

**State Farm General Insurance Company  
California Homeowners  
Filing History**

The following are the California Department of Insurance filing numbers submitted for this line in the past three years.

<u>Filing Date</u>	<u>Department Filing Number</u>
02/05/24	24-426
02/28/23	23-613***
01/11/23	23-299*
06/02/22	22-1514***
01/17/22	22-428*
09/01/21	21-2474
08/26/21	21-2333
06/23/21	21-1808*
04/29/21	21-1404**
04/29/21	21-1402

\* Utilizes the following models:  
Underwriting Eligibility - CoreLogic Brushfire

\*\* Utilizes the following models:  
Underwriting Eligibility - CoreLogic Brushfire  
Wildfire - CoreLogic RQE and AIR Touchstone  
Fire Following Earthquake - CoreLogic RQE, RMS RiskLink, and AIR Touchstone  
Non-Catastrophe Territory - GRID Fire Model

\*\*\* Utilizes the following models:  
Underwriting Eligibility - CoreLogic Brushfire  
Wildfire - CoreLogic RQE, AIR Touchstone, and Impact Forecasting ELEMENTS  
Fire Following Earthquake - CoreLogic RQE, RMS RiskLink, and AIR Touchstone  
Non-Catastrophe Territory - GRID Fire Model

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Please refer to the Filing Memorandum for the details of changes to our Underwriting Guidelines. Currently, only the Homeowners policy form is impacted by non-renewals. Renters and Condominium Unitowner programs are unaffected by these changes.

These changes do not have a material rate impact.

Rate impact was measured by estimating the relative rate need for the non-renewed policies compared to the remainder of the book using the currently implemented Location Rating Factors (LRFs), approved in State Tracking #23-613, compared to the indicated LRFs.

Please refer to our prior rate filing, State Tracking #23-613, for additional support regarding the current rate level. In that filing, State Farm filed a +29.0% Non-Tenant indication and obtained approval for a +20.8% rate increase. These underwriting guideline changes do not impact the appropriateness of the current rate level.

Although State Farm General Insurance Company is providing the underwriting eligibility guidelines based on prior agreement, we disagree that California law requires underwriting guidelines to be filed publicly. Public disclosure to competitors of eligibility criteria that constitute confidential trade secret information is bad public policy and impairs competition.

While we have marked this application as prior approval in the attached affidavit, we are not submitting the underwriting guidelines for approval. Underwriting guidelines are submitted for review only insofar as they relate to rates currently on file with the California Department of Insurance.

The following table shows the impacted policies by ZIP code as requested in the Questionnaire for Homeowners or Residential Property:

(0)	(1)	(2)	(3) = (2) / (1)
ZIP Code	Policy Count	Number of Non-Renewed Policies	% of Non-Renewed Policies
90024	466	30	6.4%
90027	987	7	0.7%
90046	1,163	64	5.5%
90049	2,114	1,301	61.5%
90068	1,655	15	0.9%
90069	545	29	5.3%
90077	987	665	67.4%

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90210	1,515	698	46.1%
90265	1,104	518	46.9%
90272	2,342	1,626	69.4%
90274	2,245	2	0.1%
90290	206	53	25.7%
90402	669	82	12.3%
90631	2,734	2	0.1%
91001	2,297	70	3.0%
91006	1,581	49	3.1%
91008	124	37	29.8%
91010	931	2	0.2%
91011	1,809	150	8.3%
91016	1,711	27	1.6%
91024	810	21	2.6%
91103	818	5	0.6%
91105	729	6	0.8%
91107	1,879	134	7.1%
91201	550	1	0.2%
91206	1,105	2	0.2%
91207	606	1	0.2%
91208	1,403	3	0.2%
91214	1,629	19	1.2%
91301	1,519	281	18.5%

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91302	1,805	1,090	60.4%
91304	1,178	166	14.1%
91307	1,055	81	7.7%
91311	1,807	274	15.2%
91316	893	254	28.4%
91320	2,623	46	1.8%
91321	1,057	24	2.3%
91326	1,251	211	16.9%
91344	2,152	30	1.4%
91351	1,288	5	0.4%
91352	1,200	2	0.2%
91356	1,075	542	50.4%
91360	2,233	24	1.1%
91361	1,626	310	19.1%
91362	2,410	409	17.0%
91364	1,432	200	14.0%
91367	1,111	19	1.7%
91377	858	7	0.8%
91381	986	6	0.6%
91387	1,672	12	0.7%
91390	1,354	5	0.4%
91403	826	92	11.1%
91423	990	68	6.9%

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91436	1,081	433	40.1%
91501	559	3	0.5%
91504	987	7	0.7%
91602	406	1	0.2%
91604	1,301	164	12.6%
91709	3,248	8	0.2%
91711	1,782	1	0.1%
91741	1,486	41	2.8%
91745	2,012	4	0.2%
91750	1,558	6	0.4%
91759	73	10	13.7%
91765	1,884	30	1.6%
91773	1,466	3	0.2%
91901	784	52	6.6%
91902	646	4	0.6%
91914	628	45	7.2%
91916	78	1	1.3%
91935	452	78	17.3%
91941	1,266	19	1.5%
91942	956	5	0.5%
91978	244	4	1.6%
92003	162	11	6.8%
92009	1,880	10	0.5%

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92014	766	8	1.0%
92019	1,383	37	2.7%
92020	1,173	35	3.0%
92021	1,542	135	8.8%
92024	2,268	61	2.7%
92025	968	25	2.6%
92026	1,404	19	1.4%
92027	1,534	4	0.3%
92028	1,725	4	0.2%
92029	931	23	2.5%
92037	1,512	4	0.3%
92040	1,518	164	10.8%
92064	1,810	97	5.4%
92065	1,996	48	2.4%
92067	1,260	643	51.0%
92069	1,192	1	0.1%
92071	1,790	31	1.7%
92075	398	1	0.3%
92078	1,697	4	0.2%
92082	668	20	3.0%
92084	1,531	3	0.2%
92091	161	70	43.5%
92102	536	1	0.2%

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92103	925	35	3.8%
92104	902	12	1.3%
92110	600	1	0.2%
92115	1,059	42	4.0%
92116	899	70	7.8%
92117	1,951	7	0.4%
92119	998	59	5.9%
92120	1,327	40	3.0%
92122	831	4	0.5%
92123	721	9	1.2%
92124	975	129	13.2%
92126	1,366	2	0.1%
92127	1,752	13	0.7%
92128	1,414	21	1.5%
92129	1,853	24	1.3%
92130	1,694	48	2.8%
92131	1,875	110	5.9%
92315	1,118	1	0.1%
92317	65	2	3.1%
92322	48	7	14.6%
92325	399	34	8.5%
92346	1,771	1	0.1%
92352	829	262	31.6%

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92373	1,364	22	1.6%
92382	339	22	6.5%
92385	15	8	53.3%
92391	169	11	6.5%
92399	1,941	13	0.7%
92404	922	4	0.4%
92506	2,084	1	0.0%
92530	1,081	4	0.4%
92549	571	2	0.4%
92562	2,083	62	3.0%
92590	207	27	13.0%
92592	2,398	1	0.0%
92602	1,177	1	0.1%
92603	906	23	2.5%
92607	1	1	100.0%
92625	936	2	0.2%
92651	2,383	8	0.3%
92657	1,003	101	10.1%
92672	1,424	2	0.1%
92676	70	2	2.9%
92677	2,651	1	0.0%
92679	2,066	88	4.3%
92694	1,518	1	0.1%



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92705	2,158	3	0.1%
92807	1,798	6	0.3%
92860	1,209	1	0.1%
92869	1,647	6	0.4%
92881	1,215	10	0.8%
92882	1,611	3	0.2%
92883	1,129	2	0.2%
93001	947	2	0.2%
93003	1,918	10	0.5%
93012	1,712	82	4.8%
93013	433	6	1.4%
93015	664	4	0.6%
93021	2,117	54	2.6%
93022	348	2	0.6%
93023	855	16	1.9%
93060	919	2	0.2%
93063	2,110	56	2.7%
93065	3,531	29	0.8%
93067	69	5	7.2%
93101	481	7	1.5%
93103	676	74	10.9%
93105	1,093	46	4.2%
93108	520	149	28.7%

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93109	596	7	1.2%
93110	742	29	3.9%
93111	988	38	3.8%
93117	1,091	4	0.4%
93444	1,156	1	0.1%
93920	90	7	7.8%
93925	24	1	4.2%
94022	1,558	26	1.7%
94024	1,779	18	1.0%
94027	541	1	0.2%
94028	1,018	25	2.5%
94062	2,483	12	0.5%
94102	34	1	2.9%
94103	63	1	1.6%
94109	158	1	0.6%
94110	1,765	2	0.1%
94114	1,279	2	0.2%
94115	355	7	2.0%
94116	2,248	2	0.1%
94118	968	21	2.2%
94121	1,439	1	0.1%
94122	2,105	1	0.0%
94123	488	2	0.4%

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94127	1,555	2	0.1%
94131	1,475	1	0.1%
94304	63	1	1.6%
94506	2,071	251	12.1%
94507	1,822	270	14.8%
94508	83	12	14.5%
94515	309	146	47.2%
94516	31	18	58.1%
94517	1,005	10	1.0%
94526	2,543	200	7.9%
94528	152	85	55.9%
94530	1,302	6	0.5%
94534	2,347	1	0.0%
94539	1,607	1	0.1%
94546	1,972	2	0.1%
94549	3,142	956	30.4%
94551	1,974	2	0.1%
94552	804	8	1.0%
94553	2,779	65	2.3%
94556	1,438	167	11.6%
94558	4,137	71	1.7%
94563	3,115	1,703	54.7%
94566	2,155	4	0.2%

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94568	1,515	3	0.2%
94573	11	2	18.2%
94574	387	105	27.1%
94576	4	2	50.0%
94583	1,773	58	3.3%
94586	137	2	1.5%
94588	1,213	10	0.8%
94595	694	24	3.5%
94602	1,659	2	0.1%
94605	2,165	22	1.0%
94610	1,054	4	0.4%
94611	2,457	444	18.1%
94618	1,083	11	1.0%
94619	1,341	42	3.1%
94704	182	24	13.2%
94705	870	183	21.0%
94707	1,276	91	7.1%
94708	1,390	184	13.2%
94709	198	7	3.5%
94803	1,408	2	0.1%
94904	858	7	0.8%
94930	732	1	0.1%
94941	2,966	25	0.8%

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94951	260	2	0.8%
94954	1,886	3	0.2%
94957	207	10	4.8%
95003	2,560	505	19.7%
95005	984	311	31.6%
95006	1,316	273	20.7%
95007	92	43	46.7%
95014	2,121	6	0.3%
95018	1,134	497	43.8%
95020	2,634	10	0.4%
95030	1,259	161	12.8%
95032	1,510	14	0.9%
95033	1,587	1,035	65.2%
95037	2,774	6	0.2%
95041	84	38	45.2%
95060	2,755	477	17.3%
95062	1,536	2	0.1%
95065	661	208	31.5%
95066	1,379	443	32.1%
95070	2,515	154	6.1%
95073	953	363	38.1%
95076	2,488	181	7.3%
95120	2,480	10	0.4%

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95223	1,406	2	0.1%
95247	390	2	0.5%
95370	2,372	11	0.5%
95379	220	1	0.5%
95383	403	2	0.5%
95401	1,115	1	0.1%
95403	1,768	298	16.9%
95404	1,557	664	42.6%
95405	1,064	212	19.9%
95409	1,592	758	47.6%
95441	135	6	4.4%
95442	442	96	21.7%
95448	1,262	43	3.4%
95451	624	1	0.2%
95452	155	76	49.0%
95476	2,383	83	3.5%
95492	1,476	104	7.0%
95602	1,382	32	2.3%
95603	2,173	9	0.4%
95613	21	2	9.5%
95614	459	21	4.6%
95619	289	1	0.3%
95631	262	16	6.1%

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95633	105	3	2.9%
95634	77	2	2.6%
95635	48	4	8.3%
95648	3,551	1	0.0%
95651	50	2	4.0%
95667	2,170	8	0.4%
95669	109	1	0.9%
95703	166	9	5.4%
95709	358	3	0.8%
95713	776	81	10.4%
95717	5	1	20.0%
95722	333	23	6.9%
95736	4	4	100.0%
95762	3,453	4	0.1%
95922	26	1	3.8%
95924	1	1	100.0%
95928	1,543	1	0.1%
95945	2,200	566	25.7%
95946	1,665	105	6.3%
95949	2,066	636	30.8%
95954	191	1	0.5%
95959	1,265	444	35.1%
95960	14	1	7.1%

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95975	98	38	38.8%
95977	143	1	0.7%
96001	1,917	46	2.4%
96002	1,410	1	0.1%
96003	1,785	6	0.3%
96007	1,008	1	0.1%
96019	405	1	0.2%
96073	330	3	0.9%
96087	52	7	13.5%
96150	1,924	1	0.1%
96161	3,098	41	1.3%
Other Zip Codes Not Impacted by this Filing	859,013	0	0.0%



March 20, 2024

The Honorable Ricardo Lara  
Commissioner of Insurance  
California Department of Insurance  
300 Capitol Mall, 17<sup>th</sup> Floor  
Sacramento, CA 95814  
via email: [commissionerlara@insurance.ca.gov](mailto:commissionerlara@insurance.ca.gov)

**Re: Restoring the financial condition of State Farm General Insurance Company**

Dear Commissioner Lara,

Thank you for your recent meeting with us and the candid conversation. On behalf of State Farm General Insurance Company (SFG)<sup>1</sup>, we write to reinforce our need, and express hope and appreciation, for the role the Department of Insurance must play in our financial recovery, to the benefit of California consumers.

As we discussed, SFG's capital position has severely deteriorated, and we are increasingly concerned about its financial well-being. SFG's policyholder surplus was \$2.2 billion and \$1.3 billion at year-end 2022 and 2023 respectively, in contrast to \$4.1 billion at year-end 2016. Although there haven't been significant wildfire losses for several years, windstorm catastrophes in early 2023 and increasing trends in non-catastrophe water losses and liability claims (especially commercial lines and personal umbrella policies), without the additional premium needed to support those cost increases, have generated large underwriting losses. SFG has managed its policy growth by limiting writing in high-risk areas for many years, and more recently by ending all new policy sales. However, SFG's risk exposure grew tremendously in the last few years, with construction cost inflation being a major driver. Taken together, these trends have resulted in surplus of less than 50 cents for every dollar of risk (as measured by net written premium) we face today, which makes SFG's financial strength less than a quarter of what it was at year-end 2016. With that drop in surplus and increase in exposure, the company necessarily has to rely increasingly on reinsurance cover, the cost of which puts further downward pressure on surplus without the needed additional premium to support this cost.

As also noted, external measures of SFG's financial strength are also becoming increasingly concerning. AM Best already had a negative ratings outlook for SFG and continues to review the financial condition of SFG to determine if additional action is needed. At certain financial strength rating levels, acceptance of SFG policies as appropriate insurance cover for mortgage collateral may diminish. This has the potential to affect existing SFG policyholders across California. Additionally, to comply with solvency regulations, SFG is required to file a Company Action Plan by April 15<sup>th</sup> with the Illinois Department of Insurance (SFG's solvency regulator) to explain the company's plan to restore its financial condition.

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<sup>1</sup> As a reminder, SFG is almost exclusively a California-only insurer.

As we look to continue to serve the insurance needs of Californians, we seek the Department's assistance in helping to rebuild the company's financial strength. We recognize and appreciate the positive impact of the Department's recent homeowners rate approval. Of course, the full effect of that new rate on SFG's surplus position won't begin until March 2025, since the rate is applied to policies as they renew on a rolling 12-month basis. And it's clear more rate is still needed, as market conditions have not remained static since we made our last filing supporting the recently approved increase in February of 2023. Insurance is not insulated from inflationary trends affecting goods across the entire economy. In fact, construction cost increases have been among the highest inflationary categories over the last five years. Short of emergency rate regulations being issued very soon, the limitations of CDI's current rate template may necessitate the next homeowners rate filing to rely on one or more variances. While there will undoubtedly be novel issues to work through, rapid review and approval of a new rate appropriate to the circumstances – along with all other upcoming and pending SFG rate filings – will be critical to SFG's survival, especially in light of potential intervenor delays.

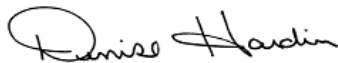
As shared with the Department prior to the February 2023 filing, rate increases alone would likely be insufficient to restore SFG's financial strength. We must now take action to reduce our overall exposure to be more commensurate with the capital on hand to cover such exposure, as most insurers in California have already done. We have been reluctant to take this step, recognizing how difficult it will be for impacted policyholders, in addition to our independent contractor agents who are small business owners and employers in their local California communities. Rebuilding capital, even with higher rates, will take some time. We are striving to minimize the impact of the necessary actions that must be taken. We will continue to be transparent with you and your staff regarding these actions.

You and your Department are an indispensable part of broader market reforms that could eventually allow SFG to resume its normal place in that market. As you have pointed out, California residents are best served in the long run by a fair and well-functioning insurance market, a key component of which is that consumers bear the economic reality of the true costs to insure their property. California homeowners insurance premiums are still below the national average, and far below other disaster-prone states. We understand the impact of higher prices on consumers. At the same time, we are even more concerned with availability of insurance.

We recognize the Department's ongoing efforts to pursue implementation of your Sustainable Insurance Strategy, including the allowance for catastrophe modeling and reinsurance costs in ratemaking and improving rate filing procedures and timelines. Along with addressing the uncapped financial exposure of FAIR Plan assessments, such reforms could materially improve the health of the market, particularly if they allow for more nimble insurer pricing in response to sudden changes in market conditions. We are acutely aware of the political challenges that the actions needed to improve SFG's financial position pose to broader reform efforts. Please know that we have an ongoing desire and commitment to collaborate with you and your staff, as well as the Governor's office, to achieve these reforms as quickly as possible. We cannot overstate, and we agree with your public plea for, the need for regulatory modernization.

The swift capital depletion of SFG is an alarm signaling the grave need for rapid and transformational action, including the critical need for rapid review and approval of currently pending and future rate filings. We take very seriously our responsibility to be there for customers who experience a claim and our actions are with that goal at the fore. A financial failure of SFG will detrimentally impact the entire market, an outcome we are all trying to avoid. We look forward to working with you and your staff to rebuild the financial health of SFG and to create a firmer foundation on which this market can thrive.

Sincerely,



Denise Hardin  
President and Chief Executive Officer  
State Farm General Insurance Company



Mark Schwamberger  
Vice President and Treasurer  
State Farm General Insurance Company



Keesha-Lu Mitra  
General Counsel  
State Farm General Insurance Company

CC: Michael Martinez, Chief Deputy Commissioner