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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 Scottsdale Indemnity Company, Respondent.	**File No. NC-2026-00005** **NOTICE OF NONCOMPLIANCE [Ins. Code § 1858 *et seq.*]**

TO: Scottsdale Indemnity 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 Scottsdale Indemnity Company (“Scottsdale” or “Respondent”), violated various provisions of California law, including but not limited to California Insurance Code (“Insurance Code” or “CIC”) sections 1861.05(b) and 1859, and Title 10 California Code of Regulations (“CCR”) section 2648.4. 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. 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 Commercial Auto programs as discussed below.

2. 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.

3. On August 21, 2025, Respondent submitted a rate filing for its Commercial Auto program (SERFF Tracking No. NWPP-134644220).

4. As part of the rate filing, Respondent was required to complete the prior approval rate application, templates, and exhibits as published by the Department.

5. The prior approval rate templates and exhibits contain formulas, macros, or protected cells and must be completed as provided.

6. Any unauthorized or undisclosed modification, whether intentional or inadvertent, may affect the integrity of the submitted data, distort calculated results, and compromise the review process.

7. Respondent's rate filing contained the filing affidavit, submitted under penalty of perjury, affirming that the information contained in the application is "true, complete, and correct."

8. While reviewing Respondent's rate filing, the Department's Rate Regulation Branch discovered and subsequently confirmed that Respondent made numerous modifications to locked formulas on the prior approval rate template.

9. On August 25, 2025, the filing was rejected at intake.

10. Respondent acknowledges that locked formulas in the Department's prior approval rate template should not have been modified.

11. Based upon the foregoing, the Department has concluded that Respondent violated various provisions of California law, including without limitation Insurance Code sections 1861.05(b) and 1859.

SPECIFIC ALLEGATIONS

ALLEGATION NUMBER 1: VIOLATION OF INSURANCE CODE SECTION 1861.05 AND CCR 2648.4

12. Insurance Code section 1861.05(b) requires that an insurer which desires to change any rate shall file a complete rate application which includes specified data and such other information as the commissioner may require.

13. The prior approval rate application, templates, and exhibits published by the Department for insurers to use when submitting complete rate applications specify the information the Commissioner requires as part of a complete rate application. (10 CCR 2648.4.)

14. The rate application including templates and exhibits contain formulas, macros, or protected cells and must be completed as provided.

15. Any unauthorized modification, whether intentional or inadvertent, may affect the integrity of the submitted data, distort calculated results, and compromise the review process.

16. As such, insurers are required to submit an affidavit with the signature of an authorized representative, declaring under penalty of perjury that the information contained in the filing is true, complete and correct.

17. By unilaterally altering the published prior approval rate template, Respondent violated Insurance Code section 1861.05(b)'s mandate requiring insurers to provide the information the Commissioner requires as part of a complete rate application.

ALLEGATION NUMBER 2: VIOLATION OF INSURANCE CODE SECTION 1859

18. Insurance Code section 1859 prohibits an insurer from willfully withholding information or knowingly giving false or misleading information to the Commissioner.

19. By failing to alert the Department of unilateral changes to the prior approval rate template, Respondent violated Insurance Code section 1859.

20. By submitting an affidavit under penalty of perjury on August 20, 2025, that all information filed in the rate application was true, complete, and correct, Respondent violated Insurance Code section 1859.

21. All of these noncompliant acts are subject to monetary penalties pursuant to Insurance Code sections 1858.3, subdivision (a), 1858.07, 1859.1, and 1861.14.

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 of all of the following:

- If the noncompliance referred to above constitutes 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 will seek civil penalties pursuant to CIC section 1858.07 in an amount up to $10,000.00 for each act;
- 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 will seek civil penalties in an amount up to $5,000.00 for each act pursuant to CIC section 1858.07;
- The Department may amend this Notice to set forth additional willful and/or non-willful noncompliant acts in violation of Chapter 9, Part 2, Division 1, of the Insurance Code and to seek additional penalties in an amount up to $5,000 to $10,000.00 for each act;
- 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 additional civil penalties pursuant to Insurance Code section 1859.1 in an amount not exceeding $250,000.00 for the failure;

- In the alternative, if the Commissioner does not find the noncompliance referred to above to constitute 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 additional civil penalties pursuant to Insurance Code section 1859.1 in an amount not exceeding $50,000.00 for the failure;
- The Department may amend this Notice to set forth additional willful and/or non-willful failure to comply with a final order of the Commissioner under Chapter 9, Part 2, Division 1, of the Insurance Code and to seek additional penalties in an amount up to $50,000 to $250,000.00 for the failure;
- In addition to the foregoing monetary penalties, following a hearing regarding the foregoing noncompliant acts, the Commissioner shall seek any and all relief available pursuant to Insurance Code section 1858.3, subdivision (a), including any and all appropriate corrective actions including without limitation refunds with interest to policyholders who may have been charged excessive rates; and
- In further addition to monetary penalties and other appropriate relief, the Commissioner may, 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 limited 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 FURTHER NOTIFIES RESPONDENT that, the Department may amend this Notice to set forth additional willful and/or non-willful noncompliant acts in violation of Chapter 9, Part 2, Division 1, of the Insurance Code and to seek additional penalties and/or require additional corrective actions as appropriate.

Dated: July 15, 2026

CALIFORNIA DEPARTMENT OF INSURANCE

By Sara Ahn

Sara Ahn
Staff Counsel