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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 SCOTTSDALE INDEMNITY COMPANY
17 and NATIONAL CASUALTY
18 COMPANY,

19 Respondents.

20 **File No. NC-2026-00001**

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

23 **TO: RESPONDENTS SCOTTSDALE INDEMNITY COMPANY and**
24 **NATIONAL CASUALTY COMPANY**

25 **NOTICE OF NONCOMPLIANCE**

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

27 THE CALIFORNIA DEPARTMENT OF INSURANCE (“Department”) NOTIFIES YOU
28 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 SCOTTSDALE
INDEMNITY COMPANY and NATIONAL CASUALTY COMPANY (hereafter
“Respondents”), violate various provisions of California law, including but not limited to
California Insurance Code sections 1861.05, subsection (b), and 1861.01, subsection (c), and Title
10 of the California Code of Regulations, sections 2360.3 and 2360.4. Pursuant to Insurance Code

1 section 1858.1, this Notice sets forth the manner and extent of noncompliance. The Department is
2 informed and believes, and thereon alleges, the following:

3 **BACKGROUND FACTS**

4
5 1. The Department has jurisdiction over Respondents, who are licensed, admitted
6 insurers in the state of California.

7 2. At all relevant times, Respondents transacted the business of insurance in
8 California on risks or lines subject to the provisions of the California Insurance Code
9 (“Insurance Code”) and the California Code of Regulations (“Regulations”), in particular
10 Insurance Code section 1861.05 and Regulations sections 2360.3 and 2360.4.

11 3. On December 15, 2025, Respondents met with the Department to disclose that a
12 rating error had occurred, resulting in incorrect and unapproved rates charged to policyholders.

13 **SPECIFIC ALLEGATIONS**

14 **ALLEGATION NUMBER 1: VIOLATIONS OF INSURANCE CODE SECTIONS** 15 **1861.01(c) and 1861.05(b)**

16 1. Insurance Code sections 1861.01, subsection (c), and 1861.05, subsection (b), require that
17 an insurer obtain the Commissioner’s prior approval of property and casualty insurance rates
18 before using them. Specifically, Insurance Code section 1861.01, subsection (c), provides
19 “insurance rates subject to this chapter must be approved by the commissioner prior to their use.”

20 Insurance Code section 1861.05, subsection (b), provides in relevant part, that “Every insurer
21 which desires to change any rate shall file a complete rate application with the commissioner.”

22 Insurance Code section 1861.05, subsection (a), provides in relevant part, “No rate shall be
23 approved or remain in effect which is excessive, inadequate . . . or in violation of this chapter.”

24 2. Respondents failed to comply with, *inter alia*, Insurance Code sections 1861.01,
25 subsection (c), and 1861.05, subsection (a), by charging policyholders unapproved rates.

26
27 3. Respondents’ failure to apply the approved premiums resulted in rates which were both
28 excessive and inadequate, and which has required Respondents to issue refunds to policyholders.

1 4. All of these noncompliant acts are subject to monetary penalties pursuant to Insurance
2 Code sections 1858.3 and 1858.07.

3 **ALLEGATION NUMBER 2: VIOLATION OF INSURANCE REGULATION SECTIONS**
4 **2360.3 and 2360.4**

5 5. Insurance Code section 1861.05, subsection (a), and Regulation sections 2360.3 and
6 2360.4 require that an insurer determine and offer to each insured the lowest premium for which
7 the insured qualifies.

8 6. Specifically, Regulation section 2360.3 provides, in relevant part, that insurers must
9 charge their insureds the lowest premium for which each insured qualifies. Moreover, at each
10 policy renewal, the insurer must adjust the premium to reflect the lowest premium possible at that
11 time. Regulation section 2360.4 provides, in relevant part, that insurers are responsible for
12 determining the lowest premium for which their insureds qualify. Even where the insurer
13 delegates this responsibility to an agent, the insurer remains ultimately responsible for the agent's
14 actions.

15 7. Respondent failed to comply with Regulation sections 2360.3 and 2360.4 by incorrectly
16 rating policyholders, resulting in excessive rates for policyholders.

17 8. All of these noncompliant acts, the number of which will be determined at hearing, are
18 subject to monetary penalties pursuant to Insurance Code sections 1858.3 and 1858.07.

19 **RELIEF REQUESTED**

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

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

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

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

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

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

23 THE DEPARTMENT FURTHER NOTIFIES RESPONDENTS that if the
24 noncompliance referred to above constitutes a willful failure to comply with a final order of the
25 Commissioner under Chapter 9, Part 2, Division 1 of the Insurance Code, the Department may
26 seek civil penalties pursuant to Insurance Code Section 1859.1 in in an amount not exceeding
27 \$250,000.00.
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1 THE DEPARTMENT FURTHER NOTIFIES RESPONDENTS that, in addition to
2 penalties, the Commissioner shall, pursuant to Insurance Code Section 1858.4, suspend or revoke,
3 in whole or in part, the license of any rating organization or the certificate of authority of any
4 insurer with respect to the class or classes of insurance specified in that order, which fails to
5 comply within the time limited by that order or any extension thereof which the commissioner
6 may grant, with an order of the commissioner lawfully made by him or her pursuant to Insurance
7 Code Sections 1858.3 and 1858.6.

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

13 Dated: May 11, 2026

CALIFORNIA DEPARTMENT OF INSURANCE

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15 By *Daniel Wade*
16 Daniel Wade
17 Senior Staff Counsel
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