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12 *Attorneys for the California Department of Insurance*

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

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

17 FALLS LAKE FIRE AND CASUALTY
18 COMPANY,

19 Respondent.

20 **File No. NC-2023-00006**

21 **NOTICE OF NONCOMPLIANCE**
22 **[Ins. Code § 1858 *et seq.*]**

23 **TO: FALLS LAKE FIRE AND CASUALTY COMPANY**

24 **NOTICE OF NONCOMPLIANCE**

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

26 THE CALIFORNIA DEPARTMENT OF INSURANCE (“Department”) NOTIFIES YOU
27 that the Insurance Commissioner of the State of California (“Commissioner”) has good cause to
28 believe that FALLS LAKE FIRE AND CASUALTY COMPANY (hereafter “Respondent”)
violated various provisions of California law, including but not limited to California Insurance
Code (“Insurance Code”) sections 674.6, 675(a)(1), and 678(c)(1). 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 homeowners classes of insurance
4 as discussed below.

5 2. Respondent transacts the business of insurance in California on risks or lines subject to the
6 provisions of the California Insurance Code (hereafter, “Insurance Code”) and Title 10 of the
7 California Code of Regulations (hereafter “Regulations”).

8 3. On September 6, 2019, Respondent submitted a new application for its Voluntary
9 Homeowners Multi-Peril Program (CDI File No. 19-3255) (the “HO Program”). The application
10 was approved on December 10, 2019.

11 4. In or about May, 2023, the Department investigated a consumer complaint and discovered
12 that Respondent had commenced nonrenewal of its entire HO Program, without providing prior
13 notice to the Commissioner, in violation of CIC section 674.6.

14 5. On July 21, 2023, Respondent submitted a Homeowners – Withdraw Program filing (CDI
15 File No. 23-2303/SERFF No. SWNI-133753038) (“Filing”) to formally notify the Commissioner
16 that Respondent had taken steps to non-renew each of the approximately 918 policies in the HO
17 Program because Respondent was unable to obtain reinsurance.

18 6. Through its review of the Filing, the Department discovered: Respondent began issuing
19 non-renewals on or about June 28, 2021, without notifying the Commissioner as required by
20 Insurance Code Section 674.6(b); the majority of policies expired between August 11, 2021 and
21 June 28, 2023, although one policy remained in effect until February 1, 2024; and Respondent
22 failed to provide sufficient notice of nonrenewal to at least one policyholder, in violation of
23 Insurance Code Sections 675(a)(1) and 678(c)(1).

24 7. The Department is currently reviewing the Filing to ascertain the full extent and impact of
25 Respondent’s failures to provide policyholders with sufficient notice of nonrenewal as required by
26 Insurance Code Sections 675(a)(1) and 678(c)(1) and to accomplish nonrenewal without first
27 notifying the Commissioner as required by Insurance Code Section 674.6.

28 8. Based upon the foregoing, the Department has concluded that Respondent’s nonrenewal

1 practices identified above violate various provisions of California law, including without limitation
2 Insurance Code Section 674.6.

3 **SPECIFIC ALLEGATIONS**

4 **ALLEGATION NO. 1: VIOLATION OF INSURANCE CODE §§ 674.6(a), 674.6(b),**
5 **675(a)(1), and 678(c)(1)**

6 1. Insurance Code Section 674.6(a) prohibits any insurer that issues policies of insurance
7 subject to Insurance Code Section 675 from ceasing to offer any line of coverage without prior
8 notice to the Commissioner, and the HO Program is a line of insurance subject to CIC section
9 675(a)(1). Insurance Code Section 674.6(b)(4) requires an insurer to notify the Department at least
10 60 days prior to the date it intends to withdraw wholly or substantially from a line of insurance for
11 any insurance issued to an individual or individuals covering a risk not arising from a business or
12 commercial activity, and the HO Program policies were issued to individual(s) covering risks not
13 arising from a business or commercial activity.

14 2. Respondent failed to comply with Insurance Code Section 674.6, subsections (a) and
15 (b)(4), by failing to notify the Commissioner at least 60 days before it commenced issuing
16 nonrenewals to effect withdrawal of the HO Program.

17 3. All of these noncompliant acts are subject to monetary penalties pursuant to Insurance
18 Code Section 1858.07. The Department does not currently know the exact number of
19 noncompliant acts, which will be determined at hearing.

20 **ALLEGATION NO. 2: VIOLATION OF INSURANCE CODE §§ 675 (a)(1) and**
21 **678(c)(1)**

22 1. The HO Program is a line of insurance subject to Insurance Code Section 675(a)(1).

23 2. Insurance Code Section 678(c)(1) requires in pertinent part that a notice of nonrenewal for
24 residential property insurance be delivered or mailed to the named insured at least 75 days before
25 policy expiration, and if notice of nonrenewal is mailed on or after July 1, 2022, the insurer must
26 add additional time and comply with the procedures specified in Code of Civil Procedure Section
27 1013(a).

28 3. As described above, Respondent failed to provide the minimum notice required by

1 Insurance Code Section 678(c)(1) and Code of Civil Procedure Section 1013(a) for at least one
2 nonrenewal notice issued to effect withdrawal of the HO Program.

3 4. The total number of noncompliant acts is unknown at this time, and accordingly, the final
4 count will be determined at hearing.

5 5. Each of Respondents' noncompliant acts may be subject to monetary and other penalties
6 pursuant to California Insurance Law, including without limitation, Insurance Code Section
7 790.035, in amounts to be determined at hearing.

8 **RELIEF REQUESTED**

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

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

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

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

28 The Department may amend this Notice to set forth additional non-willful noncompliant

1 acts in violation of Chapter 9, Part 2, Division 1, of the Insurance Code and seek additional
2 penalties in the amount of \$5,000.00 for each act.

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

7 THE DEPARTMENT FURTHER NOTIFIES RESPONDENT that, in addition to
8 penalties, the Commissioner shall, pursuant to Insurance Code Section 1858.4, suspend or revoke,
9 in whole or in part, the license of any rating organization or the certificate of authority of any
10 insurer with respect to the class or classes of insurance specified in that order, which fails to
11 comply within the time limited by that order or any extension thereof which the commissioner
12 may grant, with an order of the commissioner lawfully made by him or her pursuant to Insurance
13 Code Sections 1858.3 and 1858.6.

14 The Department may amend this Notice to set forth additional willful noncompliant acts
15 in violation of Chapter 9, Part 2, Division 1, of the Insurance Code and to seek additional penalties
16 in the amount of \$50,000.00 for each act.

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Dated: January 20, 2026

CALIFORNIA DEPARTMENT OF INSURANCE

By Melissa A. Wurster
Melissa Wurster
Staff Counsel