rate hearing process:

CDI File No.	Line	Interim Rate approved
24-1271	Homeowners Non-Tenant	+17.0%
24-1273	Overall Renters/Condominium Tenant (15% for each of the renters and condominium unit owners forms)	+15.0%/+15.0%
24-1330	Rental Dwelling	+38.0%

M. SFG thereafter began implementing the new interim rates with an effective date of June 1, 2025.

N. On May 19, 2025, Applicant revised the Applications on SERFF with partially updated data through the first quarter ending March 31, 2025 ("Q1-2025"). The Parties agreed to Q1-2025 data as an updated data cut-off date for purposes of direct testimony in an evidentiary hearing in this matter and engaged in discovery based on the Q1-2025 updated data cut-off date.

O. After engaging in extensive motion practice, discovery, pre-hearing exchanges of information and testimony from SFG, the Parties have engaged in informal settlement negotiations to resolve the pending Applications and related issues described here. Based on these settlement discussions, and the Parties' agreement, SFG will make, simultaneous with the filing of this Agreement, appropriate amended filings in SERFF to reflect the agreed upon overall rate changes and changes by form,[3] as follows: 1) +17% for the non-tenant Homeowners policy form, 2) +8.9% for the Tenant policy forms, consisting of +15.65% for the renters policy form

[3] These amended filings will be made in SERFF on the same day that this Stipulation is filed. The Parties are all able to access SERFF to review the amended filings. For purposes of review by the Administrative Law Judge under 10 C.C.R. section 2656.1, SFG will electronically file and serve the amended rate applications on the same date that the Parties file declarations and other evidence supporting this Stipulation of Settlement in this matter.

and +5.8% for the condominium unit owners form, and 3) +32.8% for the rental dwelling policy form. Approval of the Applications described in this Stipulation will only be effective when approved by the Commissioner. Applicant will implement this rate change with an effective date of June 1, 2025 in accordance with this Stipulation, the updated Applications, the Interim Rate Order adopted May 13, 2025, and the Commissioner's Order approving this Settlement Stipulation, except that the incremental rate increase for the renters policy form over the emergency interim rate will be effective on July 1, 2026, or as soon thereafter as it may be implemented. Except as expressly agreed upon in this Stipulation, the Department and CW do not agree with or endorse the methodologies, models or individual factors as stated in the Applications.

P. For the homeowners non-tenant policy form, the Parties agree that SFG does not owe refunds to policyholders for premiums paid during the Interim Rate Period[4] because the stipulated rate of +17% (if approved as the final rate by the Commissioner) is equal to the +17% emergency interim rate ordered on May 13, 2025, that took effect June 1, 2025.

Q. For the renters policy form, the Parties agree that SFG does not owe refunds because the stipulated rate of +15.65% is higher than the emergency interim rate of +15%. For the condominium unit owners policy form, the Parties agree that SFG will issue refunds to policyholders equal to the difference between the stipulated rate of +5.8% and the emergency interim rate of +15%, plus interest in the amount of 10%.

R. For the rental dwelling form, the Parties agree that SFG will issue refunds to policyholders for premiums paid during the Interim Rate Period equal collectively to the difference between the stipulated rate of +32.8% and the emergency interim rate of +38%, plus interest in the amount of 10%.

S. Refunds that are returned to sender, uncashed or otherwise remain unpaid will escheat to the State of California, in the name of the consumer, in accordance with applicable laws. Refunds to existing policyholders may be made as a credit to premium. Applicant will use

[4] The Interim Rate Period is the period beginning June 1, 2025 and ending when rate changes stipulated to herein are put into effect by SFG.

reasonable efforts to find the current address to mail checks to consumers who are no longer insured by Applicant. Applicant will provide the Department with an initial report regarding the status of refunds and/or credits to each consumer ninety (90) days after issuance of the refunds and/or credits. Applicant will thereafter provide CDI with a report every quarter until such time as any unpaid funds from the refunds are escheated to the State of California.

T. In agreeing that the 17% rate for the non-tenant homeowners form is appropriate, the Parties have agreed to apply Variance 6 based on SFG's financial condition. This allowed the Parties to increase SFG's maximum permitted earned premium and to agree to certain related implementation terms. In accordance with Variance 6(B)[5], SFG must make a plan to restore its financial condition. SFG has submitted its plan (including action already taken) as Exhibit 15 (pages 5368-5371) with its Prefiled Direct Testimony and Exhibits. The Plan includes (i) issuance of a $400 million surplus note to SFG's parent State Farm Mutual Automobile Insurance Company; (ii) increasing rates for other lines of insurance written by SFG commensurate with indicated rate need; and (iii) tightening underwriting requirements in all lines as specifically detailed in Exhibit 15. SFG will include Exhibit 15 with the submission of declarations and other evidence requesting approval of the Stipulation of Settlement by the Administrative Law Judge and the Commissioner.

STIPULATION AND REQUEST FOR PROPOSED DECISION AND ORDER

The Parties stipulate that SFG will:

1. File its annual statements with the Administrative Hearing Bureau and serve on all parties in this rate proceeding within 15 days of the date they are filed each year, during the period in which the rates approved by this settlement/stipulation, as shown in paragraphs O, P and Q are in effect.

2. Refrain from making any new block non-renewals during 2026 with respect to the homeowners policy forms covered by this settlement/stipulation. Thereafter SFG agrees to comply with then-current law and follow then-current filing instructions regarding rule filings

5 Variance 6(D) is addressed in paragraph 6 below.

before implementing any new block non-renewals.[6] This provision is not intended to preclude SFG from making future legal arguments regarding any new filing instructions. SFG agrees it will not challenge the 90 day review period for rule filings added to the instructions in January, 2025, so long as that provision remains in effect, but may challenge any finding that the rule filing resulted in an impact to rates.

3. Continue in force, until the end of 2026, those policies originally slated for non-renewal in SFG's March, 2024 filing number 24-651 as shown in Exhibit 18 to that filing (hereinafter "Exhibit 18 Policies"), which are (i) currently suspended from non-renewal under Insurance Code section 675.1(a) addressing the case of a total loss to the primary insured structure, or (ii) subject to an active moratorium under Insurance Code section 675.1(b) addressing policies for properties located in any ZIP Code within or adjacent to the Palisades and Eaton fire perimeters (delineated by the ZIP Codes set forth in footnote 6). As a third group (Group iii), SFG shall also continue in force until the end of 2026 Exhibit 18 Policies as to which there has been a claim made arising from the Palisades/Eaton fires, regardless of whether the policy falls within (i) or (ii).[7] As to Group iii policies, the Parties agree that SFG's compliance with this provision of the settlement that provides for these policies to continue in full force will not, in and of itself, constitute unfair discrimination within the meaning of Insurance Code sections 1858 or 1861.05(a). The Parties request a finding in the Order approving this settlement

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[6] The January 2025, the rule filing instructions provide in relevant part: "If an insurer maintains that there is no rate impact resulting from proposed changes to rating manual or eligibility guidelines, the insurer is required to submit the proposed changes as part of a rule or form filing at least 90 days prior to the proposed effective date of the changes, in order for the Department to review the proposed changes for possible rate impact. The Department retains discretion to require the insurer to file a complete rate application in support of the proposed changes. The insurer shall not take any action to implement the proposed changes until or unless the Department confirms there is no rate impact."

[7] For purposes of certainty:

(1) The affected ZIP Codes are: **Palisades Fire** 90024, 90025, 90049, 90073, 90077, 90095, 90263, 90265, 90272, 90290, 90402, 90403, 91301, 91302, 91307, 91316, 91320, 91335, 91356, 91361, 91364, 91367, 91403, 91406, 91411, 91436 **Eaton Fire** 91001, 91006, 91007, 91008, 91010, 91011, 91016, 91020, 91023, 91024, 91042, 91046, 91101, 91103, 91104, 91105, 91106, 91107, 91108, 91123, 91125, 91126, 91206, 91208, 91214, 91706, 91731, 91732, 91775, 91780, 93563 (from Bulletin 2025-1 as amended dated January 17, 2025).

stipulation stating that SFG's direct compliance with this provision of the settlement by continuing in force the Group iii policies while non-renewing Exhibit 18 Policies not falling within (i), (ii), or (iii), will not, in and of itself, constitute unfair discrimination within the meaning of Insurance Code sections 1858 or 1861.05(a). The agreement herein as to Group (iii) policies is void absent such a finding. This paragraph does not shorten the mandatory period under Insurance Code section 675.1. This agreement does not extend to policies cancelled or non-renewed under the conditions identified in Insurance Code section 676, i.e., notwithstanding this agreement, polices in groups i, ii, or iii may still be cancelled or non-renewed based on the statutory grounds for valid notice of cancellation as identified in Insurance Code section 676, such as non-payment of premium.

4. Make new rate filings for all lines subject to this Stipulation (homeowners non-tenant, condominium unit owners, renters and rental dwelling) not later than (1) June 1, 2027 or (2) within ninety (90) days after its net premium to surplus ratio reaches 2:1, if that occurs before June 1, 2027. Nothing in this paragraph will restrict or limit (i) State Farm General's ability to file new rate applications earlier than June 1, 2027, or (ii) the content of those rate applications.

5. State Farm has no present intention to submit any application for new rates, with an Effective Date prior to January 1, 2027, for any line subject to this Stipulation (homeowners non-tenant, condominium unit owners, renters and rental dwelling).

6. When SFG's net written premium to surplus ratio reaches 1.5:1, provide a one-time discount, in the amount of 2.5% of premium, for policyholders renewing their policies with respect to the policy forms and coverages to which the Rates apply. The Parties agree that, based upon SFG's net written premium to surplus ratio as of June 1, 2025, and other special circumstances in this matter, this one-time discount will satisfy the requirement stated in 10 C.C.R. section 2644.27(f)(6)(D) as to these rate applications only. SFG does not need to make a filing in order to implement this one-time discount, and this obligation to provide the one-time discount set forth in this paragraph shall exist until fulfilled regardless of any subsequent rate changes.

7. SFG will provide a quarterly report to CDI beginning after the first full quarter in which its net written premium to surplus ratio reaches 1.5:1. For purposes of the net written premium to surplus ratio in this paragraph, "surplus" shall not include segregated surplus for unapproved interest on the $400 million surplus note issued by SFG to State Farm Mutual Insurance Company in accordance with the Commissioner's May 13, 2025 Order approving the Stipulation for an Emergency Interim Rate. Unapproved interest is defined as interest which was cumulated but has not yet been approved by the Illinois Department of Insurance for payment. That interest is shown in the Annual Statement at page 3 line 2901.

8. This Stipulation is entered into as a result of arm's length and good faith discussions and negotiations between representatives of the Department, SFG and CW. SFG and CW are fully aware of their legal rights in this matter, including the right to a hearing; the right to confront and cross-examine witnesses, the right to the issuance of subpoenas to compel the attendance of witnesses and the production of documents; the right to reconsideration and court review of an adverse decision; and all other rights accorded by the Administrative Procedure Act and other applicable laws. SFG and CW voluntarily and knowingly waive and give up each and every right set forth above.

9. This Stipulation represents a full and final settlement of all issues raised regarding the Applications between the Parties. This Stipulation is intended by the Parties to be an integrated writing representing the complete, final, and exclusive embodiment of their agreement. It supersedes any and all prior or contemporaneous agreements, understandings, discussions, negotiations, and commitments (written or oral). This Stipulation may not be altered, amended, modified, supplemented, or otherwise changed, except by a writing executed by an authorized representative of each of the Parties.

10. If any provision of this Stipulation is held illegal or unenforceable in a judicial proceeding, such provision shall be severed and shall be inoperative, and, provided that the fundamental terms and conditions of this Stipulation remain legal and enforceable, the remainder of this Stipulation shall remain operative and binding on the Parties.

11. This Stipulation may be executed in one or more counterparts and shall become effective when counterparts have been signed by each party and delivered to the other parties. The Parties understand and agree that Portable Document Format (PDF) and facsimile copies of this Stipulation, including PDF and facsimile signatures thereto, shall have the same force and effect as originals.

12. The Parties agree that the overall rate increases and by policy form rates identified in this Stipulation result in rates that are not "excessive, inadequate, or unfairly discriminatory" or otherwise in violation of Proposition 103 as set forth in California Insurance Code section 1861.01 et seq. and related regulations, or any other applicable provisions of the California Insurance Code.

13. For the reasons stated in the respective declarations and other evidence to be filed in support of this Stipulation and the settlement terms it contains, all Parties agree that the terms of this settlement are fundamentally fair, adequate, reasonable and in the interests of justice. On that basis, the Parties request that the Administrative Law Judge propose a decision in this proceeding that incorporates the terms of this Stipulation pursuant to Government Code section 11517 and Regulation 2656.1 (the Proposed Decision"). In the event that any of the terms of this Stipulation are not adopted by the Administrative Law Judge as part of the Proposed Decision, or if any Proposed Decision incorporating the terms of this Stipulation is not adopted by the Commissioner, the entirety of this Stipulation shall become null and void.

14. The Stipulation and Proposed Decision shall be subject to approval by the Commissioner. By signing the Stipulation, SFG and CW understand and agree that they may not withdraw their agreement or seek to rescind the Stipulation prior to the time the Commissioner considers and acts upon the Stipulation and Proposed Decision. If the Commissioner rejects the Stipulation and Decision, the Stipulation shall be of no force or effect, except for this paragraph, it shall be inadmissible in any legal action between the Parties, and the Commissioner shall not be disqualified from further action by having considered this matter.

15. This Stipulation is made solely for the purpose of reaching a compromise and resolution of the disputes concerning the Applications. Pursuant to Regulation 2656.1(d), this

Stipulation shall have no precedential value for future proceedings. The Parties acknowledge that by agreeing to the Stipulation, the Department and CW are not endorsing any particular aspect of the Applications, but are instead only agreeing to the stated overall rate increases with by-sub-line rate requests as indicated in paragraph O. Pursuant to Regulation 2656.4(a), discussions admissions, concessions, or offers to stipulate or settle related to this Stipulation are confidential and inadmissible for any purpose in any proceeding. Pursuant to Regulation 2656.4(b), if this Stipulation is not adopted by the ALJ or approved by the Commissioner, no evidence regarding its terms is admissible for any purpose in any proceeding.

16. The Parties acknowledge that this Stipulation is a public record under Government Code section 11517(d) and Insurance Code section 1861.07 and that it and any orders issued pursuant thereto are open to public inspection pursuant to the California Public Records Act, Government Code sections 7920.000 – 7931.000.

17. The Commissioner shall retain jurisdiction for the purpose of enforcing the provisions and terms of this Stipulation and the Order requested thereon.

Based on all of the foregoing, the Parties respectfully request that this Court propose a Decision, and the Commissioner adopt an Order, based upon the evidence and the terms of the Stipulation as set forth above.

Dated: March 6, 2026

CALIFORNIA DEPARTMENT OF INSURANCE

By: */s/ Jennifer McCune*
Jennifer McCune
Attorneys for the California Department of Insurance

Dated: March 6, 2026

HOGAN LOVELLS, LLP

By: */s/ Vanessa Wells*
Vanessa Wells
Attorneys for Applicant State Farm General Insurance Company

Dated: March 6, 2026

CONSUMER WATCHDOG

By: */s/ William R. Pletcher*
William R. Pletcher
Attorneys for Consumer Watchdog

EXHIBIT B

(Additional Agreement Between State Farm General and Consumer Watchdog (Proposed Additional Agreement))

Submitted in Connection With Proposed Decision in

In the Matter of the Rate Applications of STATE FARM GENERAL INSURANCE COMPANY, Applicant.

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

PROPOSED DECISION APPROVING STIPULATION, ADDITIONAL AGREEMENT AND ORDER

California Department of Insurance

Administrative Hearing Bureau

Date Submitted: May 7, 2026

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BEFORE THE INSURANCE COMMISSIONER

OF THE STATE OF CALIFORNIA

In the Matter of the Rate Applications of STATE FARM GENERAL INSURANCE COMPANY, Applicant.	File Nos. PA-2024-00011, PA-2024-00012, PA-2024-00013 **ADDITIONAL AGREEMENT BETWEEN STATE FARM GENERAL AND CONSUMER WATCHDOG** Hearing Date: N/A

ADDITIONAL AGREEMENT BETWEEN STATE FARM GENERAL AND CONSUMER WATCHDOG

I. Complaint Forwarding and Review Framework

A. Use of Existing Claims Procedures.

During the term of this Agreement, State Farm General's claim team will accept complaints forwarded by Consumer Watchdog on behalf of individual State Farm General policyholders provided that (i) each complaint is limited to a single individual State Farm General policyholder, and (ii) that individual policyholder is copied on Consumer Watchdog's transmission of their complaint to State Farm General. State Farm General will process any such complaints received from CW pursuant to this paragraph through its existing claim-handling and reconsideration procedures with the policyholder. This Section does not create a separate claim process or a special class of policyholders.

B. Acknowledgment.

State Farm General will use reasonable efforts to acknowledge receipt of complaints forwarded pursuant to Paragraph I(A) to the policyholder within approximately twenty-one (21) business days of receipt.

C. Review of Forwarded Complaints.

State Farm General will review forwarded complaints in good faith and consistent with applicable policy terms and governing law. Claim determinations remain within State Farm General's responsibility and discretion.

D. Timeliness.

State Farm General will work to review and respond to forwarded complaints in a reasonably prompt manner consistent with its general claim-handling timelines, recognizing that, given the passage of approximately one year since the Los Angeles fires, timely resolution of remaining issues is important to affected policyholders.

E. Term.

This Agreement shall remain in effect for a period of one year from the date the parties sign the Stipulation and Request for Proposed Decision and Order Re Rate Application.

F. Reservation of Rights.

Nothing in this Agreement modifies any policyholder's rights or remedies, limits the authority of or creates any obligation of the California Department of Insurance, restricts Consumer Watchdog's advocacy or litigation rights, or constitutes an admission of liability by State Farm General.

Dated: March 6, 2026	HOGAN LOVELLS, LLP By: */s/ Vanessa Wells* Vanessa Wells Attorneys for Applicant State Farm General Insurance Company
Dated: March 6, 2026	CONSUMER WATCHDOG By: */s/ William R. Pletcher* William R. Pletcher Attorneys for Consumer Watchdog

DECLARATION OF SERVICE BY ELECTRONIC MAIL

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

I, ABIGAIL GOMEZ, declare that:

I am over the age of 18 years and not a party to this cause.

I am an employee at the Department of Insurance, State of California, employed at 300 Capitol Mall, 17th Floor, Sacramento, CA 94814.

On July 23, 2026, at Sacramento, California, I electronically served the following true copies of the documents in the above-entitled matter; said copies were addressed to below. I am readily familiar with this business's practice for collecting and processing correspondence for mailing.

Upon request by a party to this matter, I will arrange for a hard copy to be deposited with the United States Postal Service.

☒ On July 23, 2026, **(VIA ELECTRONIC MAIL)**, I caused a true and correct copy of the following document(s):

ORDER ADOPTING PROPOSED DECISION APPROVING STIPULATION, ADDITIONAL AGREEMENT AND ORDER WITH MINOR CHANGES

to be served by electronic mail transmission to all parties and non-parties where indicated per this Declaration:

(SEE ATTACHED PARTY SERVICE LIST)

I declare under penalty of perjury that the foregoing is true and correct, and that this declaration was executed at Sacramento, California, on July 23, 2026.

Abigail Gomez

SERVICE LIST

All service via e-mail

Hon. Karl Frederic J. Seligman Administrative Law Judge Administrative Hearing Bureau **CALIFORNIA DEPARTMENT OF INSURANCE** Administrative Hearing Bureau 1901 Harrison Street, Third Floor Oakland, CA 94612	BY E-MAIL AHBFilings@insurance.ca.gov florinda.cristobal@insurance.ca.gov camille.johnson@insurance.ca.gov
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