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9  
10 **BEFORE THE INSURANCE COMMISSIONER**  
11 **OF THE STATE OF CALIFORNIA**  
12

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

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

**NOTICE OF HEARING**

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21 TO: STATE FARM GENERAL INSURANCE COMPANY (“APPLICANT”), YOU  
22 ARE HEREBY NOTIFIED:

23 **I. FACTUAL ALLEGATIONS**

24 The Applicant is licensed by the California Department of Insurance (“Department” or  
25 “CDI”) to conduct insurance business in California.

26 On or about June 27, 2024 for File Nos. 24-1271 and 24-1273 and on July 5, 2024 for File  
27 No. 24-1330, Applicant filed three rate applications (collectively, “Applications”) requesting  
28 overall rate increases, as follows:

File No.	Line	Rate requested
24-1271	Homeowners Non-Tenant HO-3	+30.0%
24-1273	Overall Renter/Condo Tenant	+41.8%
24-1330	Rental Dwelling	+38.0%

In 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").

The Department notified the public of the Applications on July 5, 2024 as to File Nos. 24-1271 and 24-1273, and on July 12, 2024 as to File No. 24-1330, pursuant to Insurance Code section 1861.05, subdivision (c).

On September 3, 2024 for File 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.

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, Intervenor Consumer Watchdog submitted its Petition to Intervene, Petition for Hearing, and Notice of Intent to Seek Compensation in each of the Applications.<sup>1</sup>

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 the intervenor's Petition for Hearing in each of the Applications.<sup>2</sup>

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 Petition to Intervene.<sup>3</sup>

On February 3, 2025, Applicant submitted a letter to the Commissioner, with enclosures,

<sup>1</sup> The Petitions are attached as Exhibits A, B, and C, respectively.

<sup>2</sup> The Answers are attached as Exhibits D, E, and F, respectively.

<sup>3</sup> The Orders Granting Intervention are attached as Exhibits G, H, and I, respectively.

1 requesting the Commissioner approve an immediate interim rate request of 22% in its  
2 homeowners line (File No. 24-1271), 15% in its renter/condo tenant line (File No. 24-1273), and  
3 38% in its rental dwelling line (File No. 24-1330) in the pending Applications (the “Interim Rate  
4 Request”)<sup>4</sup>, subject to refunds with interest following a full rate hearing should the Commissioner  
5 ultimately determine the Interim Rate Request was excessive.

6 On February 7, 2025, Consumer Watchdog sent the Department and Applicant a letter in  
7 “Response to Proposed Stipulation for Emergency Interim Rate Order” in which it set forth its  
8 objections to and analysis regarding a stipulated interim rate increase.<sup>5</sup>

9 On February 7, 2025, Applicant and the Department entered into a “Stipulation to Interim  
10 Rate Subject to Refunds With Interest Pending a Final Determination of The Legality of The  
11 Rate.”<sup>6</sup>

12 On February 7, 2025, the Department submitted a letter to the Commissioner, enclosing  
13 the signed “Stipulation to Interim Rate Subject to Refunds With Interest Pending a Final  
14 Determination of The Legality of The Rate”; and a “Proposed Interim Rate Order Subject to  
15 Refunds Pending a Final Determination of The Legality of The Rate,” and recommending that he  
16 sign the Order adopting the Stipulation.<sup>7</sup>

17 On February 14, 2025, the Commissioner sent a letter to all parties with specific questions  
18 for Applicant regarding its requested emergency interim rate increase.<sup>8</sup>

19 On February 25, 2025, Applicant sent the Commissioner a letter, with attachments, in  
20 which it responded to the Commissioner’s February 14<sup>th</sup> questions.<sup>9</sup>

21 On February 26, 2025, the Commissioner held an informal conference with all parties at  
22 which time he questioned State Farm about its request for emergency rates and about its financial  
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25 <sup>4</sup> The Interim Rate Request is attached as Exhibit J.

26 <sup>5</sup> Consumer Watchdog’s February 7, 2025 letter with enclosures is attached as Exhibit K.

27 <sup>6</sup> The signed stipulation is attached as part of Exhibit L below.

28 <sup>7</sup> The February 7, 2025 Letter from Nikki McKennedy to the Commissioner, the enclosed signed stipulation and  
proposed order adopting the stipulation is attached as Exhibit L.

<sup>8</sup> The February 14, 2025 Letter from the Commissioner is attached as Exhibit M.

<sup>9</sup> State Farm’s February 25, 2025 letter to the Commissioner with enclosures is attached as Exhibit N.

1 condition.<sup>10</sup>

2 On February 26, 2025, Consumer Watchdog sent the Commissioner and all parties a  
3 Memo regarding Applicant's emergency interim rate request.<sup>11</sup>

4 On March 11, 2025, the Commissioner held a video conference call with all parties  
5 regarding a proposed resolution.<sup>12</sup>

6 Following the March 11, 2025 video conference call, the parties exchanged settlement  
7 communications regarding the Commissioner's proposal but were unable to reach resolution.

8 On March 14, 2025, the Commissioner issued the Order Regarding State Farm General  
9 Insurance Company's Request for an Emergency Interim Rate Pending Rate Hearing, in which  
10 he: (1) ordered Department staff to issue a Notice of Hearing on the Applications, with the date of  
11 the rate hearing to commence no later than June 1, 2025; and (2) provisionally granted  
12 Applicant's request for an emergency interim rate of +21.8% for homeowners non-tenant HO-3  
13 (File No. 24-1271); +15% for overall renter/condo tenant (File No. 24-1273); and +38% for rental  
14 dwelling (File No. 24-1330), with an effective date of June 1, 2025, subject to Applicant meeting  
15 its burden to support the requested interim rates at a hearing on April 8, 2025, pursuant to  
16 California Code of Regulations, title 10, section 2656.1, subdivision (g), before an Administrative  
17 Law Judge ("ALJ"). Pursuant to the March 14, 2025 Order, the ALJ's proposed decision on the  
18 interim rate increase request shall be based upon Applicant's updated rate-setting data through the  
19 end of the first quarter of 2025, the two-way stipulation between the Department and State Farm,  
20 Consumer Watchdog's objections to the interim rate; argument at the February 26 and March 11,  
21 2025, conferences with the Commissioner, the Commissioner's subsequent proposal to the  
22 parties, as well as any such additional correspondence, evidence, and argument as may be  
23 submitted to the ALJ, with any interim rate order subject to potential refunds with interest  
24 following a full rate hearing on the Applications.<sup>13</sup>

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26 <sup>10</sup> The transcript from the February 26, 2025 informal conference is attached as Exhibit O.

27 <sup>11</sup> The February 26, 2025 letter from Consumer Watchdog to the Commissioner and all parties is attached as Exhibit  
P.

28 <sup>12</sup> A transcript of the March 11, 2025 conference is attached as Exhibit Q.

<sup>13</sup> The Commissioner's March 14, 2025 Order is attached as Exhibit R.

## II. DETERMINATION TO HOLD HEARING

Pursuant to Insurance Code section 1861.05(c)(2) and the California Code of Regulations, title 10, section 2648.3, the Commissioner, on his own motion and in response to the Applications, the Request for Interim Rate, and the Intervenor's Petition for Hearing, has ordered the Department to issue a Notice of Hearing. The Hearing shall address issues including: (1) the maximum and minimum permitted rate(s) for Applicant's homeowners coverages under Proposition 103 and applicable regulations including California Code of Regulations, title 10, sections 2641.1 et seq.; (2) if the interim rate, if any, is supportable and not excessive, inadequate, unfairly discriminatory, or otherwise in violation of Proposition 103 and applicable regulations; (3) if the interim rate, if any, is not supportable, and/or if it is excessive, inadequate, unfairly discriminatory or otherwise in violation of Proposition 103, whether and how much Applicant must pay as refunds and interest based on excessive premiums paid by policyholders after implementation of the interim rate; (4) whether Applicant's request for Variance 6 should be granted; (5) whether Applicant's nonrenewal practices are compliant with Proposition 103, including without limitation whether there is or has been any change(s) to Applicant's in-effect rates as a result of Applicant's currently pending nonrenewal program and, if so, whether Applicant properly sought and received the Commissioner's prior approval before implementing its nonrenewal practices with rating impact, including whether the Department should initiate another proceeding for penalties or other remedies pursuant to Insurance Code section 1858 et seq.; and (6) any other appropriate relief.

Specifically, the Parties to the rate hearing on the Applications shall provide evidence and argument regarding all of the following issues:

- a. Based upon the updated data through the first quarter of 2025, or another mutually agreed-upon stipulated data cut-off date, whether the Commissioner should enter findings and an order that Applicant's requested rates are reasonable and not excessive, inadequate, unfairly discriminatory, or otherwise in violation of Proposition 103;
- b. Based upon the updated data through the first quarter of 2025, or another mutually

- 1 agreed-upon stipulated data cut-off date, whether Applicant owes refunds with  
2 interest under the Interim Rate Order, if any, and, if so, in what amounts;
- 3 c. Whether the Commissioner should enter findings and an order that Applicant shall  
4 reopen to writing new business in the lines affected by the rate order;
- 5 d. Whether the Commissioner should enter findings and an order that Applicant shall  
6 not make any changes to its eligibility, underwriting, or re-underwriting guidelines  
7 that would result in non-renewals of its current existing book of business or render  
8 any new business ineligible for inception;
- 9 e. Whether the Commissioner should enter findings and an order that Applicant shall  
10 not institute any program of inspections, re-inspections, or other similar surveys of  
11 its existing policyholders to determine continued underwriting eligibility;
- 12 f. Whether Applicant is entitled to amend the Applications to utilize the provisions in  
13 California Code of Regulations, title 10, sections 2644.4.5 and 2644.25.1, and if  
14 so, whether Applicant is required to comply with section 2644.4.8, subdivision (d);
- 15 g. Whether, if Applicant continues to assert it is entitled to Variance 6, it can  
16 demonstrate that it meets the requirements of Variance 6, i.e., that its financial  
17 condition is such that its maximum permitted earned premium should be increased  
18 in order to protect the insurer's solvency;
- 19 h. Whether the Commissioner should enter findings and an order that Applicant  
20 should change any of its current business practices to address its challenges  
21 regarding maintenance and acquisition of surplus sufficient to underwrite its  
22 current book of business in California;
- 23 i. Whether the Commissioner should enter findings and an order that Applicant  
24 should take any specific action(s) to continue to be able to pay claims, operate  
25 successfully, and acquire additional surplus during the estimated 12 to 24 months  
26 it will take to realize earnings from an interim rate increase;
- 27 j. Whether the Commissioner should enter findings and an order that Applicant  
28 should take any specific action(s) to be able to pay potential refunds with interest

1 in the event the interim rate increase is ultimately determined by the  
2 Commissioner to be excessive following a rate hearing on the Applications;

- 3 k. Whether Applicant's inter-affiliate agreements, reinsurance agreements,  
4 investment portfolio, and investment strategy are appropriate to support the  
5 amount of insurance it underwrites in California; and
- 6 l. Whether Applicant receives, or could or should receive, any (or additional)  
7 financial or other support from its corporate parent and/or other affiliates,  
8 including whether its parent company provides financial support in the form of  
9 surplus notes or other contribution(s).

10 The above list is without limitation, and the Parties may seek to introduce evidence and argument  
11 on other issues that may arise during the course of the hearing, subject to approval by the ALJ.

12 For purposes of a full rate hearing on the Applications, Applicant shall update the  
13 Applications with a complete set of rate-setting data through the end of the first quarter of 2025,  
14 or another mutually agreed-upon updated data cut-off date by and between the parties and as may  
15 be ordered by the ALJ.

16 The hearing will be subject to Insurance Code section 1861.08 and, pursuant to the  
17 Commissioner's March 14, 2025 Order, will be held before an ALJ in the Department's  
18 Administrative Hearing Bureau ("AHB") commencing no later than June 1, 2025, as set by the  
19 AHB. Pursuant to Insurance Code section 1861.05(b) and California Code of Regulations, title  
20 10, section 2646.5 Applicant shall have the burden of proof in the hearing.

21 This matter may be settled prior to hearing in accordance with California Code of  
22 Regulations, title 10, sections 2656.1-2656.3.

23 If Applicant files another complete rate application during the pendency of this matter,  
24 such rate application will be handled independently of and without prejudice to this matter.

25 This Notice of Hearing is issued pursuant to Insurance Code section 1861.08(b). To  
26 respond to this Notice of Hearing, Applicant must file an original and four (4) copies of a "Notice  
27 of Defense" or similar responsive document with Department's Administrative Hearing Bureau in  
28 Oakland, within fifteen (15) days of service of this Notice. (Gov. Code, §11506.) A copy of the

1 Applicant's response, with a proof of service, shall be served upon the Department's Rate  
2 Enforcement Bureau and all persons and entities identified in the attached service list.

3 Further communications by the Parties with the Department regarding the Applications  
4 shall be directed to the Rate Enforcement Bureau unless otherwise specified.

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6 Dated: March 17, 2025

CALIFORNIA DEPARTMENT OF INSURANCE

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8  
9 By: \_\_\_\_\_

  
MICHAEL MARTINEZ  
Chief Deputy Commissioner