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11 *Attorneys for the California Department of Insurance*

12 **BEFORE THE INSURANCE COMMISSIONER**
13 **OF THE STATE OF CALIFORNIA**

14 In the Matter of the Rates, Rating Plans, or
15 Rating Systems of

16 AXIS INSURANCE COMPANY,
17 Respondent.

18 **File No. NC-2025-00035**

19 **NOTICE OF NONCOMPLIANCE**
20 **[Ins. Code § 1858 *et seq.*]**

21 **TO: AXIS INSURANCE COMPANY**

22 **NOTICE OF NONCOMPLIANCE**

23 **PURSUANT TO CALIFORNIA INSURANCE CODE SECTION 1858.1:**

24 THE CALIFORNIA DEPARTMENT OF INSURANCE (“Department”) NOTIFIES YOU
25 that the Insurance Commissioner of the State of California (“Commissioner”) has good cause to
26 believe that the rating plans, rating systems, rates and underwriting guidelines of AXIS
27 INSURANCE COMPANY (hereafter “Respondent”) violate various provisions of California law,
28 including but not limited to Insurance Code sections 1861.05, subsection (b), and 1861.01,
subsection (c). 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

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2 1. Respondent is, and was at all relevant times, an insurer licensed to transact the business of
3 insurance in the State of California, including but not limited to those classes of insurance
4 discussed below.

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6 2. Respondent transacts the business of insurance in California on risks or lines subject to the
7 prior approval provisions of the California Insurance Code and Regulations, in particular Insurance
8 Code sections 1861.01, subsection (c), and 1861.05, subsection (b).

9
10 3. In or around October 2024, Respondent submitted a new program rate application filing
11 (CDI File #24-2161), for Commercial Inland Marine Coverage (“Inland Marine”). The filing
12 contained a split deductible structure for “Theft” and “All Other Perils.”

13 4. The Department thereafter approved CDI File #24-2161 on May 2, 2025.

14 5. Respondent subsequently sold 13 policies containing a deductible structure different from
15 what was approved in Respondent’s CDI File #24-2161 filing and which had not been approved
16 in any other filing.

17 6. Then, on or about September 9, 2025, Respondent filed what it called a “Correction
18 Filing” (CDI File #25-1943). A “Correction Filing” is not a filing type recognized by the
19 Department.

20
21 7. Initially, Respondent indicated that its “Correction Filing” contained a variation of its
22 previously approved deductible structure in CDI File #24-2161, and was filed to correct errors in
23 the 13 issued policies. The Department is informed and believes and based thereon alleges that
24 the Correction Filing (CDI File #25-1943) had no connection to the 13 sold policies and was
25 effectively seeking to operate with three different deductible structures: (1) the split deductible
26 structure approved in CDI File #24-2161, (2) the deductible structure proposed in CDI File #25-
27 1943, and (3) the split deductible structure contained in the policies sold to the 13 policyholders.
28

1 8. The Department is informed and believes and based thereon alleges that the 13 policies
2 which Respondent sold contained unapproved rates because, as described above, the deductible
3 structures contained in those policies were different from those approved in Respondent's new
4 program rating plan (CDI File #24-2161).

5
6 **SPECIFIC ALLEGATIONS**

7 **VIOLATIONS OF INSURANCE CODE SECTIONS 1861.01(c) and 1861.05(b)**

8 9. Insurance Code sections 1861.01, subsection (c) and 1861.05, subsection (b), require that
9 an insurer obtain the Commissioner's prior approval of property and casualty insurance rates
10 before using them. Specifically, Insurance Code section 1861.01(c) provides "insurance rates
11 subject to this chapter must be approved by the commissioner prior to their use." Insurance Code
12 section 1861.05, subsection (b), provides in relevant part that "[e]very insurer which desires to
13 change any rate shall file a complete rate application with the commissioner."

14
15 10. Respondent failed to comply with the prior approval requirements in Insurance Code
16 sections 1861.01, subsection (c) and 1861.05, subsection (b), because, as described above,
17 Respondent sold 13 policies which did not comply with a filed and approved rate plan.

18 11. All of these noncompliant acts are subject to monetary penalties pursuant to Insurance
19 Code sections 1858.07 and 1858.3. The Department does not currently know the number of
20 noncompliant acts. That will be determined at hearing.

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22 **RELIEF REQUESTED**

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

28 THE DEPARTMENT FURTHER NOTIFIES RESPONDENT that if Respondent fails to

1 make an adequate or timely response, the Department will set a public hearing pursuant to
2 Insurance Code sections 1858.2 and 1858.3. If, at the conclusion of the hearing, the Commissioner
3 finds that the facts are as alleged above and constitute violations of the Insurance Code and/or
4 Code of Regulations, as set forth, he may issue an order for payment of money penalties and any
5 other corrective action as he may deem appropriate.
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7 THE DEPARTMENT FURTHER NOTIFIES RESPONDENT that if the noncompliance
8 referred to above is found to constitute willful acts involving the use of rates, rating plans, and/or
9 rating systems in violation of Chapter 9, Part 2, Division 1 of the Insurance Code, the Department
10 may seek civil penalties pursuant to Insurance Code Section 1858.07 in the amount of \$10,000.00
11 for each act.
12

13 THE DEPARTMENT FURTHER NOTIFIES RESPONDENT that, in the alternative, if
14 the Commissioner does not find those acts involving the use of rates, rating plans, and/or rating
15 systems in violation of Chapter 9, Part 2, Division 1 of the Insurance Code to be willful violations
16 of that chapter, the Department may seek civil penalties in the amount of \$5,000.00 for each act
17 pursuant to Insurance Code Section 1858.07.
18

19 The Department may amend this Notice to set forth additional non-willful noncompliant
20 acts in violation of Chapter 9, Part 2, Division 1, of the Insurance Code and seek additional
21 penalties in the amount of \$5,000.00 for each act.
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23 THE DEPARTMENT FURTHER NOTIFIES RESPONDENT that if the noncompliance
24 referred to above constitutes a willful failure to comply with a final order of the Commissioner
25 under Chapter 9, Part 2, Division 1 of the Insurance Code, the Department may seek civil penalties
26 pursuant to Insurance Code Section 1859.1 in in an amount not exceeding \$250,000.00.
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28 THE DEPARTMENT FURTHER NOTIFIES RESPONDENT 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

1 insurer with respect to the class or classes of insurance specified in that order, which fails to
2 comply within the time limited by that order or any extension thereof which the commissioner
3 may grant, with an order of the commissioner lawfully made by him or her pursuant to Insurance
4 Code Sections 1858.3 and 1858.6.

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

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10 Dated: April 27, 2026

CALIFORNIA DEPARTMENT OF INSURANCE

11
12 By *Duncan Montgomery*
13 Duncan Montgomery
14 Staff Counsel

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