

1 JENNIFER McCUNE (SBN 160089)
LISBETH LANDSMAN (SBN 166973)
2 MELISSA WURSTER (SBN 198899)
CALIFORNIA DEPARTMENT OF INSURANCE
3 1901 Harrison Street, 6th Floor
Oakland, CA 94612

4 *Attorneys for the California Department of Insurance*

5
6 **BEFORE THE INSURANCE COMMISSIONER**
7 **OF THE STATE OF CALIFORNIA**
8

9 In the Matter of the Rate Applications of
10 Farmers Insurance Exchange, Fire
Insurance Exchange and Mid-Century
11 Insurance Company,
12 Applicants.

File No.: PA-2023-00009

SETTLEMENT STIPULATION

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14 Farmers Insurance Exchange (“Farmers”), Fire Insurance Exchange (“FIE”), and Mid-
15 Century Insurance Company (“Mid-Century”) (collectively “Applicants”), Consumer Watchdog
16 (“Petitioner”), and the California Department of Insurance (“Department”) (collectively, the
17 “Parties”) stipulate as follows:

18 **RECITALS**

19 A. The Applicants are licensed by the Department to conduct insurance business in
20 California.

21 B. On March 31, 2023, Applicants filed rate applications (nos. 23-844, 23-844-A, and
22 23-844-B) (collectively, “Applications”) seeking approval of an overall 25.5 percent rate increase
23 to their Homeowners Program line of insurance.

24 C. On April 14, 2023, pursuant to California Insurance Code (“CIC”) section
25 1861.05(c), the Department notified the public of the Applications.

26 D. On May 30, 2023, Petitioner submitted a timely Petition for Hearing, Petition to
27 Intervene, and Notice of Intent to Seek Compensation regarding the Applications (“Petition”).

28 E. Applicants have not responded to Petitioner’s Petition to Intervene.

1 F. On June 13, 2023, the Commissioner granted Petitioner’s Petition to Intervene.

2 G. The Parties have engaged in discussions regarding the Applications and additional
3 information and analysis that the Parties provided.

4 H. As a result of the Parties’ discussions and negotiations, Applicants updated the
5 Applications per the Parties’ agreement.

6 **STIPULATION**

7 1. This Stipulation, together with the updated Applications and the Commissioner’s
8 approvals in SERFF, represents the complete and final settlement resolving all issues between the
9 Parties regarding the Applications.

10 2. Based upon the Applications and additional information that the Parties provided,
11 the Parties agree that an overall rate increase of 12.5% (consisting of an increase of 9.9% for the
12 Next Generation Homeowners Program, an increase of 45.3% for the Smart Plan Renters
13 Program, an increase of 12.5% for the Smart Plan Condo Program, and an increase of 15.6% for
14 the Smart Plan Home Program) is supportable and will be implemented for policies effective
15 October 30, 2023, in accordance with this Stipulation, the updated Applications, and the
16 Commissioner’s approvals in SERFF. Applicants have made appropriate updated filings in
17 SERFF to reflect the overall rate change. Approval of the Applications described in this
18 Stipulation will only be effective when approved by the Commissioner in SERFF.

19 3. The Parties agree that Consumer Watchdog will be permitted to intervene and
20 participate in discussions regarding the Farmers Homeowners Mitigation filings (File Nos. 23-
21 1129; 23-1129-A; 23-1129-B).

22 4. Should Applicants make any changes to their new business or renewal business
23 eligibility guidelines, they agree to inform and publicly file with the Department any such
24 proposed changes to their underwriting guidelines prior to implementing any such changes.
25 Regarding the public filing of underwriting guidelines filed with rate applications, Applicants will
26 adhere to the August 10, 2018, General Counsel opinion letter and Applicants will comply with
27 applicable laws, regulations, and rate filing instructions as they relate to underwriting guidelines.
28 Additionally, Applicants shall submit to the Department a completed application for all changes

1 to existing rating and underwriting rules before implementing any such changes.

2 5. Consistent with 10 CCR sections 2656.1(b) and 2662.3(c), no agreement regarding
3 Petitioner's compensation has been made. However, the Parties agree that the Commissioner's
4 approval of the Applications, consistent with this Stipulation, will be a decision or order within
5 the meaning of CIC section 1861.10(b). Petitioner agrees to submit any request for compensation
6 to the Public Advisor within 30 days after notice of the Commissioner's approvals in SERFF.

7 6. Petitioner will withdraw its Petition for Hearing within 10 days after notice of the
8 Commissioner's approvals in SERFF.

9 7. This Stipulation is made solely to reach a compromise among the Parties.
10 Pursuant to 10 CCR § 2656.4, discussions, admissions, concessions, or offers to stipulate or settle
11 made by any party in negotiating this stipulated settlement are confidential and are not
12 discoverable or admissible for any purpose in any proceeding, except to the extent permitted by
13 10 CCR section 2662.3(b)(3), and the Commissioner's approval of the Applications shall not
14 constitute approval of or precedent regarding any principle or any issue in any other proceeding.

15 8. This Stipulation does not constitute an endorsement or approval of any specific
16 eligibility or nonrenewal criteria or rating methodology.

17 9. The Commissioner retains jurisdiction to ensure that the Parties comply with this
18 Stipulation.

19 10. Nothing contained in this Settlement Stipulation constitutes a limitation upon, or a
20 waiver of, the rights and powers of the Commissioner to enforce any California law, to examine
21 the rating practices of the Applicants or to take such other action as necessary to protect the
22 public.

23 11. This Stipulation may be executed in counterparts.

24 Dated: August 10, 2023

Applicants FARMERS INSURANCE EXCHANGE
FIRE INSURANCE EXCHANGE, and MID-
CENTURY INSURANCE COMPANY

25
26
27 By Victoria L. McCarthy

28

1 Dated: August 10, 2023

Petitioner CONSUMER WATCHDOG

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By B. Paul

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Dated: August 10, 2023

CALIFORNIA DEPARTMENT OF INSURANCE

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By Jennifer McCune

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Jennifer McCune
Lisbeth Landsman
Melissa Wurster

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*Attorneys for the California Department of
Insurance*

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PROOF OF SERVICE
In the Matter of the Rate Applications of
Farmers Insurance Exchange, Fire Insurance Exchange and
Mid-Century Insurance Company, Applicants.
(Consumer Watchdog's Petition for Hearing)
CDI File No. PA-2023-00009

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 August 10, 2023, I served the following document(s):

SETTLEMENT STIPULATION
(RRB APP. NOS. HO-23-844, 23-844-A AND 23-844-B)

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 San Francisco, 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 San Francisco, 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 San Francisco, 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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Jamie Katz, Esq.
Staff Counsel and Public Advisor
Office of the Public Advisor
**CALIFORNIA DEPARTMENT OF
INSURANCE**
1901 Harrison Street, 4th Floor
Oakland, CA 94612
jamie.katz@insurance.ca.gov

Tel: (415) 538-4180
Fax: (510) 238-7830

Via EMAIL