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8 **BEFORE THE INSURANCE COMMISSIONER**
9 **OF THE STATE OF CALIFORNIA**

11 In the Matter of the Rating and
Underwriting Practices and Procedures of

12 SCOTTSDALE INDEMNITY COMPANY
13 and NATIONAL CASUALTY
COMPANY,

14 Respondents.

File No. NC-2026-00001

**SETTLEMENT STIPULATION AND
CONSENT TO ORDER; [PROPOSED]
CONSENT ORDER**

16
17 The DEPARTMENT OF INSURANCE OF THE STATE OF CALIFORNIA (the
18 “Department”) and SCOTTSDALE INDEMNITY COMPANY and NATIONAL CASUALTY
19 COMPANY (“Respondents”) (collectively the “Parties”), stipulate as follows:

20 1. The Department has jurisdiction over Respondents, who are licensed, admitted
21 insurers in the state of California.

22 2. At all relevant times, Respondents transacted the business of insurance in
23 California on risks or lines subject to the provisions of the California Insurance Code
24 (“Insurance Code”) and the California Code of Regulations (“Regulations”), in particular
25 Insurance Code section 1861.05.

26 3. On December 15, 2025, Respondents met with the Department to self-disclose
27 that Respondents’ processes had created a rating error which resulted in Respondents charging
28 incorrect and unapproved premium rates to its policyholders.

1 4. Based upon these facts and additional information Respondents provided to the
2 Department, the Department issued a Notice of Noncompliance, which Respondents
3 acknowledge having received, alleging that Respondents violated, *inter alia*, Insurance Code
4 sections 1861.01, subsection (c), 1861.05, subsection (b).

5 5. Having fully reviewed the allegations of violations of the California Insurance
6 Code and Regulations as set forth in the Notice of Noncompliance filed in this matter,
7 Respondents hereby voluntarily and willingly enter into this Settlement Stipulation and Consent
8 to Order (“Stipulation”) with the Insurance Commissioner of the State of California (hereafter
9 “Commissioner”), as a means of achieving a full and final resolution of the allegations set forth
10 in the Notice of Noncompliance, in lieu of an evidentiary hearing and Order.

11 6. Respondents have met and conferred with the Department regarding the facts and
12 circumstances giving rise to the allegations set out in the Notice of Noncompliance.

13 7. The Parties believe it is in the public interest to resolve this matter without the
14 need for a hearing or any other administrative action.

15 8. Respondents have already undertaken several corrective steps with respect to its
16 previous filings and other actions, including issuing premium credit refunds to policyholders that
17 were misrated and charged unapproved excessive rates:

18 a. 399 policies required a premium return (plus 10% interest), totaling \$4,374,694
19 in premium refunds and \$1,766,905 in interest.¹

20 b. Because only 85 of 399 policyholders are currently insured by Respondents,
21 Respondents will utilize best efforts to locate the 314 remaining policyholders
22 so that premium refund checks can be issued to them.

23 c. Refunds that are returned to sender, uncashed or otherwise remain unpaid will
24 escheat to the State of California, in the name of the consumer, in accordance
25 with applicable laws. Refunds to existing policyholders may be made as a credit
26 to premium. Applicant will use reasonable efforts to find the current address to
27

28 ¹155 policies were undercharged and would owe a total of \$1,037,786 in additional premium to Respondents.
However, Respondents will not be taking any action on these policies.

1 mail checks to consumers who are no longer insured by Applicant. Applicant
2 will provide the Department with an initial report regarding the status of refunds
3 and/or credits to each consumer ninety (90) days after issuance of the refunds
4 and/or credits. Applicant will thereafter provide the Department with a report
5 every quarter until such time as any unpaid funds from the refunds are
6 escheated to the State of California.

7 9. In addition to the corrective actions discussed above, Respondents agree to take
8 the following additional steps with respect to its rate filing practices:

- 9 a. Respondents shall pay a penalty of \$50,000 within 30 days of receiving an
10 invoice with payment instructions from the Department; and
11 b. Respondents shall transact all current and future insurance business in
12 compliance with Insurance Code sections 1861.01, subsection (c), 1861.05,
13 subsection (b), and all other applicable provisions of the Insurance Code and
14 Regulations.

15 10. At the present time, the Department agrees that by taking the corrective actions
16 listed above and paying the fine specified in this Stipulation, Respondents have or will have
17 achieved compliance with California insurance laws with respect to the violations set forth in the
18 Notice of Noncompliance and herein.

19 11. Other than as set forth in this Stipulation, the Parties agree that no factual findings
20 or legal conclusions have been made.

21 12. Respondents deny the allegations contained in the Notice of Noncompliance and
22 by entering into this stipulated agreement, memorialized by this Stipulation, Respondents make
23 no admission of liability, wrongdoing, or violation of law.

24 13. Respondents waive their rights to a hearing and any and all rights to which it may
25 be entitled pursuant to Chapter 5, Part 1, Division 3, Title 2, (Sections 11500-11529 of the
26 California Government Code), and Insurance Code Section 1858.1.

27 14. This Stipulation includes all acts related to Respondents' alleged actions and
28 inactions that led the Department to issue the Notice of Noncompliance in this matter. Nothing

1 in this Stipulation precludes the Department from pursuing other actions against Respondent
2 based upon conduct that is not related to Respondents' alleged actions and inactions described
3 herein and in the Notice of Noncompliance.

4 15. The Parties intend this Stipulation to be an integrated writing representing the
5 complete, final, and exclusive embodiment of their agreement. It supersedes any and all prior or
6 contemporaneous agreements, understandings, discussions, negotiations, and commitments
7 (written or oral). This Stipulation may not be amended, modified, supplemented, or otherwise
8 changed, except by a writing executed by an authorized representative of each of the parties.

9 16. Respondents acknowledge that this Stipulation is a public record as required by
10 Government Code Section 11517(d), and that this Stipulation will be accessible to the public
11 pursuant to the California Public Records Act, Government Code Sections 6250 *et seq.* The
12 Stipulation will be posted on the Department's Internet website pursuant to Insurance Code
13 Section 12968.

14 17. Respondents acknowledge that Insurance Code Section 12921(b)(1) requires the
15 Insurance Commissioner of the State of California ("Commissioner") to approve the final
16 settlement of this matter. Both the settlement terms and conditions in this Stipulation and the
17 acceptance of those terms and conditions are contingent upon the Commissioner's approval,
18 which shall be evidenced and memorialized by the Commissioner's execution of the PROPOSED
19 CONSENT ORDER set forth below. By signing the Stipulation, Respondents understand and
20 agree that they may not withdraw its agreement or rescind the Stipulation prior to the time the
21 Commissioner considers and acts upon the Stipulation and Proposed Consent Order. If the
22 Commissioner rejects the Stipulation and does not execute the proposed Consent Order, the
23 Stipulation shall be of no force and effect except for this paragraph, and it shall be inadmissible
24 in any legal action between the Parties. Any dispute over the admissibility, or lack thereof, of the
25 rejected stipulation and any related drafts or communications regarding settlement shall be
26 governed by applicable provisions of the California Insurance Code and related regulations, the
27 California Evidence Code, and any other applicable California law or regulation.

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1 18. This Stipulation represents a full, final, and complete resolution and settlement of
2 all issues raised in the Notice of Noncompliance between the Department and Respondents and
3 supersedes and replaces prior negotiations, communications, or agreements on the subject matter
4 of this Stipulation. This Stipulation may not be modified unless agreed in a writing executed by
5 all parties and approved by an Order of the Commissioner.

6 19. This Stipulation will become final and effective only when it is approved and
7 expressly adopted by the Commissioner as evidenced by the execution of the Order below.

8 20. Discussions, admissions, concessions, or offers to stipulate or settle made by any
9 party in negotiating this Stipulation, are not discoverable, shall remain confidential, and shall not
10 be admissible for any purpose in any proceeding unless so authorized by a judicial officer (e.g.,
11 Administrative Law Judge or California Superior Court Judge) in compliance with applicable
12 California laws and regulations.

13 21. The Department and Respondents have participated jointly in the negotiation and
14 drafting of this Stipulation, and, in the event an ambiguity or question of intent or interpretation
15 arises, this Stipulation shall be construed as jointly drafted by the Parties hereto, and no
16 presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the
17 authorship of any provision of this Agreement.

18 22. Nothing contained in this Stipulation and any executed Consent Order constitutes
19 a limitation upon or a waiver of the rights and powers of the Commissioner to enforce any
20 California law, to examine the rating, underwriting, and/or any other business practices of
21 Respondent, to take corrective or disciplinary action, to assess penalties against Respondents as
22 provided for by law, or to take such other action as necessary to protect the public based upon
23 conduct that is not addressed in the Notice of Noncompliance and in this Stipulation and any
24 executed Consent Order.

25 23. This Agreement may be executed in counterparts, each of which shall be deemed
26 to be an original but all of which taken together shall constitute one and the same agreement and
27 shall only become effective when counterparts have been signed and delivered by each of the
28 Parties to the Department. In the event that any signature is delivered by facsimile transmission

1 or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding
2 obligation of the Party executing (or on whose behalf such signature is executed) with the same
3 force and effect as if such facsimile or “.pdf” signature page were an original thereof.

4 24. Respondents acknowledge that they freely and voluntarily executed this
5 Stipulation with full realization of their respective legal rights.

6 25. The Commissioner retains jurisdiction to ensure that the Parties comply with the
7 provisions and terms of this Stipulation and the Order requested thereon.

8 26. The undersigned represent and warrant under the penalty of perjury under the laws
9 of the State of California that they have full and complete authority to enter into this Stipulation
10 and bind the party on whose behalf they are signing to all of the terms of this Stipulation.

11

12 **IT IS SO STIPULATED.**

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14 Dated: May 8, 2026

SCOTTSDALE INDEMNITY COMPANY
NATIONAL CASUALTY COMPANY

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Signed by:


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By _____
David N. Nelson, Senior Vice President
Contract & Brokerage Underwriting – E&S Specialty

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19 Dated: May 11, 2026

CALIFORNIA DEPARTMENT OF INSURANCE

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By Daniel Wade
Daniel Wade, Staff Counsel
Rate Enforcement Bureau

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

In the Matter of the Rating and Underwriting Practices and Procedures of

SCOTTSDALE INDEMNITY COMPANY AND NATIONAL CASUALTY COMPANY,

Respondent.

File No. NC-2026-00001

ORDER ADOPTING STIPULATION AND CONSENT ORDER

CONSENT ORDER

Having reviewed the parties' Stipulation and good cause appearing, I approve the terms of the Stipulation and adopt and incorporate those terms by reference as though fully set forth herein as the Order of the Insurance Commissioner of the State of California in this matter, and order as follows:

In order to settle this matter, Respondent shall:

- a. Issue refunds pursuant to Paragraph 8 of the Stipulation;
- b. Respondents shall pay a penalty of \$50,000 within 30 days of receiving an invoice with payment instructions from the Department; and
- c. Respondents shall transact all future insurance business in compliance with Insurance Code sections 1859.1, subsection (a), 1861.05 and 1858.07, subsection (a), as well as all other applicable provisions of the Insurance Code and the California Code of Regulations.

IT IS SO ORDERED.

Dated: May 15, 2026

Ricardo Lara
RICARDO LARA
California Insurance Commissioner