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BEFORE THE INSURANCE COMMISSIONER

OF THE STATE OF CALIFORNIA

In the Matter of the Rates, Rating Plans, or Rating Systems of CSAA Insurance Exchange, Respondent.	**File No. NC-2024-00019** **NOTICE OF NONCOMPLIANCE [Ins. Code § 1858 *et seq.*]**

TO: CSAA Insurance Exchange

NOTICE OF NONCOMPLIANCE

PURSUANT TO CALIFORNIA INSURANCE CODE SECTION 1858.1:

THE CALIFORNIA DEPARTMENT OF INSURANCE ("Department") NOTIFIES YOU that the Insurance Commissioner of the State of California ("Commissioner") has good cause to believe that the rating plans, rating systems, rates and underwriting guidelines of CSAA Insurance Exchange ("CSAA" or "Respondent"), violate various provisions of California law, including but not limited to California Insurance Code sections 1861.01(c) and 1861.05(a) Pursuant to Insurance Code section 1858.1, this Notice sets forth the manner and extent of noncompliance. The Department is informed and believes, and thereon alleges, the following:

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BACKGROUND FACTS

Respondent is, and was at all relevant times, an insurer licensed to transact the business of insurance in the State of California, including but not limited to Personal Umbrella Programs as discussed below.

Respondent transacts the business of insurance in California on risks or lines subject to the provisions of the California Insurance Code and the California Code of Regulations.

While reviewing Respondent's rate filing (#24-548 – Personal Umbrella Program), the Department's Rate Regulation Branch discovered and subsequently confirmed that Respondent had been charging unfiled installment fees and non-sufficient fund ("NSF") fees. Respondent confirmed it had been doing so in some cases since 2017.

When CDI staff discovered the issue and notified CSAA, it agreed to immediately stop charging the unfiled fees, make a filing seeking approval of the fees on a going forward basis, and refund, with ten percent (10%) interest per year, the unapproved fees it had charged.

Respondent amended filing 24-548 to include the installment fees and NSF fees and those fees were subsequently approved by CDI as part of filing 24-548.

Respondent agreed to and did process the following refunds: 1) 14,037 installment fee refunds in the amount of $245,239 plus 10% interest per annum in the amount of $74,797.70 and 2) 127 non-sufficient fund fee refunds in the amount of 2,900 plus 10% interest per annum in the amount of $1,048.

In total, the Department calculates that Respondent reimbursed impacted policyholders a total of $323,948.70, including 10% interest per annum, with a total of 5103 policyholders receiving these refunds plus interest.

Based upon the foregoing acts of using unfiled rates, the Department has concluded that Respondent violated various provisions of California law, including without limitation Insurance Code sections 1861.01, subsection (c) and 1861.05, subsection (a).

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SPECIFIC ALLEGATIONS

ALLEGATION NUMBER 1: VIOLATION OF INSURANCE CODE SECTIONS 1861.01(c) and 1861.05(a)

Insurance Code section 1861.01, subsection (c), requires that an insurer obtain the Commissioner's prior approval of property and casualty insurance rates before using them. Insurance Code section 1861.01, subsection (c) provides, in relevant part, that "[r]ates shall not be effective until they have been filed with the commissioner and have been approved, or have not been disapproved within 60 days." Insurance Code section 1861.05(a) provides, in relevant part, that "[n]o rate shall be approved or remain in effect which is excessive, inadequate, unfairly discriminatory or otherwise in violation of this chapter."

Respondent failed to comply with Insurance Code sections 1861.01, subsection (c), and 1861.05, subsection (b) by charging unfiled fees, which in turn, resulted in Respondent using rates not approved by the Commissioner.

All of these noncompliant acts are subject to monetary penalties pursuant to CIC section 1858.07. The Department does not currently know the number of noncompliant acts. That will be determined at hearing.

RELIEF REQUESTED

THE DEPARTMENT NOTIFIES RESPONDENT that, to the extent Respondent's unlawful practices are ongoing at the time of delivery of this Notice, Respondent must correct its noncompliance within ten (10) days of receipt of this Notice. For each allegation listed above, Respondent must provide proof of system-wide correction, or other response permitted by Insurance Code section 1858.1, within ten (10) days of receipt of this notice.

THE DEPARTMENT FURTHER NOTIFIES RESPONDENT that if Respondent fails to make an adequate or timely response, the Department will set a public hearing pursuant to CIC sections 1858.2 and 1858.3. If, at the conclusion of the hearing, the Commissioner finds that the facts are as alleged above and constitute violations of the Insurance Code and/or Code of Regulations, as set forth, he may issue an order for payment of money penalties and any other corrective action as he may deem appropriate.

THE DEPARTMENT FURTHER NOTIFIES RESPONDENT that if the noncompliant acts referred to above are found to constitute willful acts involving the use of rates, rating plans, and/or rating systems in violation of Chapter 9, Part 2, Division 1 of the Insurance Code, the Department may seek civil penalties pursuant to Insurance Code Section 1858.07 in an amount of up to $10,000.00 for each act.

The Department may amend this Notice to set forth additional willful noncompliant acts in violation of Chapter 9, Part 2, Division 1, of the Insurance Code and to seek additional penalties in the amount of $10,000.00 for each act.

THE DEPARTMENT FURTHER NOTIFIES RESPONDENT that, in the alternative, if the Commissioner does not find those acts involving the use of rates, rating plans, and/or rating systems in violation of Chapter 9, Part 2, Division 1 of the Insurance Code to be willful violations of that chapter, the Department may seek civil penalties up to $5,000.00 for each non-willful act pursuant to Insurance Code Section 1858.07.

The Department may amend this Notice to set forth additional non-willful noncompliant acts in violation of Chapter 9, Part 2, Division 1, of the Insurance Code and seek additional penalties in the amount of $5,000.00 for each act.

Dated: June 25, 2026

CALIFORNIA DEPARTMENT OF INSURANCE

By Jennifer McCune

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