

**State Farm General Insurance Company  
California Rental Dwelling Program Filing  
RD-32873  
CDI #16-3238**

In response to the written request of June 23, 2016 we offer the following.

**1. Have there been any changes in underwriting or eligibility for new or renewal business?**

Effective 2/1/14, a defined setback was established that was designed to mitigate the exposure that exists along the coast. Risks inside the setback are ineligible for coverage. This applies to any new application. Renewal business is not impacted.

**2. Please describe how the changes in wildfire underwriting and eligibility impact State Farm's catastrophe exposure for the RDP program. Were wildfire eligibility guides considered to have any rate impact on the RDP book of business?**

Starting in 2011, wildfire growth restrictions were put in place that discontinued the writing of new business in 75 ZIP codes across the state where the wildfire risk values were 3 (High) or 4 (Very High). These restrictions were expanded gradually over the course of the next few years, and in 2014 the writing of new business with wildfire risk values of 3 or 4 was discontinued throughout the state. Renewal business is not impacted by these restrictions.

Since the changes impact only new business in limited areas—those considered High or Very High wildfire exposure—the impact on the composition of the overall book of business will be very gradual. For the rating period contemplated in this rate filing, these changes will have minimal impact on State Farm's catastrophe exposure and therefore any rate impacts will be negligible.

**3. Are there any changes in distribution that might impact the premiums or losses for this program?**

We expect gradual ongoing distributional changes in our Rental Dwelling book of business such as shifts to a higher average deductible or amount of insurance over time, as illustrated in Supplemental Exhibit 4. Such shifts are expected due to dwelling value inflation and accompanying elections to select higher deductibles by policyholders. There has been little fluctuation in these shifts as there have not been any filings or business practice changes in recent years that would have a significant impact on them. Therefore, the historical loss and premium trends are appropriate to use in projecting future trends.

The aforementioned shifts in distribution are reflected in both the premium and loss trends as the data underlying the trends is impacted. To the extent any of these recent shifts change in the future, we would expect both premium and loss trends to be impacted. We are not aware of any other changes in distribution that would have an unusual impact on the premium and/or loss trends.

**4. Please submit the same exhibits as provided for filing 13-6120 including all years for the cat load: Supplemental Exhibit A, Supplemental Exhibit O**

Please see Supplemental Exhibits 1 and 2, which correspond to Supplemental Exhibits A and O from filing 13-6120, respectively.

**5. Please submit updated Supplemental Exhibits B and E as submitted with filing 13-6120.**

Please see Supplemental Exhibits 3 and 4, which correspond to Supplemental Exhibits B and E from filing 13-6120, respectively.

**6. Per our discussion it sounds like the current policyholders will be renewed with their current deductible. The recent change to nontenants provided for deductibles to be changed from flat to a percentage at renewal, if the policyholder does not opt out. Please explain why State Farm decided to handle the deductible for the RDP differently from the non-tenants.**

Rental Dwelling is a separate program from Homeowners, with different customer bases, priorities, and decision-making processes. Decisions are made independently for each program.

**7. Exhibit 15 includes a number of exhibits with a column for a guideline, which are from a GLM. If the output from the GLM differs from the guideline listed in the exhibit, please add a column in each exhibit that lists the factor from the GLM output. Please explain what considerations were made when adjusting the GLM output to the guideline factors in the exhibits.**

Please see Supplemental Exhibit 5 for updates to the Exhibit 15 pages corresponding to rating factors that are derived from GLM output. To establish our guidelines, we consider our experience-based indicated factors, the current rating factors in place, our competitive position, and the reasonableness of the factors in relation to one another. An example of the reasonableness incorporation was selecting guidelines that were fairly equally spaced apart by age of utilities (e.g. 3-4 points apart for the lowest age groups).

**Supplemental Exhibit 1  
State Farm General Insurance Company  
California Rental Dwelling**

<u>Year</u>	<u>Amount of Insurance Years</u>	<u>Catastrophe* Incurred Losses</u>	<u>Catastrophe* Incurred DCCE</u>	<u>Catastrophe* Incurred AOE</u>	<u>Non-Catastrophe Incurred Losses</u>	<u>Non-Catastrophe Incurred DCCE</u>	<u>Non-Catastrophe** Incurred AOE</u>
1990	22,674,567	7,188,146	5,632	420,397	32,496,658	8,853,972	N/A
1991	25,415,224	15,314,764	49,803	437,715	35,805,634	-38,855	N/A
1992	28,631,903	12,246,562	64,453	109,557	41,414,411	2,646,062	N/A
1993	31,821,709	6,817,482	814,189	467,622	43,032,892	3,029,134	N/A
1994	34,000,922	5,375,989	599,730	124,265	47,866,278	4,634,659	N/A
1995	34,747,387	11,844,261	125,644	1,447,112	47,506,525	4,913,003	N/A
1996	34,789,432	5,761,933	154,959	387,452	41,066,183	2,337,222	12,847,662
1997	36,135,263	4,782,305	342,403	627,076	43,274,688	2,400,309	10,860,037
1998	36,516,349	6,955,786	91,503	1,994,542	47,281,808	5,896,427	11,980,256
1999	36,509,634	2,008,830	60,114	95,213	46,215,850	6,231,694	14,547,502
2000	36,947,142	1,825,695	26,864	79,636	45,449,988	1,977,810	13,509,063
2001	37,940,589	2,641,561	61,443	115,899	71,547,759	1,008,791	14,368,769
2002	39,854,327	4,700,957	24,598	340,387	60,155,362	6,800,617	12,337,335
2003	38,943,571	38,577,978	94,498	1,703,300	46,643,299	10,726,198	10,701,670
2004	41,551,817	-13,054,311	448,985	-1,382,807	40,796,236	5,286,021	11,419,405
2005	46,549,450	2,118,869	55,038	192,610	45,555,947	4,728,769	8,761,445
2006	51,465,146	2,825,169	114,225	230,123	48,115,072	5,014,721	9,688,196
2007	56,179,293	18,290,307	210,570	737,658	63,700,811	5,045,833	9,564,017
2008	61,255,516	10,305,278	101,706	469,126	66,186,534	5,599,674	11,712,886
2009	67,447,235	1,466,167	60,546	491,617	60,715,626	5,610,455	10,145,894
2010	70,033,008	11,449,876	252,034	1,154,694	58,819,716	6,128,451	10,463,221
2011	72,738,661	6,123,812	342,590	913,026	70,498,431	5,693,756	10,322,447
2012	76,332,961	6,593,333	102,508	753,834	72,652,939	1,627,273	11,870,602
2013	79,997,174	5,273,221	233,298	461,920	67,602,202	4,127,350	12,346,071
2014	82,981,087	4,376,122	95,302	561,358	69,664,679	6,660,373	12,845,615
2015	86,382,064	18,790,522	51,173	957,506	70,710,414	6,608,670	12,377,322

\*Adjustments have been made as needed to incorporate any significant changes in our contract and in the distribution of our book of business.

\*\*Non-Catastrophe AOE for 1995 and prior is unavailable.

**Supplemental Exhibit 2**  
**State Farm General Insurance Company**  
**California Rental Dwelling**  
**Supplemental Catastrophe Data**

Year	Unadjusted Catastrophe Incurred	Adjusted Catastrophe Incurred	Non-Catastrophe Incurred	Non-Catastrophe Incurred Loss and DCCE excluding Crime and Sect II	AIY
	<u>Loss and DCCE</u>	<u>Loss and DCCE</u>	<u>Loss and DCCE</u>		
1990	7,765,176	7,193,778	41,350,630	28,360,894	22,674,567
1991	15,104,014	15,364,567	35,766,780	31,308,866	25,415,224
1992	12,738,367	12,311,016	44,060,472	28,272,771	28,631,903
1993	7,635,504	7,631,672	46,062,025	36,960,362	31,821,709
1994	8,288,972	5,975,719	52,500,937	42,830,006	34,000,922
1995	11,951,651	11,969,905	52,419,527	40,593,607	34,747,387
1996	5,859,538	5,916,892	43,403,404	34,786,317	34,789,432
1997	6,458,599	5,124,708	45,674,997	39,905,363	36,135,263
1998	7,179,188	7,047,289	53,178,235	40,149,233	36,516,349
1999	2,228,220	2,068,944	52,447,544	41,232,491	36,509,634
2000	1,836,013	1,852,558	47,427,799	42,001,158	36,947,142
2001	2,678,983	2,703,005	72,556,550	58,956,097	37,940,589
2002	4,860,995	4,725,556	66,955,979	51,074,894	39,854,327
2003	38,698,638	38,672,476	57,369,497	37,464,998	38,943,571
2004	-12,645,807	-12,605,326	46,082,257	35,176,457	41,551,817
2005	2,257,522	2,173,907	50,284,716	38,301,374	46,549,450
2006	2,937,447	2,939,394	53,129,793	41,369,294	51,465,146
2007	18,550,671	18,500,877	68,746,644	54,678,546	56,179,293
2008	10,409,450	10,406,983	71,786,208	53,491,012	61,255,516
2009	1,644,532	1,526,712	66,326,081	55,191,228	67,447,235
2010	11,643,222	11,701,910	64,948,167	48,808,552	70,033,008
2011	6,454,398	6,466,403	76,192,187	55,871,650	72,738,661
2012	6,695,842	6,695,842	74,280,212	61,424,157	76,332,961
2013	5,506,519	5,506,519	71,729,551	64,152,394	79,997,174
2014	4,471,425	4,471,425	76,325,052	61,451,511	82,981,087
2015	18,841,696	18,841,696	77,319,084	63,260,454	86,382,064

**Supplemental Exhibit 3**  
**State Farm General Insurance Company**  
**California Rental Dwelling**

**Xactware Residential Index**

Month	% Change vs. Same Month, Prior Year				
	2011	2012	2013	2014	2015
1		0.2%	1.0%	3.3%	6.4%
2		0.1%	1.5%	3.0%	6.4%
3		0.1%	2.1%	3.2%	5.7%
4		0.2%	2.3%	3.0%	5.7%
5	0.2%	0.5%	2.4%	2.9%	5.7%
6	0.2%	0.5%	2.4%	4.3%	4.4%
7	0.2%	0.5%	2.9%	4.0%	4.3%
8	0.2%	0.7%	2.9%	4.3%	3.9%
9	0.2%	0.7%	2.9%	5.1%	3.2%
10	0.3%	0.6%	3.1%	5.5%	2.7%
11	0.3%	0.6%	3.5%	5.5%	2.4%
12	0.2%	0.7%	3.4%	6.3%	2.0%

**Supplemental Exhibit 4**  
**State Farm General Insurance Company**  
**California Rental Dwelling**

Period	Average Deductible	12 Month % Change	Average Amount of Insurance	12 Month % Change
Jan-11	1,477		240,813	
Feb-11	1,486		241,084	
Mar-11	1,498		241,276	
Apr-11	1,511		241,565	
May-11	1,522		241,784	
Jun-11	1,534		242,167	
Jul-11	1,545		242,430	
Aug-11	1,556		242,860	
Sep-11	1,567		243,119	
Oct-11	1,575		243,453	
Nov-11	1,582		243,720	
Dec-11	1,594		244,107	
Jan-12	1,603	8.5%	244,442	1.5%
Feb-12	1,612	8.5%	244,793	1.5%
Mar-12	1,618	8.0%	245,238	1.6%
Apr-12	1,626	7.6%	245,661	1.7%
May-12	1,630	7.1%	245,876	1.7%
Jun-12	1,635	6.5%	246,318	1.7%
Jul-12	1,641	6.2%	246,823	1.8%
Aug-12	1,647	5.8%	247,197	1.8%
Sep-12	1,652	5.5%	247,706	1.9%
Oct-12	1,660	5.4%	248,355	2.0%
Nov-12	1,667	5.3%	248,826	2.1%
Dec-12	1,671	4.8%	249,168	2.1%
Jan-13	1,677	4.6%	249,544	2.1%
Feb-13	1,679	4.2%	249,989	2.1%
Mar-13	1,684	4.1%	250,520	2.2%
Apr-13	1,690	4.0%	251,102	2.2%
May-13	1,695	4.0%	251,686	2.4%
Jun-13	1,702	4.1%	252,356	2.5%
Jul-13	1,707	4.0%	252,765	2.4%
Aug-13	1,711	3.9%	253,295	2.5%
Sep-13	1,717	4.0%	253,964	2.5%
Oct-13	1,722	3.7%	254,673	2.5%
Nov-13	1,726	3.6%	255,230	2.6%
Dec-13	1,731	3.6%	255,862	2.7%
Jan-14	1,735	3.4%	256,505	2.8%
Feb-14	1,739	3.5%	257,137	2.9%
Mar-14	1,742	3.4%	257,958	3.0%
Apr-14	1,748	3.5%	258,749	3.0%
May-14	1,752	3.4%	259,391	3.1%
Jun-14	1,756	3.1%	260,147	3.1%
Jul-14	1,761	3.2%	260,912	3.2%
Aug-14	1,765	3.1%	261,612	3.3%
Sep-14	1,768	3.0%	262,536	3.4%
Oct-14	1,772	2.9%	263,535	3.5%
Nov-14	1,775	2.8%	264,350	3.6%
Dec-14	1,779	2.7%	265,143	3.6%
Jan-15	1,784	2.8%	266,225	3.8%
Feb-15	1,787	2.8%	267,358	4.0%
Mar-15	1,791	2.8%	268,734	4.2%
Apr-15	1,795	2.7%	270,152	4.4%
May-15	1,799	2.7%	271,497	4.7%
Jun-15	1,805	2.8%	272,889	4.9%
Jul-15	1,808	2.7%	274,204	5.1%
Aug-15	1,812	2.7%	275,530	5.3%
Sep-15	1,816	2.7%	276,588	5.4%
Oct-15	1,821	2.7%	277,625	5.3%
Nov-15	1,825	2.8%	278,347	5.3%
Dec-15	1,828	2.8%	279,185	5.3%

State Farm General Insurance Company  
California Rental Dwelling  
Construction Factors

Construction Type	Current Factor	Guideline Factor*	GLM Calculated	Proposed Factor	Proposed Change
Frame	1.000	1.000	1.000	1.000	0.0%
Log	1.000	1.150	2.090	1.150	15.0%
Masonry Veneer	1.000	0.900	0.801	0.900	-10.0%
Masonry	1.000	0.900	0.869	0.900	-10.0%
Fire Resistive	0.850	0.770	0.717	0.770	-9.4%

\*Guideline relativities are from a Generalized Linear Model analysis on California non-tenant Homeowners.

**State Farm General Insurance Company  
California Rental Dwelling  
Risk Amount Factors**

<b>Amount</b>	<b>Current Factor</b>	<b>Guideline Factor*</b>	<b>GLM Calculated</b>	<b>Proposed Factor**</b>	<b>Proposed Change</b>
1	2.256	2.800	3.192	2.595	15.0%
20,000	2.256	2.800	3.192	2.595	15.0%
30,000	1.801	2.150	2.383	2.071	15.0%
40,000	1.532	1.770	1.936	1.762	15.0%
50,000	1.359	1.570	1.649	1.563	15.0%
60,000	1.230	1.370	1.445	1.370	11.4%
70,000	1.142	1.260	1.293	1.260	10.3%
80,000	1.079	1.170	1.175	1.170	8.4%
90,000	1.037	1.080	1.079	1.080	4.2%
100,000	1.000	1.000	1.000	1.000	0.0%
110,000	0.975	0.950	0.934	0.950	-2.6%
120,000	0.956	0.910	0.899	0.910	-4.8%
130,000	0.945	0.870	0.844	0.870	-7.9%
140,000	0.935	0.830	0.790	0.830	-11.2%
150,000	0.927	0.800	0.748	0.800	-13.7%
200,000	0.911	0.690	0.602	0.774	-15.0%
250,000	0.906	0.620	0.516	0.770	-15.0%
300,000	0.896	0.570	0.460	0.762	-15.0%
350,000	0.886	0.530	0.421	0.753	-15.0%
400,000	0.876	0.500	0.393	0.745	-15.0%
500,000	0.866	0.480	0.357	0.736	-15.0%
600,000	0.851	0.460	0.335	0.723	-15.0%
700,000	0.841	0.440	0.322	0.715	-15.0%
750,000	0.831	0.430	0.318	0.706	-15.0%
99,999,999	0.831	0.430	0.318	0.706	-15.0%

\*Guideline relativities are from a Generalized Linear Model analysis on California non-tenant Homeowners.

\*\*Proposed relativities now reflect a 1% base deductible.



State Farm General Insurance Company  
California Rental Dwelling  
Current Deductible Adjustments

Policy Deductible	Adjustment
250*	Add 6%
500*	None
750*	Subtract 4% (\$125 max)
1,000	Subtract 8% (\$250 max)
2,000	Subtract 19% (\$450 max)
3,000	Subtract 26% (\$550 max)
4,000	Subtract 30% (\$600 max)
5,000	Subtract 33% (\$750 max)
7,500	Subtract 39% (\$850 max)
10,000	Subtract 42% (\$950 max)

\*Renewals only

State Farm General Insurance Company  
California Rental Dwelling  
Proposed Deductible Options

Deductible	Deductible Type	Coverage A Amount of Insurance Availability
\$250*	Fixed	All
\$500*	Fixed	All
\$750*	Fixed	All
\$1,000*	Fixed	All
\$2,000*	Fixed	All
\$3,000*	Fixed	All
\$4,000*	Fixed	All
\$5,000*	Fixed	All
\$7,500*	Fixed	All
\$10,000*	Fixed	All
1% (\$1,000 Min.)	Percentage with Minimum	All
2%	Percentage	\$50,000+
3%	Percentage	\$50,000+
4%	Percentage	\$50,000+
5%	Percentage	\$50,000+

\*Renewals only

State Farm General Insurance Company  
California Rental Dwelling  
Guideline and Proposed Deductible Adjustments

Policy Deductible as a Percentage of Coverage A Amount of Insurance	Guideline Basic Premium Adjustment*	GLM Calculated	Proposed Basic Premium Adjustment
0.0%	1.57		1.57
0.1%	1.45	1.576	1.45
0.2%	1.33	1.465	1.33
0.3%	1.24	1.365	1.24
0.4%	1.16	1.277	1.16
0.5%	1.11	1.201	1.11
0.6%	1.08	1.137	1.08
0.7%	1.05	1.085	1.05
0.8%	1.03	1.045	1.03
0.9%	1.01	1.016	1.01
1.0%	1.00	1.000	1.00
2.0%	0.92	0.917	0.92
3.0%	0.85	0.845	0.85
4.0%	0.80	0.798	0.80
5.0%	0.77	0.763	0.77
10.0%	0.75		0.75
15.0%	0.73		0.73
20.0%	0.71		0.71
100.0%	0.54		0.54
Over 100.0%	0.54		0.54

\*Guideline adjustments are from a Generalized Linear Model analysis on California non-tenant Homeowners. Where no GLM Calculated value exists, judgment was used to select a guideline.

**State Farm General Insurance Company  
California Rental Dwelling  
Utilities Rating Plan**

Age of Utilities	Adjustment				Proposed Change
	Current	Guideline*	GLM Calculated	Proposed	
0	-25%	-48%	-47.6%	-48%	-30.7%
1	-25%	-46%	-47.4%	-46%	-28.0%
2	-25%	-43%	-46.2%	-43%	-24.0%
3	-21%	-40%	-44.0%	-40%	-24.1%
4	-17%	-37%	-41.0%	-37%	-24.1%
5	-13%	-33%	-37.4%	-33%	-23.0%
6	-9%	-29%	-33.2%	-29%	-22.0%
7	-5%	-25%	-28.5%	-25%	-21.1%
8	-2%	-21%	-23.6%	-21%	-19.4%
9	0%	-17%	-18.6%	-17%	-17.0%
10	0%	-13%	-13.8%	-13%	-13.0%
11	0%	-9%	-9.3%	-9%	-9.0%
12	0%	-6%	-5.5%	-6%	-6.0%
13	0%	-4%	-2.4%	-4%	-4.0%
14	0%	-2%	-0.4%	-2%	-2.0%
15	0%	-1%	0.4%	-1%	-1.0%
16-39	0%	0%	0.0%	0%	0.0%
40+	6%	5%	-3.7%	5%	-0.9%

\*Guideline adjustments are from a Generalized Linear Model analysis on California non-tenant Homeowners.

**State Farm General Insurance Company  
California Rental Dwelling  
Home Alert Protection**

<b>Description</b>	<b>Current</b>	<b>Guideline*</b>	<b>GLM Calculated</b>	<b>Proposed</b>	<b>Proposed Change</b>
Fire or Smoke Detectors which also activate either a digital dialer or a voice synthesized (not tape) telephone dialer, Dead Bolt Locks, Fire Extinguisher	-2%	-2%	-1.2%	-2%	0.0%
Burglar Alarm System, Fire or Smoke Local Alarm, Dead Bolt Locks, Fire Extinguisher	-2%	-2%	-1.2%	-2%	0.0%
Fire and/or Burglar Alarm Reporting to either Fire Dept., Police Dept. or Central Station, Dead Bolt Locks, Fire Extinguisher	-10%	-6%	-2.4%	-6%	4.4%

\*Guideline adjustments are from a Generalized Linear Model analysis on California non-tenant Homeowners.

**State Farm General Insurance Company  
California Rental Dwelling  
Automatic Sprinkler Discount**

<b>Description</b>	<b>Current</b>	<b>Guideline*</b>	<b>GLM Indicated</b>	<b>Proposed</b>	<b>Proposed Change</b>
Partial	-5%	-3%	-3.7%	-3%	2.1%
Complete	-10%	-7%	-7.3%	-7%	3.3%

\*Guideline adjustments are from a Generalized Linear Model analysis on California non-tenant Homeowners.