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BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA

In the Matter of the Rate Application of
Stillwater Insurance Company,
Applicant.

File No.: 25-456

**CONSUMER WATCHDOG'S PETITION
FOR HEARING, PETITION TO
INTERVENE, AND NOTICE OF INTENT
TO SEEK COMPENSATION**

[Ins. Code §§ 1861.02, 1861.05, and 1861.10;
Cal. Code Regs, tit. 10, §§ 2653.1, 2661.2 and
2661.3]

1 Consumer Watchdog hereby requests that the Insurance Commissioner notice a public
2 hearing pursuant to Insurance Code sections 1861.05, subdivisions (a) and (c), and 1861.10,
3 subdivision (a), on the issues raised in this petition regarding the above-referenced Rate
4 Application of Stillwater Insurance Company (“Stillwater” or “Applicant”), at which time
5 Applicant will be directed to appear and respond to the issues raised in this petition. Consumer
6 Watchdog also hereby requests that it be granted leave to intervene in the proceeding on
7 Applicant’s Rate Application pursuant to Insurance Code section 1861.10(a). Consumer
8 Watchdog intends to seek compensation in this proceeding, and, pursuant to California Code of
9 Regulations, title 10 (“10 CCR”), section 2661.3 subdivision (c), Consumer Watchdog’s
10 proposed budget is attached hereto as Exhibit A.

11 In support of its petition, Consumer Watchdog alleges:

12 **I. THE APPLICATION**

13 1. On or about February 27, 2025, Applicant filed a Prior Approval Rate Application
14 with the California Department of Insurance (“CDI”), seeking approval of an overall 27.5% rate
15 increase to its homeowners line of business (File No. 25-456 [“the Application”]).

16 2. On or about March 28, 2025, the public was notified by the CDI of the
17 Application.

18 **II. PETITIONER**

19 3. Petitioner Consumer Watchdog is a nonprofit, nonpartisan, public interest
20 corporation organized to represent the interests of consumers and taxpayers. A core focus of
21 Consumer Watchdog’s advocacy is the representation of the interests of insurance consumers and
22 policyholders, particularly as they relate to the implementation and enforcement of Proposition
23 103, in matters before the Legislature, the courts, and the CDI.

24 4. Consumer Watchdog’s founder authored Proposition 103 and led the successful
25 campaign for its enactment by California voters in 1988. Consumer Watchdog’s staff and
26 consultants include some of the nation’s foremost consumer advocates and experts on insurance
27 ratemaking matters.

1 5. Consumer Watchdog has served as a public watchdog to enforce Proposition 103’s
2 protections with regard to property-casualty insurance rates and practices by: monitoring insurer
3 rollback settlements and the status of the rollback regulations; reviewing and challenging rate
4 filings made by insurers seeking to implement excessive and/or unfairly discriminatory rates
5 and/or practices; participating in rulemaking and adjudicatory hearings before the CDI to
6 implement and enforce Proposition 103’s consumer protections; and educating the public
7 concerning industry underwriting and rating practices, their rights under Proposition 103, and
8 other provisions of state law. Consumer Watchdog has also initiated, intervened, or appeared as
9 amicus curiae in virtually every action in state court involving the interpretation and application
10 of Proposition 103 and the Insurance Code.¹

11 6. Consumer Watchdog has initiated and intervened in numerous proceedings before
12 the CDI related to the implementation and enforcement of Proposition 103’s reforms, including
13 over 150 such proceedings in the last twenty years. In every rate proceeding that has resulted in a
14 final decision and in which Consumer Watchdog sought compensation from 2003–2022, the
15 Commissioner found that Consumer Watchdog made a substantial contribution under Insurance
16 Code section 1861.10(b) and the implementing regulations. Most recently in 2025, the
17 Commissioner found that Consumer Watchdog made a substantial contribution to his decisions in
18 two homeowners insurance rate matters.

19 **III. ISSUES AND EVIDENCE TO BE PRESENTED AND POSITIONS OF PETITIONER**

20 7. In the rate proceeding initiated by Consumer Watchdog’s Petition, Consumer
21 Watchdog will present and elicit evidence to show that the rates proposed in the Application
22
23

24 ¹ For example, *Calfarm Ins. Co. v. Deukmejian* (1989) 48 Cal.3d 805; *20th Century Ins. Co. v.*
25 *Garamendi* (1994) 8 Cal.4th 216; *Amwest Surety Ins. Co. v. Wilson* (1995) 11 Cal.4th 1243;
26 *Proposition 103 Enforcement Project v. Quackenbush* (1998) 64 Cal.App.4th 1473; *Spanish*
27 *Speaking Citizens’ Found. v. Low* (2000) 85 Cal.App.4th 1179; *Donabedian v. Mercury Ins. Co.*
28 *(2004) 116 Cal.App.4th 968; State Farm Mut. Auto. Ins. Co. v. Garamendi* (2004) 32 Cal.4th
1029; *The Found. for Taxpayer and Consumer Rights v. Garamendi* (2005) 132 Cal.App.4th
1354; *Ass’n of Cal. Ins. Cos. v. Poizner* (2009) 180 Cal.App.4th 1029; *Mercury Cas. Co. v.*
Jones (2017) 8 Cal.App.5th 561; *Mercury Ins. Co. v. Lara* (2019) 35 Cal.App.5th 82; and *State*
Farm General Ins. Co. v. Lara (2021) 71 Cal.App.5th 197.

1 result in rates that are excessive and/or unfairly discriminatory in violation of Insurance Code
2 section 1861.05, subdivision (a), which provides that “[n]o rate shall be approved or remain in
3 effect which is excessive, inadequate, [or] unfairly discriminatory.” Additionally, Consumer
4 Watchdog will present and elicit evidence that Applicants’ proposed rates violate 10 CCR
5 § 2644.1, which provides that “[n]o rate shall be approved or remain in effect that is above the
6 maximum permitted earned premium as defined in section 2644.2.”

7 8. Based on Consumer Watchdog’s preliminary analysis in consultation with its
8 actuarial expert and the information contained in the Application and publicly available,
9 Consumer Watchdog has identified the following issues with the Application on which it intends
10 to present and elicit evidence as set forth in (a)–(b) below. Each of these issues is directly
11 relevant to determining whether Applicant’s proposed rate increase is excessive under Insurance
12 Code section 1861.05(a) and the prior approval rate regulations, 10 CCR § 2644.1 et seq.
13 Consumer Watchdog intends to request further information on these issues through
14 informal/formal discovery from the Applicant and reserves the right to develop and refine its
15 positions as more information is made available.

16 a. Loss and Premium Trends (10 CCR § 2644.7): Consumer Watchdog’s current
17 position, to the extent now known based on the information in the Application at this
18 time, is that Applicant’s frequency and severity trend selections result in excessive
19 net trends which overstate the projected losses, causing an inflated rate indication.
20 Consumer Watchdog’s preliminary analysis indicates a much lower rate need.
21 Applicant’s selected 24-point Reported/Paid frequency and severity trends give too
22 much weight to the volatile historical experience, particularly to sharp increases seen
23 beginning in 2020 and 2021, which have turned sharply downward in recent quarters.

24 Applicant states in Exhibit I – Actuarial Memorandum.pdf: “For the Homeowners
25 loss trend, the 8-point and 12-point shorter term trends were not chosen due to the
26 volatility. Because Homeowners claims typically get reported promptly and are
27 without long delays in settlement and payment, the Reported Frequency and Paid
28

1 Severity for the longer term trends exhibited more stability and all had similar results.
2 The 24-point Reported Frequency and Paid severity was chosen for maximum
3 stability.” However, looking at the variances for each of the possible trend periods,
4 the volatility exhibited by the 24-point net trends is among the highest—particularly
5 for the HO-3 coverage, which represents 92% of the premium volume in this filing.
6 For all three coverages, net trends have generally been on a downward trajectory for
7 at least the past 6 quarters. Further, net trends prior to the increases noted above from
8 2020-2021 were markedly decreasing for HO-3 and HO-6, and basically flat for HO-
9 4.

10 Consumer Watchdog analyzed the actual and fitted net trends on both a numerical
11 and graphical basis for each of the possible trend bases (Closed/Paid, Reported/Paid,
12 Closed/Total Paid, and Reported/Total Paid). Our preliminary analysis shows that
13 lower trend factors, considering the entirety of the historical data but based on more
14 recent experience, are more reasonable and actuarially sound. This analysis produces
15 an overall rate indication that is substantially lower than the 27.5% rate increase
16 proposed by Stillwater. Based on these findings, Applicant has not fully supported its
17 assertion that the selected trend factors are the most actuarially sound.
18

- 19 b. Improper / Unsupported Excluded Expenses (10 CCR § 2644.10): Applicant has not
20 shown that the sum of the institutional advertising expenses listed on page 4.1 of the
21 Prior Approval Rate Template, \$1,572, is appropriate. Consumer Watchdog’s current
22 position, to the extent now known, is that Applicant has failed to provide sufficient
23 information in the filing to support its claim that there were no institutional
24 advertising expenses in 2022 or 2023, and only \$1,572 in 2021. Per the regulation:
25 “‘Institutional advertising’ means advertising not aimed at obtaining business for a
26 specific insurer and not providing consumers with information pertinent to the
27 decision whether to buy the insurer’s product.”
28

1 Based on the information currently available in the Application, and subject to review
2 of additional information that may be obtained from Applicant during the proceeding
3 through formal or informal discovery on these and other excluded expenses items, it
4 is Consumer Watchdog's position that Applicant has not proven that its three-year
5 average excluded expense ratio of 0.2% shown on page 4.2 of the Prior Approval
6 Rate Template is appropriate. Consumer Watchdog reserves the right to seek
7 discovery and raise additional issues regarding the accuracy of the amounts listed in
8 page 4.2 of the Prior Approval Rate Template for other categories of excluded
9 expenses that should be reflected in the rate calculation but may not be adequately
10 reflected in the filing, including political contribution and lobbying expenses,
11 excessive executive compensation, bad faith judgments and associated DCCE, costs
12 of unsuccessful defense of discrimination claims, and fines and penalties.

13 9. This petition is based upon Consumer Watchdog's preliminary analysis of the
14 Application. Thus, Consumer Watchdog reserves the right to modify, withdraw, and/or add issues
15 for consideration and its positions on each issue as more information becomes available through
16 discovery or otherwise.

17 **IV. AUTHORITY FOR PETITION AND GRANTING REQUEST FOR A HEARING**

18 10. The authority for this petition for hearing is Insurance Code section 1861.10,
19 subdivision (a), which grants "any person" the right to initiate or intervene in a proceeding
20 permitted or established by Proposition 103 and the right to enforce Proposition 103. Specifically,
21 as stated above, Consumer Watchdog initiates this proceeding to enforce Insurance Code section
22 1861.05 and the Commissioner's rate regulations, 10 CCR § 2644.1 et seq.

23 11. Additionally, a hearing is authorized pursuant to Insurance Code section 1861.05,
24 subdivision (c), which allows "a consumer or his or her representative" to request a hearing on a
25 rate application and 10 CCR § 2653.1, which provides that "any person, whether as an individual,
26 representative of an organization, or on behalf of the general public, may request a hearing by
27 submitting a petition for hearing." Given that Applicant's requested rate change exceeds 7%,
28 Insurance Code section 1861.05(c) requires that the Commissioner "must hold a hearing upon a

1 timely request.”

2 12. This petition is timely pursuant to Insurance Code section 1861.05, subdivision (c),
3 and 10 CCR § 2646.4(a)(1) because is filed within forty-five (45) days of the March 28, 2025
4 public notice date.

5 **V. INTEREST OF PETITIONER**

6 13. Consumer Watchdog’s interest in the above-captioned proceeding is to ensure that
7 Applicant’s homeowners insurance policyholders are charged rates and premiums that comply
8 with the provisions of Insurance Code section 1861.05(a)’s requirement that “no rate shall be
9 approved or remain in effect which is excessive, inadequate, [or] unfairly discriminatory or
10 otherwise in violation of this chapter,” and the requirements contained in the regulations
11 promulgated thereunder. For many homeowners, their home is their most valuable asset and they
12 are required to purchase homeowners insurance by their mortgage lenders. Consumers who are
13 overcharged by insurers for this insurance coverage and/or arbitrarily non-renewed, even when
14 they have undertaken significant wildfire mitigation efforts to protect their homes and lower their
15 risk of loss, are part of Consumer Watchdog’s core constituency. The specific issues and positions
16 to be taken by Consumer Watchdog in this proceeding, to the extent known at this time, are set
17 forth in paragraph 8 *ante*.

18 14. As noted in paragraphs 3–6 *ante*, Consumer Watchdog’s staff and consultants
19 have substantial experience and expertise in insurance rate matters, which Consumer Watchdog
20 believes will aid the CDI in its review of the Application and aid the Commissioner in making
21 his ultimate decision as to whether to approve or disapprove the requested rate. As noted in
22 paragraph 6 above, the Commissioner has found that Consumer Watchdog has made a
23 substantial contribution to his decisions in every rate proceeding that has resulted in a final
24 decision and in which Consumer Watchdog sought compensation from 2003–2022, three
25 additional proceedings in 2023, six additional proceedings in 2024, and two additional
26 proceedings in 2025. If leave to intervene is granted, Consumer Watchdog will participate fully
27 in all aspects of this proceeding.

1 15. Consumer Watchdog also has an interest in assuring that Applicant, the CDI, and
2 the Insurance Commissioner comply with the laws enacted by the voters under Proposition 103,
3 and the rules and regulations that implement those laws, including that all information submitted
4 to the CDI in connection with the Application is made publicly available.

5 **VI. AUTHORITY FOR PETITION TO INTERVENE**

6 16. The authority for Consumer Watchdog’s petition to intervene is Insurance Code
7 section 1861.10, subdivision (a), which grants “any person” the right to “initiate or intervene in
8 any proceeding permitted or established pursuant to this chapter [Chapter 9 of Part 2 of
9 Division 1 of the Insurance Code] . . . and enforce any provision of this article.” This proceeding
10 is a rate proceeding to enforce Insurance Code section 1861.05 pursuant to Insurance Code
11 section 1861.10(a), and hence is a proceeding both “permitted” and “established” by Chapter 9.
12 Per the voters’ instruction, the mandatory right to intervene under section 1861.10(a), like all the
13 provisions of Proposition 103, must be “liberally construed and applied in order to fully promote
14 its underlying purposes.” (Prop. 103, § 8.) Thus, section 1861.10 must be interpreted and applied
15 broadly in a manner to fully encourage consumer participation. (*Ibid.*; see also *Ass’n of*
16 *California Ins. Cos. v. Poizner, supra*, 180 Cal.App.4th at 1052 [stating “the goal of fostering
17 consumer participation in the administrative rate-setting process” as “one of the purposes of
18 Proposition 103”].) The broad intervention standard enacted by section 1861.10 ensures that
19 consumers will be able to participate in proceedings independently of the CDI staff who may
20 take different positions or emphasize different issues in the proceeding, and with all rights
21 accorded to any other party, including the right to raise additional issues and/or violations as they
22 become known during the course of the proceeding through informal or formal discovery.

23 17. This petition to intervene is also authorized by 10 CCR § 2661.1 et seq. In
24 compliance with 10 CCR § 2661.3, the specific issues to be raised and positions to be taken by
25 Consumer Watchdog, *to the extent known at this time*, are set forth in paragraph 8 *ante*. Each of
26 these issues relate directly to specific standards and requirements under the ratemaking formula at
27 10 CCR § 2644.1 et seq. and thus are directly relevant to ultimately determining whether
28 Applicant’s requested rate is excessive or otherwise unjustified. Although consumer presence in

1 departmental proceedings typically results in significant reductions to policyholders' rates, the
2 amount of savings for each individual consumer is outweighed by the time and expense of hiring
3 individual counsel or an advocacy group to protect his or her rights. Thus, an independent
4 organization like Consumer Watchdog introduces a voice that otherwise would be absent from
5 this proceeding.

6 **VII. PARTICIPATION OF CONSUMER WATCHDOG**

7 18. Consumer Watchdog verifies, in accordance with 10 CCR § 2661.3, that it will be
8 able to attend and participate in this proceeding without unreasonably delaying this proceeding or
9 any other proceedings before the Insurance Commissioner.

10 **VIII. INTENT TO SEEK COMPENSATION**

11 19. The Commissioner has awarded Consumer Watchdog compensation for its
12 reasonable advocacy and witness fees and expenses in past departmental proceedings. The
13 Commissioner issued Consumer Watchdog's latest Finding of Eligibility on August 2, 2024,
14 effective for two years as of July 12, 2024. Consumer Watchdog was previously found eligible to
15 seek compensation on July 26, 2022, effective as of July 12, 2022; August 25, 2020, effective as
16 of July 12, 2020; July 12, 2018; July 14, 2016; July 24, 2014; July 24, 2012; July 2, 2010;
17 August 25, 2008; July 14, 2006; July 2, 2004; June 20, 2002; October 1, 1997; September 26,
18 1995; September 27, 1994; and September 13, 1993.


19 20. Pursuant to 10 CCR § 2661.3(c), Consumer Watchdog's estimated budget in this
20 proceeding is attached hereto as Exhibit A. Consumer Watchdog has based its estimated budget
21 on several factors including: (1) the technical and legal expertise needed to address these issues;
22 (2) its current best estimate of the time needed to participate effectively in this proceeding, taking
23 into account the time already expended by Consumer Watchdog's legal and actuarial staff and an
24 estimate of time needed to complete remaining tasks through completion of a noticed evidentiary
25 hearing; and (3) past experience in similar rate proceedings before the CDI. The estimated budget
26 is reasonable and the staffing level is appropriate, given the expertise that Consumer Watchdog
27 brings to these proceedings when the issues involved are issues at the very core of its
28 organizational mission and strike at the very heart of Proposition 103 itself. The attorney,

1 paralegal, and staff actuary hourly rates contained in the attached budget do not exceed market
2 rates as defined by 10 CCR § 2661.1(c).² The budget presented in the attached Exhibit A is a
3 preliminary estimate, and Consumer Watchdog reserves the right to amend its proposed budget as
4 its expenses become more certain, or in its request for final compensation. Further, Consumer
5 Watchdog affirms that it will file an amended budget as soon as possible when it learns that its
6 total estimated budget amount increases by \$10,000 or more, in accordance with 10 CCR
7 § 2661.3(d).

8 WHEREFORE, Consumer Watchdog respectfully requests that the Insurance
9 Commissioner GRANT its petition for hearing and petition to intervene in the proceeding, having
10 all rights and responsibilities accorded any other party to the proceeding.

11
12
13 DATED: May 12, 2025

Respectfully submitted,
Harvey Rosenfield
Pamela Pressley
Ryan Mellino
CONSUMER WATCHDOG

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15
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17 By: 
18 Ryan Mellino
19 Attorney for CONSUMER WATCHDOG
20

21 ² 10 CCR § 2661.1(c) defines “market rates” as “the prevailing rate for comparable services in the
22 private sector in the Los Angeles and San Francisco Bay Areas *at the time of the Commissioner’s*
23 *decision awarding compensation* for attorney advocates, non-attorney advocates, or experts with
24 similar experience, skill and ability.” (Emphasis added.) Attached as Exhibit B and Exhibit C are
25 the two most recent Decisions Awarding Compensation by Commissioner Lara to Consumer
26 Watchdog in 2025 in rate proceedings, which found that Consumer Watchdog’s 2025 rates used
27 in the estimated budget set forth in Exhibit A for its attorneys, staff actuary, and paralegal, Ms.
28 Pressley, Mr. Mellino, Mr. Powell, Mr. Armstrong, and Ms. Gentile, were reasonable and did not
exceed market rates in the private market in Los Angeles and the San Francisco Bay Area.
Attached as Exhibit D is a 2024 Decision Awarding Compensation by Commissioner Lara to
Consumer Watchdog, which found that the 2025 rate used in the estimated budget set forth in
Exhibit A for its attorney, Mr. Rosenfield, was reasonable and did not exceed the market rate in
the private market in Los Angeles and the San Francisco Bay Area.

1 **VERIFICATION OF RYAN MELLINO IN SUPPORT OF CONSUMER WATCHDOG'S**
2 **PETITION FOR HEARING, PETITION TO INTERVENE, AND NOTICE OF INTENT**
3 **TO SEEK COMPENSATION**

4 I, Ryan Mellino, verify:

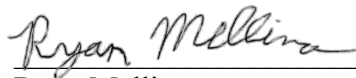
5 1. I am a Staff Attorney for Consumer Watchdog. If called as a witness, I could and
6 would testify competently to the facts stated in this verification.

7 2. I personally prepared, in consultation with Consumer Watchdog's actuarial expert,
8 the pleading titled "Consumer Watchdog's Petition for Hearing, Amended Petition to Intervene,
9 and Notice of Intent to Seek Compensation" filed in this matter. All of the factual matters alleged
10 therein are true of my own personal knowledge, or I believe them to be true after conducting some
11 inquiry and investigation.

12 3. Pursuant to California Code of Regulations, title 10, section 2661.3, Consumer
13 Watchdog attaches as Exhibit A its estimated budget in this proceeding. I affirm that the hourly
14 rates in the estimated budget do not exceed market rates.

15 I declare under penalty of perjury under the laws of the State of California that the
16 foregoing is true and correct.

17 Executed May 12, 2025, at Los Angeles, California.

18 
19 _____
20 Ryan Mellino

**EXHIBIT A
PRELIMINARY BUDGET**

ITEMS

ESTIMATED COST

1. Consumer Watchdog Attorneys, Paralegal, and Staff Actuary

Pamela Pressley (Senior Staff Attorney) @ \$595 per hour, 100 hours \$59,500

- Draft and edit petition for hearing and petition to intervene; supervise Consumer Watchdog counsel; oversee preparation of discovery requests, motions, and briefing; confer with Consumer Watchdog counsel and outside experts regarding legal and evidentiary issues; participate in discussions with CDI and Applicant’s counsel; assist in all phases of proceeding, evidentiary hearing, and preparation of post-hearing briefing.

Ryan Mellino (Staff Attorney) @ \$250 per hour, 200 hours..... \$50,000

- Confer with Consumer Watchdog counsel and outside experts regarding legal and evidentiary issues; participate in discussions with CDI and Applicant’s counsel; participate in briefing legal issues; conduct discovery, preparation of motions, and preparation for evidentiary hearing; participate in examination of witnesses and all phases of evidentiary hearing and post-hearing legal briefing; prepare request for compensation.

Kaitlyn Gentile (Paralegal) @ \$200 per hour, 50 hours \$10,000

- Draft and edit petition for hearing and petition to intervene; assist with discovery and preparation of motions and briefs; prepare request for compensation.

Harvey Rosenfield (Of Counsel) @ \$695 per hour, 15 hours \$10,425

- Supervise Consumer Watchdog counsel and participate in strategy discussions.

Ben Armstrong, Staff Actuary @ \$425 per hour, 100 hours \$42,500

- Staff actuary to review rate application, all discovery documents; prepare actuarial analysis; participate in meet and confers with the parties as needed; prepare written testimony; testify and assist attorneys in preparation for cross-examination of insurer’s expert witnesses.

2. Consumer Watchdog Expenses

Office expenses (photocopies, facsimile, telephone calls, postage, etc.)\$2,000

Travel (ground transportation; airfare; hotel)\$5,000

TOTAL ESTIMATED BUDGET: \$179,425