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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 KEMPER INDEPENDENCE INSURANCE COMPANY and UNITRIN DIRECT INSURANCE COMPANY, Respondents.	File No. NC-2025-00013 **NOTICE OF NONCOMPLIANCE** **[Ins. Code § 1858 *et seq.*]**

TO: KEMPER INDEPENDENCE INSURANCE COMPANY AND UNITRIN DIRECT INSURANCE COMPANY

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 KEMPER INDEPENDENCE INSURANCE COMPANY ("KIIC") and UNITRIN DIRECT INSURANCE COMPANY ("UDIC") violated various provisions of California law, including but not limited to California Insurance Code ("Insurance Code") section 1861.03(c)(1). (KIIC and UDIC are affiliated companies and will be referred to collectively as "Respondents.) 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

1. Respondents are, and were at all relevant times, insurers licensed to transact the business of insurance in the State of California, including but not limited to the automobile class of insurance as discussed below.

2. At all relevant times, Respondents transacted the business of insurance in California on risks or lines subject to the provisions of the California Insurance Code (hereafter, "Insurance Code") and Title 10 of the California Code of Regulations (hereafter "Regulations").

3. On or about September 9, 2023, Respondents submitted a rate, rule, and form filing (SERFF No. UNTR-133834584/CDI Nos. 23-2981[UDIC] and 23-2981A[KIIC]) to the Department's Rate Regulation Branch ("RRB") in order to effectuate a planned withdrawal from the personal lines market, including Respondents' private passenger automobile ("PPA") programs. The rate, rule, and form filing was acknowledged and closed on November 29, 2023.

4. In or about January 2025, Respondents submitted Applications (CDI Nos. 25-300 [KIIC] and 25-323 [UDIC]) to the Department's Corporate Affairs Bureau ("CAB") to surrender their respective Certificates of Authority in order to effect a complete withdrawal from the California PPA market.

5. Through its review of Respondents' filings as referenced above, the Department discovered that Respondents began issuing notices of nonrenewal to their respective PPA customers during 2024 and issued approximately 26,852 such notices before surrendering their respective Certificates of Authority in or about January 2025.

6. The Department asserts that the nonrenewal notices issued in 2024 violated Insurance Code section 1861.03(c)(1) because Respondents had not yet submitted applications to surrender their Certificates of Authority to effect withdrawal from the California insurance market as required by *Travelers Indemnity Co. v. Gillespie* (1990) 50 Cal.3d 82, 103 and *Dairyland Ins. Co. v. Gillespie* (1990) 223 Cal.App.3d 1229, 1235.

7. Based upon the foregoing, the Department asserts that Respondents' nonrenewal practices identified above violated various provisions of California law, including without limitation, Insurance Code section 1861.03(c)(1).

SPECIFIC ALLEGATIONS

ALLEGATION NO. 1: VIOLATION OF INSURANCE CODE § 1861.03(c)(1)

1. Insurance Code section 1861.03(c)(1) states in part, "cancellation or nonrenewal of a policy for automobile insurance shall be effective only if it is based on one or more of the following reasons: (A) nonpayment of premium; (B) fraud or material misrepresentation affecting the policy or insured; (C) a substantial increase in the hazard insured against." The Department asserts that the nonrenewal notices Respondents issued during 2024 were not based on any of the permissible factors enumerated in Insurance Code section 1861.03(c)(1), subsections (A) through (C). The Department also asserts that the only other exception to the mandatory renewal requirement of Insurance Code section 1861.03(c)(1) occurs when an insurer has surrendered its Certificate of Authority to the Department, or where an insurer has filed a proper application to delete auto from its Certificate of Authority, under Insurance Code sections 1070 to 1076. (*See, Travelers Indemnity Co. v. Gillespie* (1990) 50 Cal.3d 82, 103; *Dairyland Ins. Co. v. Gillespie* (1990) 223 Cal.App.3d 1229, 1235.)

2. The Department is informed and believes and based thereon alleges that Respondents failed to comply with Insurance Code section 1861.03(c)(1), and the procedures announced in *Travelers* and *Gillespie*, *supra*, by issuing nonrenewal notices to their PPA customers before Respondents submitted their respective applications to surrender their Certificates of Authority.

3. The Department is informed and believes and based thereon alleges that all of these noncompliant acts are subject to monetary penalties pursuant to Insurance Code Section 1858.07. The Department does not currently know the exact number of noncompliant acts, which may be determined at hearing.

RELIEF REQUESTED

THE DEPARTMENT NOTIFIES RESPONDENTS that if Respondents fail to make an adequate or timely response, the Department will set a public hearing pursuant to Insurance Code 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 herein, the Commissioner may issue an order for payment of money penalties and any other corrective action as the Commissioner may deem appropriate.

THE DEPARTMENT FURTHER NOTIFIES RESPONDENTS that if the noncompliance referred to above is 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 the amount of $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 RESPONDENTS 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 in the amount of $5,000.00 for each 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.

THE DEPARTMENT FURTHER NOTIFIES RESPONDENTS that if the noncompliance referred to above constitutes a willful failure to comply with a final order of the Commissioner under Chapter 9, Part 2, Division 1 of the Insurance Code, the Department may seek civil penalties pursuant to Insurance Code Section 1859.1 in in an amount not exceeding $250,000.00.

THE DEPARTMENT FURTHER NOTIFIES RESPONDENTS that, in addition to penalties, the Commissioner shall, pursuant to Insurance Code Section 1858.4, suspend or revoke, in whole or in part, the license of any rating organization or the certificate of authority of any insurer with respect to the class or classes of insurance specified in that order, which fails to comply within the time provided by that order or any extension thereof which the commissioner may grant, with an order of the commissioner lawfully made by him or her pursuant to Insurance

Code Sections 1858.3 and 1858.6.

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 $50,000.00 for each act.

Dated: July 29, 2026

CALIFORNIA DEPARTMENT OF INSURANCE

By Melissa A. Wurster

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