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13 **BEFORE THE INSURANCE COMMISSIONER**
14 **OF THE STATE OF CALIFORNIA**

15 In the Matter of the Rule Application of
16 State Farm General Insurance
17 Company
18 Applicant.

19 File No. PA-2024-00005

20 DECISION DENYING PETITIONER'S
21 PETITION FOR HEARING

22 The Commissioner has considered the Petition for Hearing, Petition to Intervene, and
23 Notice of Intent to Seek Compensation ("the Petition") submitted by Consumer Watchdog
24 ("Petitioner"). For the reasons stated below, the Commissioner denies the Petition for Hearing.

25 **I.**

26 **FACTUAL SUMMARY**

27 On February 28, 2023, the Department received a combined rate a rule filing (#23-613)
28 from State Farm General Insurance Company ("Applicant"). The rate filing sought an overall rate
increase of 28.1%. Petitioner intervened and the matter was settled for a 20% rate increase.
Petitioner withdrew its Petition for Hearing. The accompanying rule filing was required to
comply to California Code of Regulations, Title 10 ("10 CCR"), section 2644.9. 10 CCR section
2644.9 requires insurers "that appl[y] or use[s] a rate that is developed with, determined by or
relies upon, in whole or in part, a rating plan that segments, creates a rate differential, or
surcharges the premium based upon a policyholder or applicant's wildfire risk..." to, *inter alia*,

1 offer wildfire mitigation discounts for specified property-level and community-level actions. Such
2 insurers were required by 10 CCR section 2644.9(d) to file a revised rating plan including the
3 mandatory mitigation discounts by April 12, 2023.

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5 On February 3, 2023, the Commissioner issued a bulletin directing insurers to file their
6 revised rating plans as separate, revenue-neutral rule filings instead of accompanying complete
7 rate applications asking for increases in base rates.¹ On February 16, 2023, the Commissioner
8 published an FAQ document to clarify the Department’s expectations of the mitigation filings.²
9 As such, the Department asked Applicant to withdraw the mitigation credits portion of the filing
10 and file a separate rule filing. Applicant did so and re-filed the mitigation rule filing on February
11 5, 2024. The filing was placed on the public notice on March 8, 2024. Petitioner filed a Petition to
12 Intervene, Petition for Hearing, and Notice of Intent to Seek Compensation on April 22, 2024.
13 The Commissioner granted the Petition to Intervene on May 3, 2024. The Commissioner deferred
14 decision on the Petition for Hearing, and now denies same.
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16 II.

17 REASONS FOR DENYING PETITION FOR HEARING

18 In the Petition, Petitioner stated:

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20 “In the proceeding initiated by Consumer Watchdog’s petition, Consumer Watchdog will
21 present and elicit evidence to show that Applicant’s proposed rating plan and rule
22 changes potentially violate Insurance Code section 1861.05(a), which provides that “[n]o
23 rate shall be approved or remain in effect which is excessive, inadequate, [or] unfairly
24 discriminatory” and 10 CCR § 2644.9’s requirements relating to the use of wildfire risk
25 models and the implementation of mandatory wildfire risk mitigation factors. Consumer
26 Watchdog will additionally present and elicit evidence to show that Applicant has failed to
27 make all information available for public inspection in violation of Insurance Code section
28 1861.07.” (Petition at pp. 3-4; ¶7.)

Petitioner specifically alleged and was granted to intervene³ on the following:

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27 ¹ See: <https://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Bulletin-2023-2.pdf>.

28 ² See: https://www.insurance.ca.gov/0250-insurers/0800-rate-filings/0200-prior-approval-factors/upload/FAQ-Mitigation-in-Rating-Plans-and-Wildfire-Risk-Models-Regulation_2023-02-16.pdf.

³ Allegations will be recited as stated in the Order Granting Consumer Watchdog’s Petition to Intervene. See also Petition to Intervene *et al.* pp. 4-6, ¶ 8a.-8e.

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1. Applicant must file and make publicly available the wildfire models underlying its geographical rating factors. (10 CCR 2644.9; 2644.9(b)(6)(A).)

Department Response

Petitioner appears to misunderstand the requirement that an insurer provide wildfire risk models as part of a complete rate application. 10 CCR 2644.9(f). The Department only requires information and documentation regarding models to be filed when changes are being made to the models or the rating factors derived therefrom. Here, Applicant is making no such changes since Applicant last filed information and documentation relating to its wildfire risk model, and so the Department has not required anything additional to be filed in the current application for mitigation credits. Accordingly, the Department believes Applicant has met the requirements of 10 CCR 2644.9(f), to the extent the section applies here.

2. Applicant failed to provide data in support of its mitigation discounts. (10 CCR 2644.9(g).

Department Response

The Department is satisfied that Applicant has provided adequate justification for its Mitigation credits. As Petitioner correctly points out, 10 CCR 2644.9 requires an insurer to incorporate California wildfire loss data, to the extent credible. Here, such data is not credible. The Department and Applicant will monitor data over time and adjust mitigation credits accordingly. 10 CCR 2644.9 recognizes that wildfire loss data will evolve over time, and thus no specific dollar or percentage mitigation credits are required by the regulation as such would be arbitrary.

3. Applicant failed to adequately justify the reduction in available mitigation discounts. (Id.)

Department Response

Applicant’s total aggregate discount actually exceeds that of Applicant’s prior filing. The Department is satisfied that Applicant’s proposed mitigation credits are reasonable and supportable given the available data.

4. Applicant provided no documents showing whether/how Applicant intends to disclose to Applicants why a wildfire risk score was assigned.

Department Response

Petitioner has withdrawn this issue as Applicant provided the relevant documents. In any event, 10 CCR 2644.9 does not actually require that such documents be filed as part of a mitigation credit filing; insurers have been required since April 12, 2023 to meet the requirements of 10 CCR 2644.9(h)-(l).

5. Applicant provided no documents showing whether/how Applicant will include contact information for the Department on certain documents.

Department Response

Petitioner has withdrawn this issue as Applicant provided information showing that it

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will, in fact, include contact information for the Department.

- 6. Applicant must correct an alleged discrepancy where different parts of the Application assign different discounts for “IBHS Wildfire Prepared Home Plus” and “IBHS Wildfire Prepared Home Plus.”

Department Response

This was a misunderstanding on Petitioner’s part and was resolved during a conference call between Applicant, Petitioner, and the Department.

III.

CONCLUSION

For the foregoing reasons, the Department believes the issues raised in the Petition for Hearing have been satisfactorily resolved. The Petition is therefore denied.

Dated: May 10, 2024

CALIFORNIA DEPARTMENT OF INSURANCE

By 

Kenneth Allen
Deputy Commissioner
Rate Regulation Branch

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PROOF OF SERVICE
In the Matter of the Rule Application of
State Farm General Insurance Company, Applicant.
(Consumer Watchdog's Petition for Hearing)
CDI File No. PA-2024-00005

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 May 10, 2024, I served the following document(s):

DECISION DENYING PETITIONER'S PETITION FOR HEARING
- RRB App. No. 24-426

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.

/s/ Cecilia Padua
Cecilia Padua

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SERVICE LIST
In the Matter of the Rule Application of
State Farm General Insurance Company, Applicant.
(Consumer Watchdog's Petition for Hearing)
CDI File No. PA-2024-00005

<u>Name/Address</u>	<u>Phone/Fax Numbers</u>	<u>Method of Service</u>
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NON PARTIES

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