

California Department of Insurance

2020 ANNUAL REPORT OF THE COMMISSIONER



**PROTECT
PREVENT
PRESERVE**





RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

August 1, 2021

The Honorable Gavin Newsom
Governor, State of California
State Capitol, First Floor
Sacramento, CA 95814

Dear Governor Newsom,

The California Department of Insurance (CDI or Department) respectfully submits the *2020 Annual Report of the Insurance Commissioner* as required by California Insurance Code section 12922. As set forth in statute, this report describes the condition of insurance business in California and the vital work we do at CDI regulating one of the largest insurance markets in the world.

Due to the challenges presented by the COVID-19 pandemic, Californians are relying more than ever on our pledge to uphold CDI's core mission of consumer protection. In 2020, the Department continued to provide essential services – overseeing insurer solvency, licensing agents and brokers, conducting market conduct reviews, resolving consumer complaints, assisting disaster survivors, and investigating and prosecuting insurance fraud – and expanded our efforts to support Californians. My team and I met with over 25,000 Californians, worked to protect insurance consumers from fraud, expanded access to health care, and have begun charting a roadmap to confront California's climate risks. The Department advocates for equality at every opportunity and champions legislation to create new consumer protections for wildfire survivors, domestic workers, and to stamp out discrimination in the Insurance Code.

CDI continues to build on these and other consumer protection efforts and looks forward to the work ahead. Should you have any questions regarding this report, please do not hesitate to contact me or my staff at (916) 492-3622.

Sincerely,

A handwritten signature in black ink that reads "Ricardo Lara".

RICARDO LARA
Insurance Commissioner

cc: Erika Contreras, Secretary of the Senate
Sue Parker, Chief Clerk of the Assembly
Senator Susan Rubio, Chair, Senate Insurance Committee
Assembly Member Tom Daly, Chair, Assembly Insurance Committee
Cara L. Jenkins, Legislative Counsel

2020 Main Highlights

California Department of Insurance

- Commissioner Lara issued a mandatory **one-year moratorium on insurance companies non-renewing policyholders, protecting more than 2.4 million homes in wildfire disaster areas** across the state. The action was the result of then-Senator Lara's enacted Senate Bill 824 (Chapter 616, Statutes of 2018).
- **Commissioner Lara took more than 20 separate actions to provide consumers and businesses relief from COVID-19**, including ordering insurance companies to provide partial premium refunds for motorists due to lower risk on the road – which **resulted in \$1.75 billion in relief to California drivers to date and nearly \$2.3 billion for all COVID-19 impacted lines.**
- The Department held the **first ever investigatory hearing with homeowners, first responders, fire experts and other stakeholders** about the availability and affordability of homeowners' insurance.
- CDI received 102 funding applications from District Attorneys in 37 counties. **CDI awarded total funding in the amount of \$72,675,287 to District Attorneys.** District Attorneys prosecuted 2,913 cases involving 3,257 defendants and chargeable fraud of \$2,131,747,910.
- District Attorney prosecutions **resulted in 1,008 convictions.**
- Commissioner Lara initiated a **new partnership with the emergency and fire protection agencies in Governor Newsom's administration** to develop a list of proven home and community wildfire mitigation measures.
- Commissioner Lara led a national effort to **reform federal policies that violated the right of all Californians to have equal access to healthcare and worked to remove disparities and discrimination** particularly as it relates to the available health care treatment for women, members of the LGBTQ+ community, and for those living in lower income communities.
- The Department **settled allegations of improper marketing of the drug Humira** with AbbVie Pharmaceuticals for a total of **\$24 million (\$15 million going to the General Fund)** and reform of their marketing practices.
- CDI **approved the formation of a new California domestic health insurance company**, the first newly-formed health insurance company in California since 1998, which is a joint venture between Aetna Inc. and Sutter Health.
- In 2020, our efforts to serve consumers culminated in **168,626 telephone calls and in-person assistance with 44,535 complaints closed.**

- The Department **recovered \$254,103,922 for consumers** as a result of direct intervention on consumer complaints and market conduct examinations.
- In response to Governor Gavin Newsom’s stay at home order due to the COVID-19 pandemic, the Department **transitioned majority of staff to telework while delivering consumer protection and work-related results that are consistent with prior years.**
- Because the COVID -19 pandemic and stay at home order fundamentally changed policyholder behavior, insurance company projected loss exposures became overstated. Accordingly, the Department ordered insurance companies to return money to policyholders, **resulting in more than \$2.29 billion in refunds to consumers and counting – the most in the nation.**
- Despite the pandemic, Consumer Services staff **deployed to 16 Local Assistance Centers and assisted 1,171 consumers face-to-face** to help them receive additional living expense checks, contents advances, and to answer questions with regards to their rights and responsibilities.
- To continue serving license applicants during the COVID-19 pandemic, the Department **launched an online remote-proctored license examination service,** which administered **9,126 online remote-proctored examinations** from August to December 2020, accounting for more than 40 percent of examinations administered.
- In response to the unprecedented wildfires and the COVID-19 pandemic affecting California’s insurance consumers and businesses, the Department and Commissioner virtually met with and reached **more than 25,000 consumers** by **hosting 106 legislative meetings, 131 virtual and in-person events, and partnering with 85 legislative offices and 59 community-based organizations.**
- The Department launched the **“Would You Like to Chat”** Licensing Hotline feature and despite the pandemic, CDI’s efforts to serve Licensing Hotline customers in 2020 culminated in **14,424 chats, 30,763 emails, and 73,254 telephone calls with an average of 10,464 hotline calls each month.**

2020 Organizational Chart

California Department of Insurance

OFFICE OF THE INSURANCE COMMISSIONER

- Conservation and Liquidation Office
- Enterprise Planning, Risk, and Compliance
- Office of Civil Rights

ADMINISTRATION & LICENSING SERVICES BRANCH

- Human Resources Management
- Financial Management
- Information Technology
- Licensing Services
- Administrative Hearing Bureau

CLIMATE & SUSTAINABILITY BRANCH

- Data Analytics and Reporting

COMMUNICATIONS & PRESS RELATIONS BRANCH

COMMUNITY RELATIONS & OUTREACH BRANCH

CONSUMER SERVICES & MARKET CONDUCT BRANCH

- Market Conduct
- Consumer Services

ENFORCEMENT BRANCH

- Investigation
- Fraud

FINANCIAL SURVEILLANCE BRANCH

- Field Examinations
- Financial Analysis

HEALTH POLICY & REFORM BRANCH

LEGAL BRANCH

- Regulatory & Legal Services
- Litigation

POLICY & LEGISLATION BRANCH

RATE REGULATION BRANCH

- Rate Regulation
- Rate Actuary

OFFICE OF THE SPECIAL COUNSEL TO THE COMMISSIONER

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2020 ANNUAL REPORT

**CONSUMER SERVICES *and* MARKET
CONDUCT BRANCH**

Consumer Services and Market Conduct Branch

The Consumer Services and Market Conduct Branch (CSMCB) focuses on consumer assistance and protection by educating consumers, mediating consumer complaints, and enforcing insurance laws. CSMCB enforces insurance laws during the investigation of individual consumer complaints against insurers and agents/brokers and through on-site examinations of insurer claims and underwriting practices. CSMCB consists of two divisions, six bureaus, and a unit of legal staff dedicated to consumer issues:

Consumer Services Division (CSD)

- Consumer Communications Bureau (CCB)
- Claims Services Bureau (CSB)
- Health Claims Bureau (HCB)
- Rating and Underwriting Services Bureau (RUSB)

Market Conduct Division (MCD)

- Field Claims Bureau (FCB)
- Field Rating and Underwriting Bureau (FRUB)

Consumer Law Unit (CLU)

CSMCB RESULTS CALENDAR YEAR 2020

Result Description	Result
Consumer Telephone Calls and In-Person Assistance	168,626
Complaint Cases Opened	42,212
Complaint Cases Closed	44,535
Total Amount of Consumer Dollars Recovered	\$136,792,347
Number of Market Conduct Exams Adopted by the Commissioner	129
Total Amount of Claims Dollars Recovered or Premium Returned to Consumers from Market Conduct Exams	\$117,311,575
CSMCB Grand Total Amount (Consumer Dollars Recovered, Claims Dollars Recovered or Premium Returned to Consumers)	\$254,103,922

CONSUMER SERVICES DIVISION

The Consumer Services Division (CSD) responds to consumer inquiries and complaints involving insurance company or agent and broker activities. The CSD is responsible for administrating the program described in CIC Section 12921.1(a) for investigating complaints, responding to consumer inquiries, and bringing enforcement actions against insurers, agents, and brokers.

In accordance with CIC Section 12921.1(a)(10), this report includes a description of the operation of the complaint handling process, and the percentage of the Department's personnel years devoted to the handling and resolution of complaints.

The CCB staff respond to general insurance inquiries and answer questions about insurance claims and underwriting practices, administer the CDI Residential, Earthquake, and Automobile Mediation Programs, and handle time-sensitive complaints. The three written case units -- CSB, HCB and RUSB-- are responsible for investigating, evaluating, and resolving consumer complaints involving claims, rating and underwriting issues for all lines of insurance. In 2020, 121 full-time staff were devoted to the complaint handling operation. This represents almost nine percent of the 1,416.5 total authorized positions at the Department.

All complaints are reviewed and investigation is generally initiated within three days of receipt. During this period, CDI contacts the appropriate insurers or agents and brokers. The time required to resolve a complaint varies depending on the type of case and the complexity of the issues presented. The average time for resolution is approximately 45 days from open to close. Complex cases involve analysis of conflicting facts and applicable laws, as such resolution of these cases may require a lengthier investigation. Conversely, cases involving less complex issues may be resolved within hours, days, or a few weeks. The Department informs consumers about the final resolution of their complaints as quickly as possible, however, no later than 30 days after final action. The cumulative results of our findings are published annually in the consumer complaint study available on the Department's public website at [Consumer Complaint Study](#).

Consumer Complaint Trends – The following tables identify notable complaint trends by line of coverage:

PERCENTAGE OF COMPLAINTS BY LINES OF COVERAGE

Coverage Type	2017	2018	2019	2020
Automobile	45.58%	43.38%	41.61%	38.65%
Accident & Health	25.01%	25.95%	25.25%	21.53%
Homeowners	9.22%	10.64%	13.50%	15.06%
Misc./Other	10.86%	10.72%	10.50%	14.32%
Life & Annuity	5.64%	5.64%	4.88%	4.91%
Fire, Allied Lines & CMP	1.44%	1.76%	2.32%	3.41%
Liability	2.15%	1.85%	1.80%	2.00%
Earthquake	0.12%	0.07%	0.12%	0.12%

TOP TEN TYPES OF COMPLAINT REASONS

Number	Types of Complaint Reasons	2017	2018	2019	2020
1	Denial of Claim	27%	26%	26%	28%
2	Claim Handling Delay	20%	19%	18%	18%
3	Unsatisfactory Settlement Offer	14%	15%	14%	14%
4	Premium & Rating/Misquotes	6%	5%	6%	6%
5	Premium Refund	3%	3%	3%	5%
6	Cancellation	3%	3%	3%	3%
7	Nonrenewal	1%	2%	3%	3%
8	Premium Notice/Billing Problem	3%	3%	3%	3%
9	Coverage Question	3%	2%	3%	2%
10	Agent Handling	2%	2%	2%	2%
	All Other Reasons	17%	20%	20%	16%

In accordance with reporting requirements of CIC Section 1858.35, the following table lists the number and type of complaints received by the Department from any person aggrieved by any rate charged, rating plan, rating system or underwriting rule, and the disposition of these complaints.

**CIC SECTION 1858.35 COMPLAINTS BY TYPE/REASON
Calendar Year 2020**

Rank	Reason	Number of Complaints
1	Premium & Rating/Misquotes	1609
2	Premium Refund	1053
3	Nonrenewal	961
4	Cancellation	726
5	Coverage Question	587
6	Premium Notice/Billing Problem	553
7	Surcharge	410
8	Agent Handling	349
9	Rescission	126
10	All Other Reasons	734
	Total Number Reasons	7108
	Total Number of Complaints	5678

Note: Many consumer complaints involve more than one issue. This explains the difference between the total number of complaints and total number of complaint types/reasons above. The complaint type/reason column also describes the various concerns addressed.

**CIC SECTION 1858.35 COMPLAINTS BY FINAL DISPOSITION
Calendar Year 2020**

Rank	Final Disposition	Number of Complaints	Recovery Amount
1	Company Position Substantiated	4334	\$145,955.51
2	Compromised Settlement/Resolution	848	\$521,202.04
3	Company Position Overturned	376	\$152,356.13
4	Question of Fact/Contract Provision/Legal Issue	142	\$1,746.51
5	Referred for Possible Disciplinary Action	29	\$4,537.99
	All Other Disposition Codes	44	\$2,400.00
	Total Number of Dispositions	5773	\$828,198.18
	Total Number of Complaints	5678	\$828,198.18

Note: Many consumer complaints involve more than one issue and therefore may result in more than one disposition. This explains the difference between the total number of complaints and total number of dispositions above.

Disaster Response

The Consumer Services Division also coordinates the Department's response to natural and other disasters that affect insurance consumers and businesses in California. This response includes administration of the Emergency Disaster Assessment function described in CIC Section 16000, as well as assisting consumers affected by wildfires and other catastrophic events at Local Assistance and Disaster Recovery Centers, community events, and workshops.

In 2020, California continued to experience disasters. The Consumer Services Division monitored 48 wildfire events. The Division deployed 24 CDI staff members to assist survivors throughout the state at various Local Assistance Centers.

Residential Property, Earthquake, and Automobile Physical Damage Mediation Program

CSD administers the Department's Residential Property, Earthquake Claims, and Automobile Physical Damage Mediation Program. The program was established in 1995 in response to earthquake claims from the Northridge Earthquake of January 17, 1994. The Legislature has since expanded the program to include automobile physical damage and residential property disputes subject to specific guidelines. Residential property and earthquake mediation are contingent upon a gubernatorial declaration of a state of emergency. Since the program's inception through December 31, 2020 the Mediation Program has recovered \$26,918,343.14 for consumers. Pursuant to CIC Section 10089.83, the results of the Program for calendar year 2020 are contained in the table below titled 'Formal Mediation Program Results for Calendar 2020'.

FORMAL MEDIATION PROGRAM RESULTS
Calendar Year 2020

RESULT DESCRIPTION	Residential	EQ	Auto	Totals
Number of mediation cases eligible	156	0	0	156
Number settled within 28-day settlement period	2	0	0	2
Number sent to mediation	48	0	0	48
Number of cases rejected by insurer	23	0	0	23
Number of cases rejected by consumers	28	0	0	28
Number accepted by insurer	48	0	0	48
Number of settlements rejected within 3 day waiting period	0	0	0	0
Number of Cases Closed	125	0	0	125
Number of Cases Pending	31	0	0	31
Amount initially claimed	\$15,906,153	\$0	\$0	\$15,906,153
Amount of settlements	\$9,068,661	\$0	\$0	\$9,068,661

Independent Medical Review Program

CSD also administers an Independent Medical Review (IMR) program, which determines when treatment is medically necessary. This includes determining which complaints qualify for the program, guiding the consumer through the IMR process, working with the IMR organization, communicating the final decision to all parties, and developing statistics related to IMR results, which are made public with appropriate privacy protections on the Department's public website at [Independent Medical Review Statistics](#).

Health Care Provider Bill of Rights Report

No complaints involving CIC Section 10133.65(f) were received for calendar year 2020.

MARKET CONDUCT DIVISION

The Market Conduct Division (MCD) examines admitted insurance companies to evaluate their compliance with legal requirements and to initiate corrective or enforcement actions when necessary. These examinations are generally scheduled at regular fixed intervals. Scheduled re-examinations and targeted examinations supplement the routine examinations when special circumstances, or the results of market analysis of consumer complaints and other data, dictate more in-depth examination. Depending upon their size, complexity, and nature, exams are either

conducted in the insurers' offices located nationwide or in-house at CDI's offices, with insurers shipping materials and files to CDI staff. Due to the global COVID-19 pandemic, all market conduct examination work was conducted remotely via telework, beginning in March of 2020.

Within MCD the Field Claims Bureau (FCB) examines claim handling practices and the Field Rating and Underwriting Bureau (FRUB) examines rating and underwriting practices. This division of oversight reflects the traditional division of operations in the industry and in the laws regulating them. MCD also maintains the Market Analysis Unit which evaluates patterns in consumer complaints, enforcement actions, exam activity, and other data on a national basis to identify issues that may be of regulatory concern in California, and to assist in the planning and scheduling of examinations.

The following is a summary of MCD's accomplishments for the year 2020. The table displays exams completed, dollars returned to consumers, and legal actions taken broken out by bureau. The column labeled "Div. Office" reflects multistate examination and enforcement activity done in cooperation with other states. This work is completed directly by MCD Division Office Staff and CDI Legal rather than being assigned to FCB or FRUB.

**MARKET CONDUCT DIVISION RESULTS
Calendar Year 2020**

EXAMINATION RESULTS CATEGORY	FCB	FRUB	DIV. OFFICE	MCD Totals
Number of Exams Adopted by the Commissioner	80	47	2	129
Amount of Claims Dollars Recovered or Premium Returned to Consumers in Examinations and Enforcement Actions	\$9,516,456	\$103,948,244	\$3,801,875	\$117,311,575
Number of Enforcement Actions Completed on Examinations	0	0	2	2
Penalties Assessed in Enforcement Actions Completed	\$0	\$0	\$662,773	\$662,773

FIELD CLAIMS BUREAU

The Field Claims Bureau (FCB) conducts market conduct examinations of the claims practices of all licensed California insurers. The focus of each exam is on compliance with the California Insurance Code (CIC) and the California Fair Claims Settlement Practices regulations. FCB seeks to ensure equitable treatment of policyholders and claimants in accordance with insurance contracts and California law. The CIC sections

cited in FCB examinations vary by line of insurance. However, those that are common to both life & disability and property & casualty insurance involve delay, documentation, and improper handling, which may include improper settlement, failure to pursue investigation, and improper denial. FCB obtains remedial claim actions from insurers as a result of the examinations it conducts. Many of the issues which lead to these actions are displayed in its reports which are published on the Department's website. During calendar year 2020, FCB staff examined 3,321 claim files and cited 2,014 violations of law in the reports it filed.

FIELD RATING AND UNDERWRITING BUREAU

The Field Rating and Underwriting Bureau (FRUB) conducts market conduct examinations of the rating and underwriting practices of all licensed insurers. FRUB reviews the advertising, marketing, risk selection and declination, underwriting, pricing, and policy termination practices of life, health, property, and casualty insurers. FRUB examinations focus on compliance with rate filing requirements, consistency within the insurer's adopted rating processes, and overall conformity of rating and underwriting with the California law. FRUB obtains remedial actions from the insurers it examines in the form of revisions to incorrect and illegal practices and premium refunds to consumers when errors and violations resulting in premium overcharges are discovered. During calendar year 2020, FRUB staff examined 2,498 policy files resulting in the identification of 131 illegal practices for correction in the reports it filed.

CIC § 12921.4(b) – In accordance with CIC § 12921.4(b), the Market Analysis Unit reviewed the complaint data of each insurance carrier that was authorized to transact business in California during 2020. The analysis of complaint data focused on the following areas: insurer, insurance line of business, and type of violation. In addition to raw numbers of complaints, the analysis includes the development of a complaint index for each insurer, calculated as the insurer's complaint share divided by its market share. This allows for the comparison of results among insurers of differing sizes.

Complaint totals are among the primary criteria driving the MCD's examination schedule. The 10 insurers with the largest number of closed complaints in 2020 (ranging from 627 for the tenth ranked company to 1,194 for the company ranked first) have all been examined within the last three years or are scheduled to be examined in the next two years (five are in progress and four are on the upcoming examination schedule). Two of the 10 companies with the most closed complaints have been the subjects of enforcement action within the last five years or are pending enforcement action.

Complaints by line of business continue to be an important criterion for focusing MCD examination resources. The five lines of business generating the highest number of complaints were: private passenger auto (11,976), homeowners (5,306), group accident and health (1,697), home warranty (1,403), and individual accident and health (1,361). These lines were among the most frequently examined by the Division's Field Claims Bureau and Field Rating and Underwriting Bureau during 2020. Within each line of

business, the MCD also prioritizes those insurers with the most complaints. All insurers in the top 10 of complaints in each line have been examined in the last three years or are scheduled to be examined in the next two years.

An analysis of complaints sorted by type of violation is completed for each examination initiated for the MCD's bureaus. The results of this analysis allow the examiners in charge to identify areas that should be scrutinized more closely. Whenever a trend or pattern in violation data is observed, the information is shared with those Department employees that have a use or need for the data.

A geographic analysis, established by ZIP Code, of consumer complaints was conducted for the year 2020. Complaints within those geographic regions identified as having high concentrations of complaints relative to the population of the region will be the subject of further analysis during 2021.

2020 ANNUAL REPORT
**COMMUNITY RELATIONS *and*
OUTREACH BRANCH**

Community Relations and Outreach Branch

The Community Relations and Outreach Branch (CROB) is dedicated to consumer outreach and education, working with our partners in federal, state, and local elected district offices. Together, we expand CDI's efforts to assist wildfire survivors, local governments, small businesses, community service organizations, neighborhood associations, and consumers in accessing the Department's services. This includes educating consumers through the development and distribution of insurance [Informational Guides](#) in print and online to meet consumer needs and statutory provisions in compliance with California Insurance Code (CIC) Section 12921.3 and .5.

CONSUMER EDUCATION AND OUTREACH

A dedicated team of outreach professionals collaborate with federal, state, county, and local city elected officials' district offices to inform a variety of groups on timely and important insurance topics. In addition to providing speakers at regularly scheduled events, staff organizes workshops, health forums, town hall meetings, seminars, roundtables, educational panels, and partner with other governmental agencies to promote comprehensive consumer education.

Wildfire survivors, dealing with ongoing insurance claims issues with their agents or insurer claims adjusters, are assisted through workshops held in their local areas in conjunction with the Consumer Services Division. In addition to CDI's hotline, 1-800-927-4357, CROB provides guides to help consumers understand insurance coverages and terms, prepare them for the process of making and settling a claim and help them avoid some of the pitfalls that can occur along the way.

During 2020, CROB communicated with every federal, state, county and local city elected official district office to expand CDI's efforts to inform consumers about the services available through the Department. In addition, we partnered with 85 legislative offices, including 2 Congressional, 22 Senate, 36 Assembly, and 25 cities and counties. We also partnered with 59 community-based organizations and reached more than 25,000 consumers through the following actions:

- The Commissioner's Strike Team held 66 virtual and in-person insurance informational events focusing on wildfire and COVID-19 resources. Events included Town Halls, Briefings, Roundtables, Exhibits, Clinics, Forums, and Virtual Zoom and Facebook Live events that informed consumers about the more than 20 actions taken by the Commissioner to assist consumers.
- Conducted 106 Legislative Meetings that led to partnerships to reach local communities.
- Led 32 senior-serving events, including fraud and scam stopper presentations where seniors learned about tactics to avoid scams.
- Hosted 33 events through partnerships with local community-based organizations, including chambers of commerce, national, state-wide, and local service associations.

OFFICE OF THE OMBUDSMAN

The Ombudsman's primary function is to ensure the Department provides the highest level of customer service to our consumers, insurers, agents, brokers, and public officials. The Ombudsman is responsible for ensuring that complaints about Department staff or actions receive full and impartial review. The Ombudsman also serves as the primary contact for constituent cases referred by legislative offices.

During 2020, Ombudsman staff facilitated and closed 1,562 cases. This included responding to 764 consumer requests for assistance, 492 legislative inquiries, 230 agent and applicant inquiries, 59 insurance industry inquiries, and 17 general requests from other divisions within the Department or other state agencies.

LIFE AND ANNUITY CONSUMER PROTECTION PROGRAM (LACPP)

CDI is tasked with educating consumers on all aspects of life insurance and annuity products, including consumer rights and protections, the purchasing and utilization of life insurance and annuity products, claims filing, benefit delivery, and dispute resolution for the Life and Annuity Consumer Protection Program.

CROB continues to distribute “*Annuities - What Seniors Need to Know*” *Informing Seniors: Senior Insurance Bill of Rights Driving for Seniors Brochure* at consumer outreach events, to other states agencies, and to District Attorneys’ offices throughout the State.

The [Seniors Information Center](#) on CDI’s website provides useful information through alerts and advisories issued by CDI. The website also includes videos and insurance guides specific to seniors. The website’s [Health Coverage Programs and Resources](#) section provides links to programs and resources such as Health Insurance Counseling and Advocacy Program (HICAP), Medicare Advantage Plan, California Health Advocates, and Social Security.

CROB continues to host the [Senior Gateway](#), an inter-agency website designed to provide meaningful resources to seniors and their families, to inform them about health care and insurance options, and empower them to protect themselves against financial fraud, abuse, and neglect. To date, Senior Gateway has received more than 290,000 page views with 38,469 in 2020 alone, and continues to be a source of valuable information to consumers.

PATIENT AND PROVIDER PROTECTION ACT (PPPA)

CIC Section 10133.661 requires that CDI “provide announcements that inform health insurance consumers and their health care providers of the Department’s toll-free telephone number that is dedicated to the handling of complaints and of availability of the internet web page established under this section, and the process to register a complaint with the Department and to submit an inquiry to it.”

Space was secured to advertise CDI's ability to help health consumers and providers resolve disputes with insurers over the internet at [Resolve Disputes or File A Complaint](#). Advertisements reached 1,631,200 individuals at home with a total audience of 2,614,620 throughout the entire state.

CALIFORNIA LOW COST AUTOMOBILE INSURANCE PROGRAM

The California Low Cost Automobile Insurance Program (CLCA) was established by the Legislature in 1999 and exists pursuant to CIC Section 11629.7. The program is designed to provide income eligible persons with liability insurance protection at affordable rates as a way for them to meet California's financial responsibility laws. Since inception, 175,973 Californians have received insurance through the program. At the end of 2020, there were 21,414 active policies – the most in the program's history to date – 11,943 cancelled policies, 8,805 renewed policies and 1,334 reinstated policies. Statistics from the California Automobile Assigned Risk Plan (CAARP) indicate approximately 90% of applications assigned were from uninsured motorists at the time of their CLCA policy application.

During 2020, CDI and CAARP made several changes to enhance or improve the program.

CDI and CAARP:

- Consolidated CLCA ZIP Code guideline pages, including automatic update authorization.
- Allowed applicants to submit a Certification of Income Eligibility form when proof of income is not available.

Amendments were proposed to, and are awaiting approval by, the Office of Administrative Law. Changes include:

- Update references from the electronic application submission interface EASi to layperson's terms.
- Exclude coverage for any claim in violation of the U.S. Department of Treasury Executive Order prohibiting transactions with persons who commit, threaten to commit, or support terrorism.

In response to reduced losses during the COVID-19 pandemic and CDI Commissioner Ricardo Lara's request, the CAARP Advisory Committee issued a 30% premium credit for the months of March, April, and May to policyholders. For policies in effect as of March 1, a 15% premium credit was issued for June and July.

Consumers can learn more by visiting the [California Low Cost Auto website](#) or CDI's webpage: [California's Low Cost Auto Insurance Program](#).

CANNABIS INSURANCE INITIATIVE

The Cannabis Insurance Initiative was launched in 2017 to track the availability of insurance products for the cannabis industry and also encourage the admitted insurers to write cannabis insurance products. The Department's goal is to ensure that insurance products are available for the cannabis industry, especially to businesses that will need insurance to secure an annual license from the California cannabis licensing agencies. Currently, most insurance available is from the surplus lines insurers and there are about 20 surplus lines insurers writing insurance products for the cannabis industry.

In 2020 the Department undertook the following efforts to determine the availability of insurance and address insurance gaps in the cannabis industry:

- Provided an update for the Cannabis Insurance Working Group activities regarding their meetings and white paper drafting progress to the National Association of Insurance Commissioners (NAIC) Property & Casualty Committee during its Summer National Meeting. California currently serves as the Chair of this working group.
- Oversaw the 2020 Cannabis Insurance Working Group charges and the group's continued work. NAIC Cannabis Insurance Working Group Members continue to work on the following:
 - Assess and periodically report on the status of federal legislation that would protect financial institutions from liability associated with providing services to cannabis businesses operating legally under state law;
 - Encourage admitted insurers to ensure coverage adequacy in the states where cannabis, including hemp, is legal;
 - Provide insurance resources to stakeholders and keep up with new products and innovative ideas that may shape insurance in this space; and
 - Collect aggregated insurance availability and coverage gap information, as well as other cannabis and hemp insurance-related data for a 2021 report.
- The Department continued its outreach and education to cannabis business owners, consumers, and continued to encourage the insurance industry to write cannabis insurance products.

More information can be found on the [California Department of Insurance Cannabis Insurance](#) webpage.

2020 ANNUAL REPORT
**CLIMATE *and* SUSTAINABILITY
BRANCH**

Climate and Sustainability Branch

The Climate and Sustainability Branch (C&SB) was established in January 2019 to develop and oversee policy initiatives related to climate risk and promoting a sustainable insurance market in California. The climate and sustainability portfolio includes contributing to wildfire resilience policy development, building on the existing Climate Risk Carbon Initiative, exploring new scenario analysis of physical and transition risks, leading new initiatives through the NAIC Climate Risk and Resilience Executive Task Force, and implementing recent legislation. The following five paragraphs describe some of the highlights from 2020, all aligning with CDI's focus on Disaster Recovery and Climate Change.

Launched California Smart Insurance Products Database

In July 2020, C&SB launched the Climate Smart Insurance Products Database, a consumer-oriented list of insurance policies that promote emissions reductions or climate resilience. With hundreds of climate-related insurance products already available to consumers and businesses, the California Department of Insurance developed this database to help the public understand and access these products and encourage further insurance policy innovation in commercial, homeowners, and auto lines, among other lines. Recognizing the potential for specific insurance products to address climate risks and contribute to a sustainable future will encourage consumers and insurance companies to explore products that harness new technologies and promote resilience. Commissioner Lara previewed the database on July 8, 2020 at an international virtual event convened by the United Nations (UN) Principles for Sustainable Insurance (PSI) and Swiss Re on sustainability leadership in insurance, which attracted more than 700 participants from over 60 countries. In addition to working with the UN, California will be collaborating with Washington State Insurance Commissioner Mike Kreidler to build on this innovative database. California and Washington State have been working together with the UN Environment Programme as members of the PSI as well as the Sustainable Insurance Forum for regulators.

Launched NAIC Climate Risk and Resilience Executive Task Force

In July 2020, the NAIC approved an Executive Committee Task Force on Climate Risk and Resilience based on a C&SB developed proposal. The new task force elevates climate and sustainability issues at the NAIC and will coordinate climate policy among the standing committees. The Task Force is composed of five initial workstreams: Pre-disaster mitigation, solvency, innovation, technology, and climate risk disclosure. Commissioner Lara and Director Farmer, from South Carolina, co-chair the Task Force. The C&SB proposal was developed through research of existing CDI and international programs and considered how such concepts could apply to the NAIC members. The Task Force currently has 36 member jurisdictions.

Ongoing work of the Climate Insurance Working Group

The Climate Insurance Working Group, implementing Senate Bill 30 (Chapter 614, Statutes of 2018), met four times in 2020. The working group hosted presenters on numerous topics related to improving resilience to disasters and nature-based solutions that reduce future risks to homes and businesses. The working group is developing recommendations, which are planned to be released in 2021.

Wildfire Insurance Data and Presentations

2020 marked a significant year for the use of CDI-collected data on wildfire issues. In response to four Governor declarations of wildfire emergencies in California, the Data Analytics and Reporting (DAR) Division worked in partnership with the California Department of Forestry and Fire Protection (CAL FIRE) and the California Office of Emergency Services (CalOES) to implement SB 824, providing a one year protection to homes located adjacent the declaration area. Among the many reports and information releases in 2020, the DAR Division, within C&SB, produced a new data release on wildfire-related nonrenewal of homeowners' insurance and changes in the number of FAIR Plan policies. This data release covered annual information from 2019 and indicated an increasing trend of nonrenewals in many areas of the state and an increase in the number of FAIR Plan policies in the State Responsibility Area of California. When combined with data collected in 2019, representing 2015-2018, the full dataset enables the Department to consider longer term trends. DAR used this data, in conjunction with premium data from the Rate Regulation Bureau to produce maps, charts, and figures for an in-depth presentation at the first Wildfire and Insurance Investigatory Hearing, convened by Commissioner Lara in October 2020. Building on the October 2020 hearing, in December 2020, C&SB led a Virtual Meeting on home and community hardening and wildfire catastrophe modeling, including 14 expert presentations.

Continued Leadership of National and International Collaborative Projects

C&SB contributed to or led national and international collaborative projects in 2020. For example, the C&SB continued CDI's contribution to the Sustainable Insurance Forum, an international group of insurance supervisors focused on climate and sustainability goals, by participating in the drafting of multiple papers and meeting with other members at several virtual meetings. In August 2020, C&SB led CDI's role in the launch of the Extreme Heat Resilience Alliance by the Adrienne Arsht-Rockefeller Resilience Center. Moreover, in July 2020, C&SB implemented the Climate Risk Disclosure Survey, a climate-focused survey of 1,200 insurers representing more than 70% of the US insurance market and displayed the results on the CDI website.

2020 ANNUAL REPORT
FINANCIAL SURVEILLANCE BRANCH

Financial Surveillance Branch

The mission of the Financial Surveillance Branch (FSB) is to assure that all insurers licensed to do business in California (as well as those insurers operating on a non-admitted or surplus lines basis) maintain the financial stability and viability necessary to provide the benefits and protection promised to California policyholders. FSB pursues its mission by conducting risk focused financial surveillance of the insurance industry.

FSB divides its work among the Financial Analysis Division, the Field Examination Division, the Life Actuarial Office, the Property & Casualty Actuarial Office, the Premium Tax function, and the Office of Principle-Based Reserving.

Participation with the National Association of Insurance Commissioners

California Insurance Commissioner Ricardo Lara is a member of the National Association of Insurance Commissioners (NAIC). The goal of the NAIC is to establish a national system of state-based regulation in order to provide consistent, uniform, and timely regulation of the financial condition and market conduct of insurers. The system of financial regulation is risk-based in order to provide regulatory assets where they are most needed. As part of the California involvement in the work of the NAIC, the FSB staff participates in a significant number of NAIC committees and working groups, covering all areas of financial surveillance and financial reporting, in order to ensure that our financial surveillance is most efficient and effective. As part of the NAIC accreditation program, the California Department of Insurance is subject to annual offsite reviews of its solvency activities by the NAIC, and is subject to an on-site review every five years. California has passed each of these reviews.

FINANCIAL ANALYSIS DIVISION

The Financial Analysis Division (FAD) conducts on-going, risk-focused financial surveillance of all regulated entities including property and casualty insurers, life insurers, fraternal benefit societies, grants and annuities societies, underwritten title companies, home protection companies, motor clubs, multiple employer welfare arrangements, risk retention groups, and non-admitted insurers. In order to ensure compliance with applicable laws and regulations, FAD promptly identifies companies in or approaching a hazardous financial condition and intervenes with corrective action when necessary.

Once a company is identified as financially troubled, FAD makes recommendations to the Early Warning Team who has the ultimate responsibility of monitoring the companies determined to be in financial difficulty or under financial distress.

Furthermore, FAD reviews and provides timely financial recommendations to the Corporate and Regulatory Affairs Branch on corporate applications (e.g., certificates of authority, amended certificates of authority, securities permits, variable contract qualifications, underwritten title company licenses, acquisitions, mergers, and other holding company transactions) requiring the Insurance Commissioner's prior approval.

FAD also provides financial and technical information and assistance to other divisions relative to oversight of reinsurance practices and procedures, surplus line insurers, captive insurers, and risk retention groups.

The workload performed by FAD is distributed among three bureaus as well as selected division office personnel. The following is an overview of FAD’s workload statistics:

**FINANCIAL ANALYSIS PERFORMED
Calendar Year 2020**

TYPE	NUMBER OF ANNUAL STATEMENTS	NUMBER OF QUARTERLY STATEMENTS
Life and Property & Casualty	635	996
Other Entities	714	273

**CORPORATE AFFAIRS APPLICATIONS REVIEWED
Calendar Year 2020**

TYPE	NUMBER OF APPLICATIONS
Certificate of Authority	22
Holding Company Matters	282
All Others	197

FIELD EXAMINATIONS DIVISION

Under the provisions of Sections 730, 733, 734.1, and 736 of the California Insurance Code, the Commissioner may examine the business and affairs of every admitted insurer, whenever deemed necessary, to determine its financial condition and compliance with applicable laws. Unless financial or other conditions warrant an immediate examination, domestic insurers are usually examined every three to five years and foreign insurers are usually examined in accordance with the NAIC’s procedures for examination scheduling. The Field Examinations Division (FED) also performs financial examinations of underwritten title companies, home warranty companies, and other entities as necessary.

It is the responsibility of FED to determine the financial condition of insurance companies in accordance with California Insurance Code, legal requirements, and prescribed accounting practices as promulgated by the NAIC. Examinations are conducted in accordance with the NAIC’s Financial Condition Examiners Handbook.

Various types of examinations initiated and completed by FED in 2020 are presented as follows:

**FED INITIATED EXAMINATIONS
Calendar Year 2020**

TYPE	INITIATED	COMPLETED
Domestic Companies	19	26
Underwritten Title Companies	10	9
Foreign Companies	5	0
Qualifying Exams	4	4
Statutory Exams	2	4
Total	40	43

LIFE ACTUARIAL OFFICE AND PROPERTY & CASUALTY ACTUARIAL OFFICE

The Life Actuarial Office (LAO) and Property & Casualty Actuarial Office (AO) provide technical assistance within FSB. The AO provides reserve analysis on financial examinations and provides technical assistance to FSB on projects and the work of FSB with the NAIC. The LAO monitors reserves established by life and health insurance companies; drafts new legislation, regulations, and bulletins regarding actuarial matters; reviews selected portions of life insurance and annuity policy forms; and ensures compliance regarding Appointed Actuary changes, long-term care loss ratios, and illustration certifications. The LAO also provides technical assistance to FSB in its work with the NAIC. Listed below are workload statistics of the AO for the year 2020:

**AO WORKLOAD STATISTICS
Calendar Year 2020**

ACTUARIAL REVIEWS	NUMBER REVIEWED
Actuarial Memorandum for Statement Reserves	120
Regulatory Asset Adequacy Issues Summaries	408
Illustration Certifications	275
Life Insurance and Annuity Policy and Rider Submissions	425
Grant and Annuity Submissions	12
Disability Income Rate Filings	31
Long Term Care Rate Filings	111
Credit Insurance Rate Deviation Filings	9

ACTUARIAL REVIEWS	NUMBER REVIEWED
Schedule P Loss Review Compilations	293
Assisted FED on Financial Examinations	22

PREMIUM TAX AUDIT BUREAU

Insurance Taxes – The Premium Tax Audit Unit audits gross premium tax returns filed by insurance companies and surplus lines brokers. The premium tax supports State General Fund obligations.

Basis and Rate of Tax – A rate of 2.35% is levied on the amount of “gross premiums” received, less return premiums from insurance business done in California. A lower premium tax rate of 0.50% is applied to premiums received under pension and profit-sharing plan contracts “qualified” under the Internal Revenue Code.

Title insurance and ocean marine insurance are exceptions to the general premium tax rate basis and rate structure. Insurers transacting title insurance are taxed at a rate of 2.35% upon all income received in this state, with the exception of income arising out of investments. Ocean marine insurers are taxed at a rate of five percent of the average annual underwriting profit earned during the preceding three calendar years.

Retaliatory Taxes – Insurers domiciled in states with a higher tax rate than California pay a “retaliatory tax” to California equal to the difference in the tax rate of their state of domicile and the tax rate of the State of California.

Surplus Line Taxes – The surplus lines insurance brokers pay a tax rate of 3.00% levied on surplus line premiums pursuant to California Insurance Code Section 1775.5.

**FED-PREMIUM TAX AUDIT UNIT INITIATED EXAMINATIONS
Calendar Year 2020**

TYPE	INITIATED	COMPLETED
Domestic Companies	5	4
Foreign Companies	18	14
Surplus Line Brokers	5	7
Total	28	25

TAXES LEVIED AND COLLECTED
Fiscal Year 2019-20

TYPE	AMOUNT COLLECTED
Insurance premium taxes and retaliatory taxes	\$2,816,287,123
Premium tax refunds	\$15,779,145
Surplus line taxes	\$323,863,580
Surplus line taxes refunds	\$774,781

OFFICE OF PRINCIPLE-BASED RESERVING

The Office of Principle-Based Reserving (OPBR) is responsible for reviewing life insurance companies' principle-based reserves and related calculations for compliance with PBR requirements.

Principle-Based Reserving (PBR) results in increased complexity of reserve calculations and increased flexibility in the selection of reserving systems, models, methodologies, and assumptions. PBR became effective in 2017, although there was a three-year transition period whereby companies were allowed to defer implementation of PBR for one, two, or three years at their option. For the first valuation date of 12/31/2017, there were 20 companies that performed PBR, which were reviewed by OPBR during 2018. For the second valuation date of 12/31/2018, an additional 12 companies performed PBR, and in the third year there were another 15 companies. By the end of the transition period in 2020, around 150 companies will be in scope. Some of these companies will be reviewed by other states or by the NAIC, but the vast majority of PBR reviews will be performed by OPBR.

OPBR is responsible for the review of PBR Actuarial Reports submitted by California licensed domestic and non-domestic life insurance companies for compliance with all PBR Actuarial Report requirements. OPBR is also responsible for the review of company PBR modeling procedures, controls, and oversight for compliance with the requirements for PBR model governance. OPBR performs both off-site and on-site company reviews related to PBR. Furthermore, OPBR actively participates in the NAIC's continued development of requirements and guidance on principle-based reserving (e.g., *Valuation Manual* revisions, interpretation, and guidance). Beginning in 2019, the scope of OPBR's responsibilities expanded to include the review of long-term care (LTC) insurance reserves and models for domestic and non-domestic companies issuing or renewing LTC policies. Approximately 55 LTC companies are in scope for OPBR's review annually.

2020 ANNUAL REPORT
ENFORCEMENT BRANCH

Enforcement Branch

SECTION ONE: OVERVIEW

The mission of the California Department of Insurance Enforcement Branch is:

“To protect the public from economic loss and distress by actively investigating, arresting, and referring, for prosecution or other adjudication, those who commit insurance fraud and other violations of law; to reduce the overall incidence of insurance fraud and consumer abuse through anti-fraud outreach and training to the public, private, and governmental sectors.”

To accomplish its mission, the Enforcement Branch investigates criminal and regulatory violations relating to insurance transactions from point-of-sale through the claims process.

The Enforcement Branch is composed of two divisions: Fraud Division and Investigation Division. In addition to investigating criminal and regulatory violations, the Enforcement Branch administers five grant programs that provide funding to county district attorney offices to assist with their efforts to investigate and prosecute insurance fraud. The Fraud Division administers four of the five grant programs: Automobile Insurance Fraud, Organized Automobile Fraud Activity Interdiction, Disability and Healthcare Fraud, and Workers’ Compensation Insurance Fraud. The Investigation Division administers the Life and Annuity Consumer Protection Program. Supplemental funding for the purpose of enhanced fraud investigation and prevention was obtained and implemented on July 1, 2018; this is a one-time supplemental funding to be administered over three years (Fiscal years 2018-19 through 2020-21).

The Branch also provides outreach, education, and is a liaison to public agencies involved in combating insurance fraud.

BRANCH ORGANIZATION

Branch Management Team – The Enforcement branch management team consists of the Deputy Commissioner, two Division Chiefs (Investigation and Fraud Divisions), three Assistant Chiefs (Chief Fraud Bureau), two Captains (Supervising Fraud Investigator II), one Support and Compliance Chief (Staff Services Manager III), and an Administrative Assistant.

Branch Headquarters – The Support and Compliance Chief is responsible for the management of the Branch Headquarters Office that supports the Enforcement Branch Deputy Commissioner and the Fraud and Investigation Divisions’ regional offices. This position works closely with other units within the Department, most notably the Human Resources Management Division, Budget and Revenue Management Bureau,

Enforcement Branch

Accounting Services Bureau, Information Technology Division, and Business Management Bureau. The Support and Compliance Chief reports to the Deputy Commissioner.

Five units within Enforcement Branch Headquarters perform the following activities in support of the nine Regional Offices throughout the state:

- Administrative Services
- Reporting Services
- Fraud Grant Audit Program
- Special Investigative Unit (SIU) Compliance Program
- Resource Services
- Business Services

Recruitment and Background Investigations – The Recruitment and Background Investigations Captain coordinates all investigations and supervises a team of two Detective Sergeants (Supervising Fraud Investigator I), one Associate Governmental Program Analyst, one Staff Services Analyst and nine retired annuitants who perform all pre-employment background investigations for the Branch. The Captain reports to the Division Chief, Fraud Division.

Professional Standards Unit (PSU) – The PSU Captain coordinates all investigations and supervises one Detective Sergeant (Supervising Fraud Investigator I), who is responsible for conducting complex and sensitive investigations and research related to internal affairs investigations and citizens' complaints for the Enforcement Branch according to departmental policies, procedures, and applicable laws, rules and regulations. The Captain reports to the Division Chief, Fraud Division.

Grant Programs/Training Unit - The Assistant Chief, Grant Programs/Training Unit, oversees the administration of the four insurance Fraud Programs:

- Automobile Insurance Fraud
- Organized Automobile
- Disability and Healthcare Fraud
- Workers' Compensation Fraud

In addition, the Assistant Chief oversees the activities of the Local Assistance Unit, Branch Training Unit, and Computer Forensics Team. The Assistant Chief reports to the Division Chief, Fraud Division.

Computer Forensic Team (CFT) – A Detective Sergeant (Supervising Fraud Investigator I) coordinates the tasks of the Computer Forensic Team that supports statewide investigative efforts through technical expert forensic examinations of computer data seized during investigations. The CFT Detective Sergeant reports to the Assistant Chief, Grant Programs/Training Unit.

Local Assistance Unit (LAU) – A Staff Services Manager I oversees the operations of the LAU staff that support activities related to the Insurance Fraud Grant Programs for Automobile, Organized Automobile, Disability and Healthcare, Workers’ Compensation, and any newly established grant program(s) created by legislation or received via a qui tam settlement. The Staff Services Manager I reports to the Assistant Chief, Grant Programs/Training Unit.

Branch Training – A Captain (Supervising Fraud Investigator II) oversees all Enforcement Branch training. The Captain reports to the Assistant Chief, Grant Programs/Training Unit.

Three units within Enforcement Branch Training perform the following activities in support of the Enforcement Branch:

- Enforcement Tactics Training Unit (ETTU)
- Training Unit
- Field Training Officer Program

ANTI-FRAUD OUTREACH

One component of the Enforcement Branch’s mission statement is to provide anti-fraud outreach and training to the public, private, and governmental sectors. The Branch provides a wide array of public awareness through liaison and educational materials. The Department’s overall goal is to advance communications that will help consumers understand insurance fraud and create stronger deterrence through public awareness.

The following are examples of outreach activities:

- Internet – The CDI public web site addresses several topics including: “What is Insurance Fraud?” and “Reporting Fraud.” The web site provides Insurance Fraud reporting forms, identifies statewide Enforcement Branch Regional Offices, and reports Workers’ Compensation insurance fraud convictions. Relevant press releases are posted as arrests and convictions occur.
- Workers Compensation Fraud – In staying consistent with the requirements of California Insurance Code Section 1871.9, the Department posts fraud convictions on its web site for five years from the date of conviction or until it is notified in writing that the conviction has been reversed or expunged.
- Community Forums – The Enforcement Branch participates in community-sponsored events, such as town hall meetings, public hearings, and underground economy seminars. These forums give the Branch opportunities to hear directly from consumers regarding their insurance concerns, and also to provide information that communities may find useful to protect themselves from insurance fraud.
- Media/Public Service Announcements – The Enforcement Branch participates with local, state, and national broadcasting outlets to educate the public about

insurance fraud in California. The Branch's accomplishments are highlighted so the public is aware of insurance fraud arrests, prosecutions, and convictions throughout the state. Significant cases are taken to the media to increase public awareness of Branch activities and collaboration with other allied law enforcement agencies to investigate and prosecute insurance fraud, which helps deter fraudulent endeavors.

- **Industry Liaison** – The Enforcement Branch maintains ongoing liaison with the insurance industry by interacting with a variety of organizations including, but not limited to: The International Association of Special Investigation Units, Workers' Compensation Advisory Committee, Insurance Fraud Advisory Board, National Insurance Crime Bureau Regional Advisory Committee, Health Fraud Task Force, Underground Economy Task Forces, California Coalition on Workers' Compensation, California Workers' Compensation Institute, Northern California Fraud Investigators' Association, and the Southern California Fraud Investigators' Association.
- **Governmental Liaison** – The Enforcement Branch maintains routine liaison with the following state agencies or entities on matters of overlapping jurisdiction or mutual concern: California Peace Officers Association, California Peace Officer Standards and Training, Instructor Standards Counsel, California Highway Patrol, Employment Development Department, Department of Industrial Relations–Division of Workers' Compensation and Division of Labor Standards Enforcement, Department of Consumer Affairs, Bureau of Automotive Repair, California Contractors State License Board, the Cemetery and Funeral Bureau, Department of Justice, Department of Corporations, Franchise Tax Board, California Board of Chiropractic Examiners, California District Attorneys Association, National Association of Insurance Commissioners, Statewide Vehicle Task Force, Department of Corrections and Rehabilitation, Department of Alcoholic Beverage Control, and Regional Auto Theft Task Forces.
- **Grant Workshops for County District Attorney's Offices** – Statewide workshops for district attorney personnel who participate in the Insurance Fraud Grant Programs are provided by the Local Assistance Unit. The workshops are designed for the staff responsible for completing the insurance anti-fraud grant application(s), complying with the Program's data collection and statistical reporting requirements, and overseeing the administrative requirements after funding is awarded. The attendees consist of a mix of deputy district attorneys, investigators, fiscal officers, and grant support staff. Furthermore, the Local Assistance Unit and the Fraud Grant Audit Program reach out to participating district attorneys' offices to provide training to facilitate the success of their anti-fraud program(s) and answer any questions they may have.

SECTION TWO: INVESTIGATION DIVISION

The mission of the Investigation Division is:

“To protect California consumers by investigating suspected violations of laws and regulations pertaining to the business of insurance and seeking appropriate enforcement actions against violators.”

Effective enforcement of the insurance laws help to safeguard consumers and insurers from economic loss and eliminate unethical conduct and criminal abuse in the insurance industry.

The Investigation Division is charged with enforcing applicable provisions of the California Insurance Code under authority granted by Section 12921, and to refer crimes to appropriate prosecuting authorities pursuant to Insurance Code Sections 12928 and 12930. The Division pursues prosecution of offenders through both regulatory and criminal justice systems.

The Insurance Commissioner’s priorities emphasize investigation and prosecution in the following areas:

- Premium theft
- Senior citizen abuses
- Health insurance violations
- Unauthorized insurers and insurance transactions
- Deceptive sales and marketing practices
- Title insurance rebates
- Public adjuster violations
- Abusive acts committed by auto insurance agents and companies
- Illegal bail practices

Budget and Staffing

During the Fiscal Year 2019-20, the Investigation Division’s expenditures totaled \$11,681,445 in support of 110 authorized positions.

Investigation Division Administration and Operations

The Investigation Division’s seven regional offices (Sacramento, Golden Gate, Inland Empire, Orange, Valencia, Los Angeles, San Diego) serve all 58 counties in California.

Division Chief – Under the general direction of the Deputy Commissioner of the Enforcement Branch, the Investigation Division Chief oversees a statewide consumer protection and law enforcement unit consisting of seven regional offices.

The Enforcement Branch Headquarters office provides administrative services to all Investigation Division regional offices.

Program Supervising Investigator – Under the general direction of the Investigation Division Chief, the Program Supervising Investigator assists in the oversight and management of the Life & Annuity Consumer Protection Program (LACPP) and programs related to the Affordable Care Act/Covered California (ACA/CC). This position serves as special advisor to the Division Chief, makes recommendations on technical and administrative issues, and assists in policy and procedure analysis and development.

Regional Supervising Investigators – Under the general direction of the Investigation Division Chief, Regional Supervising Investigators plan, organize, and coordinate the work of regional offices engaged in the investigation of insurance, which includes administrative, criminal and civil violations.

Investigation Division Regional Offices – Seven regional offices located throughout California are each managed by a Regional Supervising Investigator assisted by first-line supervisors, investigators, and support staff. Each regional office is responsible for investigating suspected violations within their jurisdiction. The Division's Special Investigators are empowered by Penal Code § 830.11 to arrest suspects and to serve warrants.

Violations – The Investigation Division pursues the following violations:

- **Premium Theft** – The theft of insurance premiums is the most prevalent type of misconduct in the agent/broker arena. Illegal conduct ranging from single thefts to multi-million dollar scams victimizes consumers and the insurance industry.
- **Senior Citizen Abuse** – Certain segments of the insurance industry target their marketing efforts toward senior citizens. Unscrupulous agents abuse elderly customers by unnecessarily replacing existing policies to earn greater commissions. Initial sales or replacement policies may be wholly unsuitable products, which further victimize seniors. The misconduct may involve criminal activities including theft, falsifying documents, Ponzi schemes, and confidence games.
- **Health Insurance Violations** – This type of fraud encompasses the deceptive sale of long-term care products; Medicare supplements, Medicare Advantage Plans – Part C, Medicare Prescription Drug Plans – Part D, medical discount card scams and “mini-med” plans; as well as other health insurance schemes and violations of the Affordable Care Act/Covered California program perpetrated by licensees.
- **Deceptive Sales and Marketing Practices** – The failure of some insurers to properly monitor and control their sales force can lead to unethical and misleading marketing practices such as bait and switch schemes, misrepresentation, and the use of misleading titles and designations.

Enforcement Branch

- Unauthorized Insurance Companies – This type of fraud includes everything from phony insurance cards sold in DMV parking lots to fully operational offshore insurance companies issuing policies they have no intention of honoring.
- Public Adjuster Misconduct – Public adjusters represent insurance claimants in the settlement of claims with their insurance companies. Misconduct in this area includes high-pressure sales, overcharging, conflicts of interest with vendors, and failure to account for claims proceeds.
- Title Company Rebates and Kick-Backs – Kick-backs and commercial bribery are among the anti-competitive practices used to gain business from realtors.
- Bail Agent Activity – A bail agent is a person permitted to solicit, negotiate, and transact undertakings of bail on behalf of a surety insurer. Some unscrupulous bail agents fail to return collateral, aid and abet unlicensed bail agents, or apprehend arrestees with the intent to extort premium payments.

In addition to these violations, the Division investigates other complaints and alleged violations of laws relating to the transaction of insurance prohibited by the California Insurance Code, California Business and Professions Code, California Code of Regulations, California Penal Code, and Title 18 of the United States Code. In October 2013, the Investigation Division deployed a new mail and case tracking system called Investigation Division Case Management (IDCM). IDCM keeps a record of the development of each case from the receipt of complaint against a suspected violator through investigation and disposition.

Unlike the former tracking system where a case file represents a file against a single suspected violator, IDCM allows for associating different suspected violators into one case file. Due to this change in methodology, all data presented in this annual report is based on suspected violators instead of case files.

**TABLE: DIVISION WIDE INVESTIGATIONS
Fiscal Year 2019-20**

Description	Count
Complaints and General Correspondence Received	860
Opened (Includes subjects identified in fiscal year 2019-2020 for cases opened prior to July 1, 2019)	768
Additional Complaints-Consolidated with Existing Cases	193
Completed	758
In Progress as of June 30, 2020:	
Criminal Cases	595
Regulatory /Administrative Cases	620

Enforcement Branch

Description	Count
Complaints and General Correspondence Received	860
Total	1,215
Reports of Suspected Violation as of June 30, 2020: - <i>(Any initial allegation that is found sufficient to warrant an investigation but which has not yet been assigned to an investigator. It is intended to represent matters that are potential future investigations.)</i>	
Criminal Cases	62
Regulatory /Administrative Cases	177
Total	239
Chargeable Fraud	\$15,569,119
Ordered Restitution	\$9,565,011
Investigative Cost Recoveries	\$88,480
Fines and Penalties	\$22,513

**TABLE: CRIMINAL PROSECUTION CASES
Fiscal Year 2019-20**

Description	Count
Referral to Prosecutors	59
Case Filed by Prosecutors	31
Search Warrants Obtained	109
Arrest Warrants Obtained	20
Arrested	15
Convictions	27

**TABLE: REGULATORY PROSECUTION CASES
Fiscal Year 2019-20**

Description	Count
Cases referred for regulatory prosecution	169

Investigation Division Funding

Most investigations conducted by the Division are supported by revenues generated from fees and licenses charged to the insurance industry. Investigations related to automobile insurance and the Life and Annuity Consumer Protection Program are partially funded by special assessments.

Investigations Related to Automobile Insurance

Insurance Code Section 1872.81 requires each insurer doing business in California to pay to the Insurance Commissioner an annual special purpose assessment of 26 cents for each insured vehicle it covers in the State. The purpose of the fee is to maintain and improve consumer service functions related to automobile insurance.

**TABLE: AUTO INSURANCE INVESTIGATIONS
Fiscal Year 2019-20**

(This data is included in the overall Division case information shown on *Table: Division Wide Investigations* of this report.)

Description	Count
Opened (Includes subjects identified in fiscal year 2019-2020 for cases opened prior to July 1, 2019)	180
Completed	184
In progress as of June 30, 2020	250
Reports of Suspected Violation as of June 30, 2020	58

Enhanced Fraud Investigations

The California Department of Insurance successfully litigated anti-fraud cases against Sutter Health and Warner Chilcott resulting in settlement payments, which statute indicates upon appropriation shall be used by CDI for enhanced fraud investigation and prevention efforts. The Sutter Health General Fund appropriation began with Fiscal Year 2014-2015 and extends through Fiscal Year 2017-2018 consistent with Insurance Code Section 1871.7 (g)(1)(A)(iv). The Warner Chilcott General Fund appropriation began with Fiscal Year 2016-2017 and extends through Fiscal Year 2020-2021 consistent with Insurance Code Section 1871.7 (g)(1)(A)(iv).

**TABLE: ENHANCED FRAUD INVESTIGATIONS
Fiscal Year 2019-20**

(This data is included in the overall Division case information shown on *Table: Division Wide Investigations* of this report.)

Description	Count
In progress as of June 30, 2020	493
Reports of Suspected Violation as of June 30, 2020	173

Investigations Related to Life Insurance and Annuity Products

The Life and Annuity Consumer Protection Fund (CIC § 10127.17) provides funds to protect consumers of life insurance and annuity products. Revenue generated pursuant to this program is divided between the Department of Insurance and Local Assistance Grants to various county district attorney offices.

In this fourteenth year of grant funding, the Life and Annuity Consumer Protection Program provided \$500,000 in grant funds to six counties. As a result of a collaborative effort with other allied law enforcement agencies, numerous licensed agents were prosecuted and convicted for theft, financial elder abuse, forgery, and identity theft in the transaction of life insurance and annuities with California consumers.

**TABLE: LIFE INSURANCE AND ANNUITY PRODUCTS INVESTIGATIONS
Fiscal Year 2019-20**

(This data is included in the overall Division case information shown on *Table: Division Wide Investigations* of this report.)

Description	Count
Opened	133
Completed	158
In progress as of June 30, 2020	324
Reports of Suspected Violation as of June 30, 2020	32

**TABLE: LIFE INSURANCE AND ANNUITY CONSUMER PROTECTION
PRODUCTS DATA
Calendar Year 2020**

Description	Count
Opened Consumer Complaints Reported by Consumer Services Division	1999
Opened Investigations	84
Investigations referred to/reported by prosecuting agencies	23
Administrative or regulatory cases referred to the Department of Insurance's Legal Division	47
Administrative or regulatory enforcement actions taken by Legal Division	27

To further educate seniors about life insurance and annuity products, the Consumer Education and Outreach Bureau participated in 32 senior events in 2020. The senior events provided information regarding scams committed against seniors, the purchase and use of insurance and annuity products, claim filings, and dispute resolution.

Ongoing relationships with the Contractors State License Board-Senior Scam Stoppers, Department of Consumer Affairs, various legislative offices, senior expos, and health fairs enhance the Department's ability to get the message out.

The following educational materials were distributed during 2020:

- Annuities-What Seniors Need to Know (English)
- Informing Seniors-SIBOR (English)
- Driving for Senior (English)
- Personal Planning Guide
- Annuities-What Seniors Need to know (Spanish)
- Informing Seniors-SIBOR (Spanish)
- Driving for Seniors (Spanish)

Senior Outreach Project

The Department successfully litigated an anti-fraud case against Warner Chilcott resulting in a settlement which provided the Investigation Division with temporary funding for outreach. This allowed the Investigation Division to dedicate two investigators to conduct outreach that focused primarily on educating California seniors (65 and over), who are frequently targets of unscrupulous agents and imposters selling life and annuity products. This abuse results in cases that are complex and high-dollar schemes and results in seniors losing their life savings from which they are seldom able to recover. The prosecutions of these scammers serve as a deterrent for other licensed agents and imposters who might otherwise prey on seniors. Between January 1, 2017 and June 30, 2017, the Investigation Division Warner Chilcott Outreach Team conducted 40 presentations and reached 1,850 seniors and their families, caregivers, as well as the professional staff in the senior community, law enforcement agencies, and the general public. These presentations provided information to the attendees on life and annuities and other insurance fraud that targets seniors and was a forum to disseminate written materials to aid in educating and protecting seniors from potential fraudsters.

Efforts to Reduce Producer Fraud

The following additional strategies were implemented to reduce agent and broker fraud:

- The continuance of quality control measures at the regional level to ensure compliance with Division policies designed to improve efficiency and increase productivity.
- Deployed investigators as part of the Disaster Assistance Response Team (DART) to work in conjunction with other CDI divisions and allied agencies to proactively respond to disasters or other emergencies statewide affecting enforcement operations.
- In conjunction with CDI's Legal Enforcement Bureau, continued the Visiting Attorney Program (VAP) to assist in the review of on-going casework, as well as reports of suspected violations, to ensure that the Division is achieving an efficient use of its resources.
- Continued enhancements to the Investigation Division Database to better identify suspects of investigations, economic impact information, and patterns of non-compliance by individuals and entities involved in the transaction of insurance.
- Provided Life and Annuity Consumer Protection Program (LACPP) training to county district attorney prosecutors, local law enforcement agencies, and consumer groups.

Enforcement Branch

- Ongoing development of legislative proposals to strengthen laws governing the transaction of insurance and the enforcement of those laws.
- Ongoing outreach to industry associations, consumer groups, and allied law enforcement agencies.

SECTION THREE: FRAUD DIVISION

The mission of the Fraud Division is:

“To protect the public and prevent economic loss through the detection, investigation, and arrest of insurance fraud offenders.”

The CDI Fraud Division’s role and responsibilities are outlined in Division 1, Part 2 Chapter 12 of the California Insurance Code, “The Insurance Frauds Prevention Act.” The Division also ensures that Penal Code Section 550 is enforced throughout the State of California.

The Fraud Division oversees the following four fraud programs: (1) Automobile Insurance Fraud Program, (2) Organized Automobile Fraud Activity Interdiction Program, (3) Disability and Healthcare Fraud Program, and (4) Workers’ Compensation Insurance Fraud Program. These programs are funded through a combination of annual insurer general assessments and insurance policy assessments and the county district attorneys share the funding with the Fraud Division. The Fraud Division also provides oversight of any newly established grant program(s) created by legislation or received via a qui tam settlement.

Fraud Division Administration and Operations

The Fraud Division’s nine regional offices serve all 58 counties in California. The Enforcement Branch Headquarters (EBHQ) office administratively supports all Fraud Division regional office operations, including those activities related to the management of the statewide insurance anti-fraud grant programs. Headquarters provides centralized administrative support for investigations in the Automobile, Organized Automobile Fraud Interdiction Program, Workers’ Compensation, Disability and Healthcare, Property and Casualty Fraud Programs, and any newly established grant program(s) created by legislation or received via a qui tam settlement.

Division Chief – Under the general direction of the Enforcement Branch Deputy Commissioner, the Division Chief plans, organizes, and evaluates operations of the Fraud Division, including the investigations of illegal activities, and coordinates activities with various federal and state government entities in the prosecution of violators.

The Division Chief evaluates district attorneys’ offices receiving program grants, reviews Request for Applications (RFA) made by district attorneys, and makes recommendations to the Insurance Commissioner and Deputy Commissioner regarding RFAs, Fraud Division policy, procedures, issues, and regulations. The Division Chief provides advice to CDI management regarding proposed anti-fraud legislation and regulations.

Assistant Chiefs – Under the general direction of the Fraud Division Chief, Assistant Chiefs plan, organize, and coordinate the work of multiple regional offices engaged in the investigation of violations of insurance and related penal statutes.

The Northern Region Assistant Chief is responsible for the operation of the Sacramento, Golden Gate, Silicon Valley, and Central Valley regional offices.

The Southern Region Assistant Chief is responsible for the operation of the Inland Empire, Orange, Valencia, Southern Los Angeles County and San Diego regional offices.

The Grant Programs/Training Assistant Chief is responsible for the Fraud Division's Automobile Insurance Fraud Program, the Workers' Compensation Insurance Fraud Program, the Organized Automobile Fraud Activity Interdiction Program, the Disability and Healthcare Insurance Fraud Program, and any newly established grant program(s) created by legislation or received via a qui tam settlement. This position also plans, organizes, and coordinates the activities of the Local Assistance Unit, Branch Training Unit, and Computer Forensics Team.

Fraud Grant Audit Program (FGAP)

The primary responsibility of the EBHQ FGAP is to conduct fiscal compliance audits of the Workers' Compensation, Automobile, Organized Automobile Fraud Activity Interdiction, Disability and Healthcare, Disability and Healthcare – Supplemental, and Life and Annuity Consumer Protection Program insurance fraud grant(s) awarded to participating California district attorney's offices. The purpose of the audit is to provide reasonable assurance that the funds have been used for the enhanced investigation and prosecution of specific types of insurance fraud in accordance with applicable statutes and regulations, the grant award agreements, and the request for application guidelines. If a county district attorney's office participates in more than one insurance fraud grant program, the programs are audited concurrently to maximize efficiency. Counties are selected for audit based on risk criteria, which include, but are not limited to, prior audit findings, length of time since the last audit conducted by CDI, and the grant award amount.

California Insurance Code Sections 1872.8(b)(1)(D) and 1874.8(d) require the CDI to conduct fiscal audits of the Automobile and Organized Automobile Fraud Activity Interdiction Insurance Fraud Programs at least once every three years. California Code of Regulations Sections 2698.67(h), 2698.77(e)(1) and 2698.98.1(g) and (h) require CDI to conduct fiscal audits of the Automobile, Organized Automobile Fraud Activity Interdiction, and Disability and Healthcare Fraud Programs once every three years. California Code of Regulations Section 2698.59(f) and California Insurance Code Section 10127.17 authorize the CDI to conduct fiscal audits of the Workers' Compensation Insurance Fraud Program and the Life and Annuity Consumer Protection Program.

In Fiscal Year 2019-20, the FGAP completed fiscal audits of 114 grants received by 13 county district attorney's offices.

The breakdown of the audits by program:

**TABLE: FGAP COMPLETED FISCAL AUDITS
Fiscal Year 2019-20**

Insurance Fraud Program	Number of Grants
Workers' Compensation	30
Automobile	28
Organized Automobile	5
Disability and Healthcare	9
Disability and Healthcare – Supplemental	2
Life and Annuity	10

The most common findings were:

- Modified budget not submitted.
- Unallowable expenditure charged to program.
- Inaccurate annual program statistics.
- Unallowable cases worked on and reported.
- Check warrants not deposited timely.

Once the FGAP completes its analysis, a Preliminary Audit Report is issued to the county district attorney's office. The Preliminary Audit Report identifies the potential audit findings, observations, and recommendations. The county district attorney's office is given 30 calendar days to respond and provide additional documentation. After analyzing any additional information received, a Final Audit Report is issued to the county district attorney, CDI Enforcement Branch Deputy Commissioner, Division Chief, Assistant Chiefs, Regional Office Captain or Regional Supervising Investigator, Enforcement Branch Support and Compliance Chief, Program Manager, and the Legal Division, as appropriate. The Final Audit Report includes the county's response to the Preliminary Audit Report and any corrective actions taken to resolve the finding(s). In addition to the audit report, the FGAP provides Enforcement Branch Management an annual summary of audit findings, particularly repeat findings and/or unresolved findings, which may be taken into consideration and affect future insurance fraud grant funding for the county district attorney's office.

AUTOMOBILE INSURANCE FRAUD PROGRAM

The Fraud Division is the primary law enforcement agency responsible for investigating automobile insurance fraud crimes and it coordinates enforcement operations with municipal, state, and federal enforcement agencies throughout California. Completed

investigations are filed with the local District Attorney or the United States Attorney General's Office.

Fraud Division detectives enforce the provisions of California Penal Code Sections 548-550. Detectives focus on five major categories: medical mills, organized crime, staged collision rings, false and fraudulent claims, and organized economic automobile theft groups. Organized criminal elements continue to use these types of schemes.

During Fiscal Year 2019-20, the Fraud Division received 13,863 suspected fraudulent claims (SFCs), assigned 466 new cases, made 171 arrests, and referred 213 submissions to prosecuting authorities. The potential loss amounted to \$427,170,307.

District Attorneys' Automobile Insurance Fraud Program

During Fiscal Year 2019-20, 34 counties received funding totaling \$15,259,000 through the Department's Auto Insurance Grant Program. The financial support provided to each county is based on county population, the number of Suspected Fraudulent Claims (SFCs) reported, and the Insurance Commissioner's evaluation of the county's historical performance and plan description.

For Fiscal Year 2019-20, California district attorneys initiated 2,489 investigations and made 890 arrests. This number includes some of the Fraud Division's enforcement actions and local law enforcement investigations. District attorneys prosecuted 1,571 cases involving 1,672 defendants with chargeable fraud totaling \$19,601,353, which resulted in 665 convictions and \$2,286,247 in restitution ordered by the courts.

Organized Automobile Fraud Activity Interdiction Program

The California State Legislature has determined that organized automobile fraud activity operating in major urban centers of the state represents a significant portion of all individual fraud-related automobile insurance cases. This fraudulent activity drives higher insurance premiums in certain urban and low-income areas of the state. The problem demands coordinated effort by all appropriate agencies and organizations. California Insurance Code Section 1874.8 requires the Insurance Commissioner to award three to ten grants for a coordinated program targeted at the successful prosecution and elimination of organized automobile fraud activity. The primary focus of the program is organized criminal activity that occurs in urban areas and which often involves the staging of collisions and filing accident or damage claims.

Typically, legal and medical professionals or their associates mastermind these cases. In recent years, highly sophisticated groups have captured the attention of the Fraud Division, prosecutors, and allied law enforcement.

During Fiscal Year 2019-20, the Fraud Division assigned 173 new cases and made 155 arrests and 175 referrals to prosecuting authorities. Potential loss amounted to \$6,444,489.

District Attorneys' Organized Automobile Fraud Activity Interdiction Program

During Fiscal Year 2019-20, eight counties received funding totaling \$7,192,000. The California district attorneys reported 157 investigations and 135 arrests, including some of the Fraud Division arrests. The district attorneys prosecuted 167 cases involving 376 defendants with chargeable fraud totaling \$17,682,117 which resulted in 130 convictions and \$2,999,053 of restitution ordered.

DISABILITY AND HEALTHCARE INSURANCE FRAUD PROGRAM

Health insurance fraud is a significant problem for health insurance policyholders, because it drains resources out of the system causing otherwise unnecessary premium increases. California Insurance Code Section 1872.85(a) provides funding for the Disability and Healthcare Fraud Program through annual special purpose assessment to be determined by the Commissioner: not to exceed 20 cents (\$0.20) for each insured person in California who is covered by an individual or group insurance policy it issues. This funding supports criminal investigations statewide by the Fraud Division and prosecution by district attorneys of suspected fraud involving disability and healthcare.

This program area includes suspected fraudulent claims involving: claimant disability other than workers' compensation, dental claims, billing fraud schemes, immunization fraud, unlawful solicitation, durable medical equipment, and posing as another to obtain benefits.

During Fiscal Year 2019-20, the Fraud Division identified and reviewed 690 SFCs, assigned 67 new cases, and made 18 arrests and 41 referrals to prosecuting authorities. Potential loss amounted to \$178,084,739.

District Attorneys' Disability and Healthcare Insurance Fraud Program

In Fiscal Year 2019-20, 10 counties received funding totaling \$6,000,000 through the Department's Disability and Healthcare Insurance Fraud Grant Program. The district attorneys reported 343 investigations and 38 arrests, which includes some of the Fraud Division arrests. District attorneys prosecuted 104 cases involving 176 defendants with chargeable fraud totaling \$919,009,534, which resulted in 41 convictions and \$7,256,359 in restitution ordered by the courts.

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM

In California, workers' compensation insurance is a no-fault system. Injured employees need not prove an injury was someone else's fault in order to receive workers' compensation benefits for an on-the-job injury. In addition to medical expenses being covered for injured employees, some injured workers are entitled to recover a portion of lost wages resulting from injury. Fraudulent workers' compensation claims can be an enticing target for criminals.

Workers' compensation insurance fraud occurs in simple and complex schemes that often require difficult and lengthy investigations. Employees may exaggerate or even fabricate injuries. At the other end of the spectrum, white-collar criminals, including doctors and lawyers, entice, pay, and conspire with others to defraud the system by creating false or exaggerated claims, over-treating, and over-prescribing harmful and addictive drugs. Insurance companies "pick up the tab," passing the cost onto policyholders, taxpayers, and the general public.

The Workers' Compensation Fraud Program was established in 1991. The Legislature made workers' compensation fraud a felony, required insurers to report suspected fraud, and established a mechanism for funding enforcement and prosecution activities. The legislation established the Fraud Assessment Commission to determine the level of assessments to fund investigation and prosecution of workers' compensation insurance fraud.

Funding for the program comes from California employers who are legally required to be insured or self-insured. The total aggregate assessment for Fiscal Year 2019-20 was \$72,138,372.

During Fiscal Year 2019-20, the Fraud Division identified and reported 3,501 suspected fraud cases; assigned 568 new cases, made 87 arrests and referred 184 cases to prosecuting authorities. Potential loss amounted to \$430,349,352.

District Attorneys' Workers' Compensation Insurance Fraud Program

In Fiscal Year 2019-20, 36 counties received funding totaling \$42,724,287. The district attorneys reported 2,304 investigations and 435 arrests, which includes some of the Fraud Division arrests. During the same time frame, district attorneys prosecuted 1,326 cases with 1,503 defendants resulting in 340 convictions. Restitution of \$16,424,110 was ordered in connection with these convictions and \$6,573,082 was collected. The total chargeable fraud was \$2,046,310,177 representing only a small portion of actual fraud since many fraudulent activities remain to be identified or investigated.

PROPERTY, LIFE AND CASUALTY FRAUD PROGRAM

The Property, Life and Casualty Fraud Program accounts for approximately five percent of the Fraud Division's allocated budgetary resources. The funding stream for this program is generated by a \$2,100 assessment for each certificate of authority in California. These funds are non-restrictive and can be used to support all other Fraud Division program areas if needed. There is no local assistance component to this program.

This general program handles criminal investigations involving staged commercial/residential burglaries, life insurance fraud (which includes murder for profit cases), fraudulent natural disaster claims (wildfire, flood, earthquake, wind), slip and fall claims, internal embezzlement cases, false food contamination claims, and false marine

claims. Criminal investigations in this program area can involve millions of dollars in loss (especially in life insurance fraud cases), and multiple claims for the same loss perpetrated by multiple suspects. Many of these cases have been jointly investigated in cooperation with local and federal law enforcement agencies and have been prosecuted at the local, state, or federal level.

During Fiscal Year 2019-20, the Fraud Division identified and reported 4,992 SFCs, assigned 60 new cases, made 35 arrests and referred 40 submissions to prosecuting authorities. Potential loss amounted to \$329,956,602.

ENHANCED FRAUD INVESTIGATION AND PREVENTION

The California Department of Insurance has successfully litigated anti-fraud cases resulting in settlement payments which statute indicates upon appropriation shall be used by CDI for enhanced investigation and prevention efforts. CDI has received an appropriation for each of the Fiscal Years 2018-2019, 2019-2020, and 2020-2021.

During Fiscal Year 2019-20, the Fraud Division identified and reported six SFCs, assigned six new cases, made 10 arrests and 55 referrals to prosecuting authorities. Potential loss amounted to \$20,257,200.

DISTRICT ATTORNEYS' ENHANCED FRAUD INVESTIGATION AND PREVENTION

The California Department of Insurance has successfully litigated anti-fraud cases resulting in settlement payments which statute indicates upon appropriation shall be used by CDI for enhanced investigation and prevention efforts. CDI has received an appropriation for each of the Fiscal Years 2018-2019, 2019-2020, and 2020-2021 with \$1,500,000 in each year available for distribution to county District Attorneys.

In Fiscal Year 2019-20, seven counties received funding totaling \$1,500,000 to support the prosecution of 14 high impact and/or emerging trend insurance fraud cases which had a total suspected loss of over \$176,728,900.

Budget and Staffing

**TABLE: FRAUD DIVISION BUDGETED/EXPENDITURES
BY PROGRAM AND FISCAL YEAR STAFFING LEVEL
Fiscal Year 2019-20**

(Includes all authorized Program 20 positions)

Budgeted/Expenditures	Amount
Fraud Budgeted Levels	\$133,362,000
Fraud Actual Expenditures	\$131,311,000

Enforcement Branch

Program	Amount
Insurance Fraud Assessment, Auto:	
District Attorneys' Auto Distribution	\$22,451,000
State Operations Auto Expenditures	\$19,978,000
Insurance Fraud Assessment, Workers' Compensation:	
District Attorneys' Workers' Compensation Distribution	\$42,724,000
State Operations Workers' Compensation Expenditures	\$28,023,000
Insurance Fraud Assessment, Disability and Healthcare:	
District Attorneys' Disability and Healthcare Distribution	\$6,000,000
State Operations Disability and Healthcare Expenditures	\$3,731,000
Insurance Fraud Assessment, General:	
State Operations General Assessment Expenditures	\$2,689,000
General Fund, Enhanced Fraud and Prevention:	
District Attorneys' Enhanced Fraud and Prevention Distribution	\$1,500,000
State Operations, Enhanced Fraud and Prevention Expenditures	\$4,215,000

SPECIAL INVESTIGATIVE UNIT (SIU) COMPLIANCE PROGRAM

The SIU Compliance Program is an audit unit, within the Department of Insurance, that is responsible for evaluating whether approximately 600 primary and 600 subsidiary insurance companies licensed to do business in California have complied with California SIU statutes and regulations. The California SIU statutes and regulations require these insurance companies to have Special Investigative Units internal to their company or retained by contract, which are trained to identify and refer suspected insurance fraud to CDI within 60 days of reasonable belief. This task is accomplished through field audits, desk reviews, and/or analysis of the electronic SIU Annual Report that insurers file with CDI as required by regulations.

Field Audits and Desk Reviews

Insurers are selected for field audits and desk reviews based on risk criteria.

Field audits consist of:

- Notifying the insurer at least 100 days in advance of the on-site visit
- Audit planning prior to the on-site visit
- On-site fieldwork
- Reporting the results of the audit

Once the SIU Compliance Program completes its on-site fieldwork, a Draft Report of Examination is issued to the insurer. This report presents findings of violations and required actions related to the Insurer.

Within thirty (30) days of receipt of the Draft Report of Examination, which identifies violations of the California SIU statutes and regulations, the Insurer is required to do one or more of the following for each violation:

- Prepare and submit to CDI a written Corrective Action and Compliance Plan (CACP) that demonstrates how the Insurer will correct the violations and achieve compliance with the corrective action identified in the Draft Report of Examination;
- Provide to CDI any written material that may rebut any matters contained in the Draft Report of Examination, which shall establish to the satisfaction of the Commissioner that the noncompliance does not exist.

Common audit findings of Insurers include:

- Insurer did not report all incidents of suspected fraud to CDI within 60 days of reasonable belief being established.
- Insurer's SIU did not identify and investigate all incidents of possible suspected workers' compensation premium fraud.
- Insurer did not provide all verification and/or source documents (e.g., premium audit information) to allow an adequate review of workers' compensation policy files.
- Insurer's suspected fraud referral forms (eFD-1s) to CDI had errors and/or omissions.
- Insurer did not submit all requested documents and/or information requested by the auditor, which affected the auditor's ability to conduct a complete review of workers' compensation closed claims and/or SIU investigation files related to the lines of business subject to review.
- Insurer's integral anti-fraud personnel did not refer all incidents of suspected insurance fraud to the SIU for investigation.
- Insurer's written anti-fraud procedures or SIU investigation procedures did not include all required topics/information/instructions.
- Insurer's training materials for new hires, integral anti-fraud personnel or SIU staff did not include all required topics/information.
- Insurer's continuing anti-fraud training was not provided to all SIU staff members.
- Insurer's anti-fraud orientation for new hires was not provided to all new employees within 90 days of commencement of duties.
- Insurer's annual anti-fraud in-service training was not provided to all integral anti-fraud personnel.
- Insurer's SIU Annual Report was inaccurate, incomplete and/or late.

**TABLE: SPECIAL INVESTIGATIVE UNIT (SIU)
COMPLIANCE PROGRAM FIELD AUDIT DETAIL
Fiscal Year 2019-20**

Final Report Date	Company
7/8/19	Pacific Life Insurance Company
7/9/19	Insurance Company of the West
7/10/19	AmGuard Insurance Company
8/29/19	Dentists Insurance Company (The)
9/4/19	Republic Underwriters Insurance Company
9/5/19	New York Marine and General Insurance Company
10/18/19	Standard Insurance Company
10/24/19	DB Insurance Co., Ltd.
11/5/19	Old Republic Insurance Company
11/25/19	Nations Insurance Company
11/27/19	First American Specialty Company
1/8/20	Factory Mutual Insurance Company
1/9/20	American Pet Insurance Company
1/13/20	General Assurance Corporation
2/6/20	Starr Indemnity & Liability Company
2/20/20	Allstate Insurance Company
2/24/20	Alaska National Insurance Company
2/25/20	Advantage Workers Compensation Insurance Company
3/10/20	State Farm Mutual Automobile Insurance Company
3/25/20	Commerce West Insurance Company
4/6/20	ESIS, Inc.
4/6/20	Response Indemnity Company
4/6/20	Mercury Insurance Company
4/8/20	Loyal Casualty Insurance Company
5/11/20	Stillwater Insurance Company
5/19/20	Sterling Casualty Insurance Company
6/4/20	Everest National Insurance Company
6/9/20	American National Property and Casualty
6/24/20	Universal North America Insurance Company

SUSPECTED FRAUDULENT CLAIMS REPORTING

The primary source of leads for investigations initiated by the Fraud Division is the Suspected Fraudulent Claim. A suspected fraud referral can be as simple as a telephone call from a citizen or as complex as a “documented referral” with supporting evidence submitted by an insurance carrier. SFCs are received by CDI from various sources, including insurance carriers, informants, witnesses, law enforcement agencies, fraud investigators, and the public.

The vast majority of SFCs are generated by the insurance industry. The standards for referring an SFC are required by the Insurance Code when the carrier “believes” or has “reason to believe” or “has reason to suspect” that insurance fraud has occurred. Because of the different standards for reporting, not all SFCs result in criminal conviction.

All referrals submitted to the Fraud Division, regardless of the reporting party and supporting evidentiary information, are assigned a case tracking number, and placed in the Case Record Information Management System (CRIMS). The referrals are then forwarded to supervisors in the regional office with jurisdiction over the allegations. The supervisors use standard criteria when determining case assignments in the various fraud programs, including:

- Public safety.
- Consideration of the Insurance Commissioner’s strategic initiatives.
- The quality of the evidence presented.
- The priority level of the suspected fraud referral.
- The availability of investigative resources.
- The jurisdiction for prosecution, especially if the district attorney is receiving grant funds.
- If the arrest and conviction of suspects would make an impact on the problem within the county and/or state.
- Case assignments may not be made if allegations are abuse rather than fraud, the statute of limitations has expired, or a discussion with a district attorney regarding facts of the SFC result in rejection of the referral or the case being referred to another agency.

According to Fraud Division data, the quality of SFCs continues to improve each fiscal year. Several reasons for this trend include:

- The extensive efforts to provide training to insurance claim examiners and SIU personnel by the Fraud Division.
- The availability of the electronic form.
- Current SIU regulations that help insurance carriers step up their anti-fraud efforts and become more effective in identifying, investigating, and reporting workers' compensation fraud.
- The Fraud Division and district attorneys’ aggressive outreach programs.

AN ESTIMATE OF THE ECONOMIC VALUE OF INSURANCE FRAUD BY TYPE OF INSURANCE FRAUD

The following chart monetizes fraud reported to the Fraud Division and extracted from the Case Record Information Management System (CRIMS).

**TABLE: ECONOMIC VALUE OF FRAUD REPORTED BY TYPE
Fiscal Year 2019-20**

Insurance Type	Amount Paid – (Amount paid on claim to date)	Suspected Fraudulent Loss – (Amount paid that is suspected as being fraudulently claimed)	Potential Loss – (Amount of loss or exposure if fraud had gone undiscovered)
Automobile	\$ 28,053,537	\$ 114,904,161	\$ 427,170,307.00
Organized Automobile Fraud Activity Interdiction	\$ 2,135,705	\$ 2,939,314	\$ 6,444,489
Disability and Healthcare	\$ 322,799,428	\$ 170,701,888	\$ 178,084,739
Enhanced Fraud Investigation and Prevention	\$ 10,000,000	\$ 90,000	\$ 20,257,200
Property Casualty	\$ 142,655,605	\$ 123,944,200	\$ 329,956,602
Workers' Compensation	\$ 161,369,841	\$ 133,630,994	\$ 430,349,352
Totals	\$ 667,014,117	\$ 546,210,557	\$ 1,392,262,689

BASIC CLAIMS INFORMATION

Including trends of payments by type of claim and other claim information that is generally provided in a closed claim study

Although basic claims information and closed claims studies are not available to CDI, the Fraud Division collaborates with the National Insurance Crime Bureau (NICB) on emerging issues and trends in the investigation of insurance fraud crimes. A critical component of this partnership is the Fraud Division's access to the NICB database as well as the Insurance Service Organization database. Both of these databases are for trend analysis. The Fraud Division continues to explore other sources of information that will enhance its ability to identify emerging trends in all programs.

**TABLE: SUMMARY OF THE TOTAL AMOUNT OF COURT-ORDERED
RESTITUTION AND THE AMOUNT OF RESTITUTION COLLECTED
PURSUANT TO INSURANCE CODE §1872.86(b) (7)**

Fraud Program	Restitution Ordered	Restitution Collected
Automobile	\$2,286,247	\$817,180
Organized Automobile Fraud Activity Interdiction	\$2,999,053	\$674,407
Disability and Healthcare	\$7,256,359	\$1,481,637
Workers' Compensation	\$16,424,110	\$6,573,082

SECTION FOUR: WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM

The Workers' Compensation Fraud Program is the largest of five statewide anti-fraud programs under the administration and the investigative arm of the Fraud Division.

Distribution of Workers' Compensation Program Hours

For Fiscal Year 2019-20, investigative staff spent 74.73% of program hours on case and direct program support. Time recorded as indirect hours equaled 13.13% and time off was recorded as 12.14%.

The Division spent 52.69% of its time directly on the Workers' Compensation Program, while the remaining 47.31% was distributed throughout the other insurance fraud programs. In addition to investigative activities, the Fraud Division is responsible for the administration and oversight of the program, which includes:

- Local Assistance grant management
- SIU compliance audits
- District attorney insurance fraud grant program audits
- Legislative statistical and analytical reporting
- Research
- Legal services (public request acts, opinions, *qui tams*, rulemaking, etc.)
- Legislation support and analysis
- Budget monitoring and proposals
- Property/Evidence control
- Fraud Assessment Commission support

Maintaining a Balanced Caseload

Each Fraud Division Regional Office's caseload is representative of the demographics within its area of responsibility and jurisdiction. Working in conjunction with the district attorneys, each regional office selects cases that will have the most significant impact on the insurance fraud problem in its area of responsibility. These cases include medical/legal provider, premium fraud, employer-defrauding employee, insider fraud, claimant fraud, underreported wages, uninsured employer, and Experience Modification (X-Mod) evasion. Enforcement efforts continue to focus on high impact fraud cases such as medical/legal provider, premium fraud, and the willfully uninsured.

TABLE: WORKERS' COMPENSATION CASELOAD
Fiscal Year 2019-20

FRAUD TYPE	TOTAL CASELOAD
CLAIMANT FRAUD	737
UNDERREPORTED WAGES	226
OTHER WORKERS' COMP	94
UNINSURED EMPLOYER	59
MEDICAL PROVIDER	50
MISCLASSIFICATION	31
X-MOD EVASION	18
EMPLOYER DEFRAUDING EMPLOYEE	17
LEGAL PROVIDER	15
EMBEZZLEMENT	6
PHARMACY	3
TOTAL	1,256

Underground Economy

Underground economy is a term that refers to those individuals and businesses that deal with cash and/or use other schemes to conceal their activities and their true tax liability from government licensing, regulatory, and taxing agencies. Underground economy is also referred to as tax evasion, tax fraud, cash pay, tax gap, payments under-the-table, and off the books.

When businesses operate in the underground economy, they illegally reduce the amount of money expensed for insurance, payroll taxes, licenses, employee benefits, safety equipment, and safety conditions. As a result, unethical employers gain an unfair competitive advantage over businesses that comply with the various business laws. This causes unfair competition in the marketplace and forces law-abiding businesses to pay higher taxes and expenses.

Employees of the businesses in the underground economy are also negatively affected. Their working conditions may not meet the legal requirements, which can put them in danger. Their wage earnings may also be less than required by law, and benefits they are entitled to can be denied or delayed because their wages are not properly reported.

Consumers can also be negatively affected when contracting with unlicensed businesses. Licensing provisions are designed to ensure minimum levels of skill and knowledge to protect the consumer.

Joint Enforcement Strike Force

On October 26, 1993, the Governor signed Executive Order W-66-93, which created the Joint Enforcement Strike Force on the Underground Economy (JESF). The Governor subsequently signed Senate Bill 1490, which placed the provisions of the Executive Order into law as Section 329 of the California Unemployment Insurance Code, effective January 1, 1995.

JESF is responsible for enhancing the development and sharing of information necessary to combat the underground economy, to improve the coordination of enforcement activities, and to develop methods to pool, focus, and target enforcement resources. JESF is empowered and authorized to form joint enforcement teams when appropriate to utilize the collective investigative and enforcement capabilities of the JESF members.

In addition to EDD, Strike Force members include CDI, Department of Consumer Affairs, Department of Industrial Relations, Franchise Tax Board, Board of Equalization, and Department of Justice.

Labor Enforcement Task Force

The Labor Enforcement Task Force (LETF), under the direction of the Department of Industrial Relations, is a coalition of California State government enforcement agencies that work together and in partnership with local agencies to combat the underground economy. The mission is to combat the underground economy in order to ensure safe working conditions and proper payment of wages for workers, create an environment where legitimate businesses can thrive, and support the collection of all California taxes, fees, and penalties due from employers. For more information, view the [2019 LETF Report to the California Legislature](#) by the Department of Industrial Relations. LETF ensures all businesses are provided equal opportunity to thrive and workers are afforded safe and fair working conditions through a collaboration of state agencies and other partners.

Agency partners include CDI, Labor & Workforce Development Agency, Department of Industrial Relations, including Division of Labor Standards Enforcement and Division of Occupational Safety and Health (Cal/DOSH), EDD, Contractors State License Board, Board of Equalization, Bureau of Automotive Repair, Alcoholic Beverage Control, State Attorney General, and district attorneys throughout California.

LETF objectives include expanding outreach and education, fostering interagency collaboration, and increasing engagement with community partners.

Uninsured Employers Compliance Sweeps

CDI continues to be proactive in seeking out potential premium fraud investigations while participating in enforcement sweeps of Labor Code 3700.5 cases with the

Enforcement Branch

Contractors State License Board, Division of Labor Standards Enforcement, district attorneys, and allied law enforcement agencies.

Willfully Uninsured Investigations are successful when approached from a team and joint resource perspective. As mentioned above, Fraud Division detectives participate with JESF and LETF partners to combat this activity. The Fraud Division also actively participates with Contractors State License Board sting operations after fire disasters and other natural disasters to combat the underground economy.

The Fraud Division has developed and maintained a strong working relationship with these allied agencies. The Fraud Division will also continue its efforts to investigate allegations of employers discouraging employees from claiming benefits or pursuing a claim.

Insurance Premium Fraud

Premium Fraud investigations are complex due to the coordination and review of insurance documents, business records, tax information, and working with various allied governmental tax agencies and the victim insurance providers to determine the value of the fraud. These investigations require surveillance, search warrants, interviews and use of specialty staff such as forensic auditor and computer forensic personnel.

These investigations are coordinated regionally as formal or informal task force teams. They include Fraud Division detectives and forensic auditors, district attorney investigators, and prosecutors. The Franchise Tax Board has assigned Special Agents to each of the four CDI Enforcement Branch Regional Offices in Northern California and two Enforcement Branch Regional Offices in Southern California have both Franchise Tax Board and EDD agents and investigators assigned. This strategic and coordinated team approach has led to the successful and timely completion of many Premium Fraud investigations. Case successes will be presented later in this document.

Budget and Staffing

TABLE: WORKERS' COMPENSATION FRAUD PROGRAM STAFFING/BUDGET
Fiscal Year 2019-20
Personnel Years (PY)

Staffing	
Workers' Compensation Fraud Program Positions	148
Fraud Workers' Compensation Assessment – <i>(Reflects the FY 2018-19 Fraud Assessment Commission adopted Aggregate Assessment amount)</i>	\$ 72,138,372

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Budget	Amount
Total Fraud Budgeted Levels	\$64,563,000
Total Fraud Actual Expenditures	\$63,136,000
District Attorneys' Workers' Compensation Distribution	\$42,724,287
Local Assistance	\$40,691,000
State Operations – Workers' Compensation Expenditures	\$22,445,000
Personnel Services	\$14,795,000
Operating Expenses & Equipment (OE&E)	\$7,650,000

Unfunded Contributions

CDI continually provides funding for the workers' compensation anti-fraud efforts in areas that are not funded by the workers' compensation fraud grant. CDI funds investigations by the Enforcement Branch's Investigation Division into allegations of misdeeds by brokers and agents. These investigations look at brokers and agents who have violated their fiduciary responsibility by stealing or misappropriating premiums received from employers for the purchase of workers' compensation coverage. The costs for the investigation of these cases is derived from fees and licensing funds within CDI.

Program Support

- Insurance Commissioner's Office
- Statewide Pro Rata (e.g., Governor's Office, Legislature, etc.)
- Legal Branch
- Budget and Revenue Management Bureau (BRMB)
- Human Resources Management Division (HRMD)
- Accounting Services Bureau (ASB)
- Media Relations

***SECTION FIVE: WORKERS' COMPENSATION INSURANCE FRAUD
PROGRAM APPENDICES***

Appendix One: Workers' Compensation Insurance Fraud Program
Insurance Commissioner's Grant Funding Recommendations
Fiscal Year 2019-20

Appendix Two: Workers' Compensation Insurance Fraud Program
Reported Suspected Fraudulent Claims (SFC's)
Calendar Years 2018, 2019 and 2020

Appendix Three: Workers' Compensation Insurance Fraud Program
District Attorney Convictions
Fiscal Year 2019-20

**Appendix One
Workers' Compensation Insurance Fraud Program
Insurance Commissioner's Grant Funding Recommendations
Fiscal Year 2019-20**

County	Fiscal Year 2018-19 Grant Awarded	Fiscal Year 2019-20 Amount Requested	Fiscal Year 2019-20 Grant Awarded
Alameda	\$1,806,493	\$2,197,394	\$1,942,737
Amador	\$462,911	\$497,412	\$492,828
Butte	\$79,954	\$315,386	\$115,078
Contra Costa	\$1,013,786	\$1,214,842	\$1,073,107
El Dorado	\$363,066	\$633,987	\$408,465
Fresno	\$1,218,180	\$1,429,879	\$1,275,026
Humboldt	\$214,638	\$226,263	\$223,494
Imperial	\$84,449	\$75,000	\$73,894
Kern	\$810,597	\$1,241,615	\$869,171
Kings	\$263,875	\$256,784	\$256,784
Los Angeles	\$7,846,763	\$8,706,203	\$8,197,929
Marin	\$284,303	\$366,285	\$302,428
Merced	\$185,180	\$195,197	\$188,885
Monterey	\$745,943	\$1,113,512	\$774,301
Napa	\$135,137	\$178,889	\$145,189
Nevada	\$88,579	\$108,374	\$97,726
Orange	\$5,229,447	\$6,531,253	\$5,553,240
Placer	\$193,736	\$0	\$0
Riverside	\$2,568,822	\$2,686,988	\$2,680,008
Sacramento	\$1,096,341	\$1,200,109	\$1,115,163
San Bernardino	\$2,123,715	\$2,632,601	\$2,234,996
San Diego	\$5,911,661	\$6,387,706	\$6,203,759
San Francisco	\$801,148	\$923,990	\$850,327
San Joaquin	\$499,330	\$498,200	\$488,040
San Luis Obispo	\$67,699	\$124,709	\$73,946
San Mateo	\$766,365	\$896,502	\$805,649
Santa Barbara	\$403,104	\$292,951	\$287,707
Santa Clara	\$3,001,603	\$3,400,000	\$3,134,262
Santa Cruz	\$146,707	\$304,315	\$175,649
Shasta	\$156,945	\$206,765	\$168,798
Siskiyou	\$63,820	\$139,026	\$86,273

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County	Fiscal Year 2018-19 Grant Awarded	Fiscal Year 2019-20 Amount Requested	Fiscal Year 2019-20 Grant Awarded
Solano	\$190,882	\$258,722	\$202,762
Sonoma	\$101,215	\$211,312	\$110,826
Tehama	\$159,124	\$237,224	\$186,985
Tulare	\$547,637	\$547,637	\$547,637
Ventura	\$773,157	\$819,090	\$790,162
Yolo	\$284,063	\$478,365	\$307,349
Totals	\$40,690,375	\$47,534,487	\$42,440,580

Appendix Two
Workers' Compensation Insurance Fraud Program
Reported Suspected Fraudulent Claims (SFCs)
 Calendar Years 2018, 2019 and 2020

COUNTY	2018 SFC's	2019 SFC's	2020 SFC's
ALAMEDA	123	133	110
AMADOR	3	5	1
BUTTE	12	7	3
CA STATE ATTY GEN	0	1	0
CALAVERAS	0	2	3
COLUSA	2	3	0
CONTRA COSTA	66	72	58
DEL NORTE	3	2	1
EL DORADO	14	11	8
FRESNO	78	72	71
GLENN	5	1	2
HUMBOLDT	7	8	6
IMPERIAL	13	9	7
INYO	1	0	2
KERN	74	86	53
KINGS	8	11	10
LAKE	2	2	6
LASSEN	2	3	2
LOS ANGELES	1329	1194	1249
MADERA	9	7	12
MARIN	26	25	20
MARIPOSA	0	1	2
MENDOCINO	4	2	4
MERCED	24	36	34
MONO	0	0	0
MONTEREY	55	39	31
NAPA	21	16	21
NEVADA	7	5	1
ORANGE	412	356	342
PLACER	25	19	22
PLUMAS	2	2	0
RIVERSIDE	203	186	206
SACRAMENTO	94	110	81
SAN BENITO	4	4	4
SAN BERNARDINO	216	214	201

Enforcement Branch

COUNTY	2018 SFC's	2019 SFC's	2020 SFC's
SAN DIEGO	203	221	191
SAN FRANCISCO	81	87	71
SAN JOAQUIN	55	53	52
SAN LUIS OBISPO	24	13	23
SAN MATEO	59	50	48
SANTA BARBARA	33	34	28
SANTA CLARA	126	100	139
SANTA CRUZ	30	25	12
SHASTA	16	5	16
SIERRA	0	1	0
SISKIYOU	2	4	2
SOLANO	27	35	37
SONOMA	27	34	31
STANISLAUS	33	28	35
SUTTER	12	5	4
TEHAMA	2	1	2
TRINITY	0	0	0
TULARE	19	24	29
TUOLUMNE	6	2	1
US ATTY NORTH CA	0	0	1
VENTURA	94	87	96
YOLO	12	7	12
YUBA	1	1	2
TOTALS	3,706	3,461	3405

**Appendix Three
Workers' Compensation Insurance Fraud Program
District Attorney Convictions – Fiscal Year 2019-20**

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
18CR016566	Alameda	Ahmed, Zubair	Premium Fraud	2 year DEOJ - Sentence/MDSM on 9/30/2021	\$0	\$17,701	\$0
18-r014841	Alameda	Castillo, Otto	Claimant Fraud	1 year DEOJ, restitution	\$0	\$7,484	\$0
19CR000529	Alameda	Hernandez, Luis	Claimant Fraud	1 day(s) jail; 36 month(s) probation;	\$0	\$20,807	\$0
19CR018418	Alameda	Huang, Anna	Uninsured Employer	Def. will be sentenced on 6/12/2020	\$0	\$0	\$0
19CR018418	Alameda	Jones, Brian	Uninsured Employer	Sentencing on 6/12/2020	\$0	\$0	\$0
17CR016324	Alameda	Kang, Hyuk Lee	Premium Fraud	2 years DEOJ	\$0	\$54,764	\$0
19CR009793	Alameda	Romero, Melissa	Premium Fraud	2 Years DEOJ, Provide proof of WC and EDD taxes Restitution to SCIF paid in full.	\$0	\$11,312	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
17CR021995	Alameda	Veliz, Carlos	Premium Fraud	1 day(s) jail; 36 month(s) probation; Restitution TBD at a later date	\$0	\$0	\$0
19CR28728	Amador	Meza, Ramiro	Uninsured Employer	36 month(s) probation;	\$0	\$2,200	\$0
4006857	Amador	Moreno, Sergio	Claimant Fraud	36 month(s) probation; 20 hour(s) community service;	\$0	\$4,724	\$0
18f7290	Amador	Rinauro, Christopher Lance	Premium Fraud	36 month(s) probation; 120 hour(s) community service; Rest TBD	\$0	\$0	\$0
4005965	Amador	Rios, Trinidad M.	Claimant Fraud	36 month(s) probation;	\$0	\$2,500	\$0
18CR27502	Amador	Romero, Gilberto	Uninsured Employer	36 month(s) probation; Rest TBD	\$0	\$0	\$220
CR19009113	Amador	Sanchez, Jose Perez	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$1,000
CR19002202	Amador	Singh, Gurmail	Claimant Fraud	36 month(s) probation;	\$0	\$3,200	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
4002176	Amador	Zendejas, Michael Yeshua	Claimant Fraud	36 month(s) probation; 180 hour(s) community service; 9mo. program	\$0	\$944,719	\$0
130897757	Contra Costa	Fisiiahi, Sione	Uninsured Employer	120 day(s) jail; 36 month(s) probation;	\$0	\$6,750	\$10,000
130983758	Contra Costa	Gijon, Luis	Uninsured Employer	60 day(s) jail; 36 month(s) probation;	\$0	\$0	\$0
130970813	Contra Costa	Gutierrez, Francisco	Claimant Fraud	36 month(s) probation; 100 hour(s) community service;	\$0	\$18,591	\$0
130914248	Contra Costa	Howard, Richard	Premium Fraud	24 month(s) probation;	\$246,238	\$82,003	\$1,000
130970807	Contra Costa	Knudtson, Douglas	Uninsured Employer	30 day(s) jail; 36 month(s) probation;	\$0	\$23,350	\$0
130918700	Contra Costa	Martinez, Hector	Uninsured Employer	45 day(s) jail; 3 month(s) probation;	\$0	\$24,903	\$0
130012739	Contra Costa	Publico, Rommel	Premium Fraud	90 day(s) jail; 60 month(s) probation;	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
130965722	Contra Costa	Torres, Jesus	Uninsured Employer	12 month(s) probation; 20 hour(s) community service;	\$0	\$0	\$0
130914248	Contra Costa	Yeon, Kyung Lim	Premium Fraud	90 day(s) jail; 60 month(s) probation;	\$246,238	\$82,003	\$20,000
P17CRF0048	El Dorado	Adrian, Jennifer	Uninsured Employer	90 day(s) jail; 48 month(s) probation;	\$0	\$4,000	\$500
P19CRM0776	El Dorado	Edkhardt, James / Maximum Lawn and Tree Service	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$1,000
S18CRM0299	El Dorado	Sardeson, Douglas Neal / Custom Concrete	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
S18CRM0298	El Dorado	Williams, James Raymond	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$150
F14905405	Fresno	Alexander, Travis Jay	Premium Fraud	90 day(s) jail; 60 month(s) probation;	\$0	\$131,802	\$0
M19928170	Fresno	Galvan, Luis P	Uninsured Employer	Sentencing set for 04/14/2021 D ordered to pay \$1,000 to CDI WC Fraud Account	\$0	\$1,000	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M18920282	Fresno	Garcia, Jose Mejia	Uninsured Employer	Sentence not Documented	\$0	\$500	\$0
F10901296	Fresno	Khosa, Balbir	Claimant Fraud	2 day(s) jail; 1 month(s) probation;	\$0	\$0	\$0
F179076718	Fresno	Lopez, Cesario	Claimant Fraud	Sentence not Documented	\$0	\$3,262	\$0
F19900899	Fresno	Mata, Teddy Anthony	Claimant Fraud	30 day(s) jail; 24 month(s) probation;	\$0	\$4,029	\$0
M18925830	Fresno	Negrete, Ricardo	Uninsured Employer	Sentencing date 09/23/2020	\$0	\$0	\$0
F16901297	Fresno	Ordonez, Julio Francisco	Claimant Fraud	Sentence not Documented	\$0	\$0	\$500
F17901942	Fresno	Perez, Javier	Claimant Fraud	1 day(s) jail; Pay restitution to Zenith Insurance in the amount of \$5,722	\$0	\$0	\$0
F189045741	Fresno	Perez, Natalie Monique	Claimant Fraud	Pay restitution of Zenith Insurance in amount of \$1,863.00	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
CR1903726	Humboldt	Arellano, Joseph	Claimant Fraud	60 day(s) jail; 24 month(s) probation; Not to Own/Possess Weapons/Firearms	\$0	\$0	\$970
CR1904190	Humboldt	Garcia Ambrocio, Dagoberto	Uninsured Employer	18 Months Deferred Entry of Judgment, 6 month review of DEJ 08/26/20, Pay \$500 to California Department of Insurance and continue to maintain worker's comp insurance.	\$0	\$500	\$0
JCF002731	Imperial	Grivanos, George/Imperial Irrigation District	Claimant Fraud	10 day(s) jail; 36 month(s) probation; 4th Amendment Waiver	\$0	\$18,000	\$0
JCF00319	Imperial	Torres, Adan/T & T Pools	Claimant Fraud	2 day(s) jail; 36 month(s) probation;	\$0	\$25,000	\$0
BM930932A	Kern	Achorn, Robert	Uninsured Employer	36 month(s) probation; 150 hour(s) community service;	\$0	\$0	\$150

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BM946217A	Kern	Campos, Amador	Uninsured Employer	36 month(s) probation; 350 hour(s) community service;	\$0	\$0	\$2,000
BM937698A	Kern	Canedo, Juan	Uninsured Employer	36 month(s) probation; 240 hour(s) community service;	\$0	\$0	\$150
BM946211A	Kern	Choate, Tony	Uninsured Employer	36 month(s) probation; 250 hour(s) community service;	\$0	\$0	\$570
BM946381A	Kern	Guillen, Luis Enrique Diaz	Uninsured Employer	36 month(s) probation; 150 hour(s) community service;	\$0	\$0	\$570
BM937698B	Kern	Haro-Soto, Olga	Uninsured Employer	36 month(s) probation; 240 hour(s) community service;	\$0	\$0	\$150
BM914263A	Kern	Huerta, Cesar	Uninsured Employer	36 month(s) probation; 150 hour(s) community service;	\$0	\$0	\$570
BM929566A	Kern	Lutrell, Derrick	Uninsured Employer	10 day(s) jail; 36 month(s) probation;	\$0	\$0	\$2,175

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BM944709A	Kern	McCullah, David	Uninsured Employer	36 month(s) probation; 250 hour(s) community service;	\$0	\$0	\$765
BF176338A	Kern	Perez-Leyva, Jesus	Claimant Fraud	180 day(s) jail; 36 month(s) probation;	\$0	\$24,433	\$370
BF141700E	Kern	Pierce II, Dolphus Dwayne/P & R Medical	Multiple Entities Provider Fraud	365 day(s) jail; 60 month(s) probation;	\$0	\$770,421	\$741
BM928492A	Kern	Robles, Edwin	Uninsured Employer	36 month(s) probation; 240 hour(s) community service;	\$0	\$0	\$140
BF172738A	Kern	Williford, Bill Ray/Pumping for Less	Premium Fraud	36 month(s) probation;	\$0	\$9,756	\$570
122426	Kings	Belvail, Ronald Warren	Insider Fraud	36 month(s) probation;	\$0	\$0	\$10,570
101119	Kings	Castro, Marco Polo	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$22,988	\$10,000
106110	Kings	Garcia, Noe Gonzales	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$10,000

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
101983	Kings	Gutierrez III, Raymond Alvarado	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$0	\$10,220
116567	Kings	Tahhan, Jouzeph	Claimant Fraud	36 month(s) probation; 40 hour(s) community service;	\$0	\$0	\$10,000
BA468650	Los Angeles	Antin, Shawn Marc	Premium Fraud	24 month(s) probation; 100 hour(s) community service;	\$0	\$263,817	\$0
BA466267	Los Angeles	Bombardini, Morella	Claimant Fraud	40 hour(s) community service;	\$0	\$11,274	\$0
BA475414	Los Angeles	Cosio, Gabriel Jaramillo	Claimant Fraud	24 month(s) probation; 50 hour(s) community service;	\$0	\$987	\$0
BA467112	Los Angeles	Danialian, Houshang	Premium Fraud	12 month(s) probation; 65 hour(s) community service;	\$0	\$27,065	\$0
BA456110	Los Angeles	Del Cid, Julio	Claimant Fraud	24 month(s) probation; 200 hour(s) community service;	\$0	\$56,357	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BA467042	Los Angeles	Dimas, Martin	Claimant Fraud	36 month(s) probation; 40 hour(s) community service;	\$0	\$12,772	\$0
BA466694	Los Angeles	Douglas, Raven Simone	Claimant Fraud	36 month(s) probation; 50 hour(s) community service;	\$0	\$7,532	\$0
BA445590	Los Angeles	Georgiou, Costas	Premium Fraud	1 day(s) jail;	\$0	\$585,509	\$0
BA464216	Los Angeles	Gordon, Jason	Claimant Fraud	36 month(s) probation; 300 hour(s) community service;	\$0	\$12,048	\$0
BA455473	Los Angeles	Groscost, Yolanda	Multiple Entities Provider Fraud	36 month(s) prison;	\$0	\$50,000	\$0
BA455735	Los Angeles	Huitron, Santiago	Claimant Fraud	36 month(s) probation; 200 hour(s) community service;	\$0	\$12,471	\$0
BA466946	Los Angeles	Isias, Enoc	Claimant Fraud	12 month(s) probation; 100 hour(s) community service;	\$0	\$14,697	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BA467153	Los Angeles	Kirakosyan, Rafik	Premium Fraud	36 month(s) probation; 400 hour(s) community service;	\$0	\$19,665	\$0
BA466361	Los Angeles	Kohen, Ishay	Premium Fraud	24 month(s) probation;	\$0	\$174,965	\$0
BA470583	Los Angeles	Krasnoff, Brian	Other	36 month(s) prison; 200 month(s) probation;	\$0	\$0	\$0
BA476836	Los Angeles	Landa-Velazquez, Ignacio	Claimant Fraud	36 month(s) probation; 100 hour(s) community service;	\$0	\$0	\$0
9AM00277	Los Angeles	Lieu, Moc Sang	Claimant Fraud	4 month(s) probation;	\$0	\$0	\$4,000
BA475552	Los Angeles	Martinez, Angel Rodriguez	Claimant Fraud	36 month(s) probation; 200 hour(s) community service;	\$0	\$19,687	\$0
BA456426	Los Angeles	Morales, Jose	Claimant Fraud	36 month(s) probation; 100 hour(s) community service;	\$0	\$9,000	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BA467189	Los Angeles	Nolasco-Martinez, Ernesto Henrique	Claimant Fraud	24 month(s) probation; 200 hour(s) community service;	\$0	\$2,500	\$0
BA467001	Los Angeles	Perez, Joanna	Claimant Fraud	36 month(s) probation; 200 hour(s) community service;	\$0	\$90,275	\$0
BA464228	Los Angeles	Pulley, Gerald Ray	Claimant Fraud	12 month(s) probation; 50 hour(s) community service;	\$0	\$3,491	\$0
BA477835	Los Angeles	Ravel, Paul	Claimant Fraud	36 month(s) probation; 200 hour(s) community service;	\$0	\$10,238	\$0
BA456276	Los Angeles	Raygoza, Alfonso	Single Entity Provider Fraud	24 month(s) probation; 100 hour(s) community service;	\$0	\$6,000	\$0
BA466901	Los Angeles	Rea, Christina	Claimant Fraud	6 month(s) probation; 50 hour(s) community service;	\$0	\$18,097	\$0
BA441867	Los Angeles	Regal, Thomas J	Claimant Fraud	24 month(s) probation; 200 hour(s) community service;	\$0	\$6,000	\$0

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CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BA467167	Los Angeles	Rizk, Boules Naguib	Claimant Fraud	1 day(s) jail; 24 month(s) probation;	\$0	\$0	\$0
BA475400	Los Angeles	Rojas, Miguel	Claimant Fraud	1095 day(s) jail;	\$0	\$7,233	\$0
BA433412	Los Angeles	Roosbeh, Alireza	Premium Fraud	400 hour(s) community service;	\$0	\$685,526	\$0
BA470583	Los Angeles	Russum, Lori	Other	24 month(s) probation;	\$0	\$0	\$0
BA467110	Los Angeles	Salazar, Maria	Claimant Fraud	36 month(s) probation; 200 hour(s) community service;	\$0	\$5,000	\$0
BA476642	Los Angeles	Scott, Michael	Claimant Fraud	10 day(s) jail; 36 month(s) probation; 200 hour(s) community service;	\$0	\$8,009	\$0
BA466579	Los Angeles	Shalenko, Andrew	Premium Fraud	24 month(s) probation; 200 hour(s) community service;	\$0	\$22,979	\$0
BA445815	Los Angeles	Smith, Yvonne Monika	Claimant Fraud	24 month(s) probation; 240 hour(s) community service;	\$0	\$128,023	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BA465769	Los Angeles	Soria, Luis Armando	Premium Fraud	4 day(s) jail; 24 month(s) probation; 200 hour(s) community service;	\$0	\$18,235	\$0
BA456262	Los Angeles	Tepper, Gil / Miracle Mile Medical Center	Single Entity Provider Fraud	12 month(s) probation; 300 hour(s) community service;	\$5,633,306	\$1,877,769	\$0
BA476820	Los Angeles	Walsh, Martin Anthony	Premium Fraud	365 day(s) jail; 400 hour(s) community service;	\$0	\$230,272	\$0
SC208381A	Marin	Allen, Corinne Elizabeth / Wildflowers RCFE and Wildflowers II RCFE	Premium Fraud	29 day(s) jail; 36 month(s) probation; 200 hour(s) community service;	\$0	\$16,895	\$3,280
CR204293A	Marin	Lane, Kevin John / Lanes Tractor Service	Uninsured Employer	9 day(s) jail; 36 month(s) probation; Maintain workers comp insurance; no contracting without a license;	\$0	\$13,185	\$1,565

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
SC209336A	Marin	Lopez, Anibal	Claimant Fraud	30 day(s) jail; 36 month(s) probation; 100 hour(s) community service; search and seizure	\$0	\$55,860	\$3,390
CR210808A	Marin	Marden, Charlie Gerard / Lighthouse Construction Services, Inc.	Uninsured Employer	24 month(s) probation; No cash pay, disclose job sites and employees upon request.	\$0	\$0	\$2,500
19CR-01921	Merced	Cruz, Erick Hurtado	Uninsured Employer	24 month(s) probation;	\$0	\$0	\$648
19-0070	Monterey	Coopersmith, Raymond	Uninsured Employer	24 month(s) probation;	\$0	\$3,220	\$3,220
17-0025	Monterey	Czirban, Ian Nathaniel / Czirban Concrete Construction	Uninsured Employer	300 day(s) jail; 36 month(s) probation;	\$0	\$1,050	\$21,330
20-0005	Monterey	Diaz, Juan	Uninsured Employer	5 day(s) jail; 36 month(s) probation;	\$0	\$150	\$1,290
17-0064	Monterey	Hernandez, Fernando / Tacos Acambaro	Uninsured Employer	358 day(s) jail; 60 month(s) probation;	\$0	\$300	\$2,000

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
16-0064	Monterey	Hernandez, Hector / Hernandez Roofing	Premium Fraud	129 day(s) jail; 60 month(s) probation;	\$0	\$159,059	\$21,330
18-0104	Monterey	Hernandez, Ivan / Premium Packing, Inc.	Claimant Fraud	120 day(s) jail; 36 month(s) probation;	\$0	\$36,277	\$300
19-0019	Monterey	Luna, Victor	Uninsured Employer	4 day(s) jail; 36 month(s) probation;	\$0	\$150	\$2,000
18-0111	Monterey	Munoz Sanchez, Jose	Claimant Fraud	36 month(s) probation;	\$0	\$150	\$1,000
19-0050	Monterey	Perez, Jose Alberto Garcia / AGP Concrete	Uninsured Employer	36 month(s) probation;	\$0	\$150	\$2,000
20-0017	Monterey	Silva, Isaias / Isaias Gardening & Handling Services	Uninsured Employer	36 month(s) probation;	\$0	\$150	\$250
18-0041	Monterey	Telford, John / John Telford the Handy Man	Uninsured Employer	90 day(s) jail; 36 month(s) probation;	\$0	\$150	\$1,000
19-0056	Monterey	Villafranca, Anthony / Bayside Nursery	Premium Fraud	45 day(s) jail; 36 month(s) probation;	\$0	\$9,994	\$560
19CR003641	Napa	Lagau, Michael / Bin 415 LLC	Uninsured Employer	Deferred Entry of Judgment	\$0	\$0	\$50

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
20CR000192	Napa	Mitchell, Marcus / Napa Valley Chauffers	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$0	\$220
18CR002000	Napa	Naranjo, Jose Maria / Custom Made Iron Works	Uninsured Employer	1 day(s) jail; 36 month(s) probation; 40 hour(s) community service;	\$0	\$0	\$220
18CR002099	Napa	Sanchez, Angelica Marie	Claimant Fraud	1 day(s) jail; 36 month(s) probation; 20 hour(s) community service;	\$0	\$8,430	\$220
19CR003345	Napa	Tapia, Isidro / Tapia & Garcia Home & Yard Services	Uninsured Employer	36 month(s) probation; 120 hour(s) community service;	\$0	\$0	\$220
19CR002557	Napa	Volovnikov, Victor / Corpex Chauffeured Services LLC	Uninsured Employer	Sentence not Documented	\$0	\$0	\$220
20CR001168	Napa	Yuan, Xing / Bay Area Luxury Limo	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$0	\$220
18CF1053	Orange	Arafat, Dina / Smart Tech Group Inc	Premium Fraud	Sentencing continued to 03/23/20.	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
16CF0673	Orange	Arellano, Rogelio	Claimant Fraud	60 day(s) jail; 25 month(s) probation; This is a probation violation. Probation extended to 01/12/22.	\$0	\$0	\$0
17CF0815	Orange	Bonner, Charles / Monarch Medical	Multiple Entities Provider Fraud	36 month(s) probation; 120 hour(s) community service;	\$0	\$450,000	\$150
19WM18826	Orange	Cao, Calvin / Gold Star Liquor	Uninsured Employer	36 month(s) probation; Of the \$10,000 fine ordered, \$6,000 is stayed as long as defendant does not violate his probation.	\$0	\$0	\$10,150
16CF1352	Orange	Capen, Daniel / Landmark	Multiple Entities Provider Fraud	730 day(s) jail; Jail sentence can be served concurrent with defendant's federal case.	\$0	\$2,000,000	\$300
14ZF0334	Orange	Curnick, Bruce / Landmark	Multiple Entities Provider Fraud	Sentencing continued to 12/11/20.	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
18CF1053	Orange	Deaifi, Jamal / Smart Tech Group Inc	Premium Fraud	Sentencing continued to 03/23/20.	\$0	\$0	\$0
15CF2382	Orange	Dee, Ronald / Venetian Stoneworks	Premium Fraud	60 month(s) probation; Def. Ronald Dee and Def. Pamela Quast are jointly to pay \$1,122,100.05. Restitution has been paid in full.	\$0	\$1,122,100	\$150
19CF0538	Orange	Garcia, Manuel	Claimant Fraud	2 day(s) jail; 24 month(s) probation; 100 hour(s) community service; Hearing held on 06/08/20. Defendant appeared. Bench warrant withdrawn.	\$0	\$0	\$1,650
19CF3372	Orange	Groth, Robert Ernest / Jason Wolcott Insurance Services	Insider Fraud	36 month(s) probation;	\$0	\$1,700	\$5,300
18CM11521	Orange	Kim, Peter Woo Sik / Bristol Express Car Wash LLC	Uninsured Employer	36 month(s) probation; 60 hour(s) community service;	\$0	\$0	\$10,150

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
17CF0802	Orange	King, Tanya / Monarch Medical	Multiple Entities Provider Fraud	Sentencing continued to 07/29/20.	\$0	\$0	\$0
18CF3484	Orange	Martinez, Juan	Claimant Fraud	Sentencing is set for 02/01/2021.	\$0	\$0	\$0
17CF0815	Orange	Miller, Mervyn / Monarch Medical	Multiple Entities Provider Fraud	24 month(s) probation; 120 hour(s) community service;	\$0	\$200,000	\$150
19CM07249	Orange	Parmer, Dinesh Pragji / Granada Liquor	Uninsured Employer	36 month(s) probation; Restitution stayed pending defendant's completion of probation.	\$0	\$10,000	\$150
15CF2382	Orange	Quast, Pamela / Venetian Stoneworks	Premium Fraud	60 month(s) probation; Def. Ronald Dee and Def. Pamela Quast are jointly to pay \$1,122,100.05. This amount is found under Def. Dee's section.	\$0	\$0	\$150

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
RIF1990023	Riverside	Amodeo, Kenneth	Multiple Entities Provider Fraud	364 day(s) jail; 48 month(s) probation;	\$0	\$13,545	\$300
RIF1990023	Riverside	Bernal, Rosa	Multiple Entities Provider Fraud	36 month(s) prison;	\$0	\$1,321	\$300
SWF1800163	Riverside	Daffin, Laron	Claimant Fraud	90 day(s) jail; 36 month(s) probation; IC 11880(a) dismissed; Restitution TBD	\$0	\$0	\$0
RIF1900209	Riverside	Gonzalez, Sergio Salazar	Claimant Fraud	90 day(s) jail; 36 month(s) probation;	\$0	\$686	\$300
RIF1900572	Riverside	Guardado, Ashley	Claimant Fraud	90 day(s) jail; 36 month(s) probation;	\$0	\$44,415	\$300
RIF1801141	Riverside	Haverstick, Tomasa	Claimant Fraud	150 day(s) jail; 36 month(s) probation;	\$0	\$19,864	\$300
RIF1900367	Riverside	Huezo, Robert	Claimant Fraud	120 day(s) jail; 36 month(s) probation;	\$0	\$25,526	\$300

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
INF1801561	Riverside	Lopez, Pedro Mendez	Claimant Fraud	180 day(s) jail; 36 month(s) probation;	\$0	\$25,905	\$300
RIM1618570	Riverside	Sander, Gary	Uninsured Employer	25 day(s) jail; restitution & fine TBD	\$0	\$0	\$0
RIF1990023	Riverside	Sandoval, Hector	Multiple Entities Provider Fraud	14 month(s) prison;	\$0	\$10,711	\$300
RIM1812185	Riverside	Solis Morales, Louis Fernando	Uninsured Employer	30 day(s) jail; 36 month(s) probation;	\$0	\$0	\$2,000
RIF1670175	Riverside	Solis, Ana	Multiple Entities Provider Fraud	270 day(s) jail; 36 month(s) probation;	\$0	\$0	\$300
RIF1701031	Riverside	Torres, David	Premium Fraud	120 day(s) jail; 36 month(s) probation;	\$0	\$0	\$300
RIF1800283	Riverside	Vega, Agustin	Claimant Fraud	80 day(s) jail; 36 month(s) probation;	\$0	\$8,304	\$300
19MI008510	Sacramento	Feshchenko, Sergey / Sergeys Tile	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$150
17MI018047	Sacramento	Hatchett, Brian	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$1,500

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
19MI020196	Sacramento	Henderson, Robert	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$500
17FE006700	Sacramento	Kavanaugh, Carol Anne	Claimant Fraud	90 day(s) jail; 36 month(s) probation; 90 days in county jail stayed pending completion of the time via private Home Detention program in San Joaquin Co. Victim restitution ordered, but can also set for a restitution hearing on 6/8/20	\$0	\$32,427	\$150
19FE008790	Sacramento	Miller, Mitchell Eugene	Claimant Fraud	1 day(s) jail; 36 month(s) probation;	\$0	\$2,743	\$150
19MI002453	Sacramento	Pineda, Leodegario	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$750
19MI008744	Sacramento	Rodriguez, Victor	Uninsured Employer	36 month(s) probation; NOTE: Paid fine in full on day of the plea (Clerk Receipt # 343386)	\$0	\$0	\$724

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
19FE012824	Sacramento	Salazar, Renee	Claimant Fraud	10 day(s) jail; 36 month(s) probation; Can serve jail time via SWP if accepted	\$0	\$14,107	\$150
19FE004289	Sacramento	Sampley, Balbir	Claimant Fraud	1 day(s) jail; 36 month(s) probation; \$5000 in victim restitution was paid in full at the time of the plea, so no restitution was ordered.	\$0	\$0	\$150
17MI022953	Sacramento	Vallejo, Juan	Uninsured Employer	5 day(s) jail; 36 month(s) probation;	\$0	\$0	\$650
19MI002454	Sacramento	Waltman, Clint Jared	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$1,500
19FE002950	Sacramento	White, David Shain	Claimant Fraud	30 day(s) jail; 36 month(s) probation; Def paid back \$5,544 to V (Berkshire Hathaway) pre-plea. DDA Forrest confirmed that with V prior to dispo	\$0	\$0	\$150

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
2017-23948	San Bernardino	Amodeo, Kenneth / Blue Oak Medical Group	Single Entity Provider Fraud	364 day(s) jail; 48 month(s) probation;	\$0	\$13,545	\$3,258
2017-23948	San Bernardino	Bernal, Rosa / Blue Oak Medical Group	Single Entity Provider Fraud	45 month(s) probation;	\$0	\$1,321	\$3,943
2015-30188	San Bernardino	DeLeon, Elena	Claimant Fraud	1 day(s) jail; 36 month(s) probation;	\$0	\$13,447	\$1,452
2019-36942	San Bernardino	Donnan, Lowell James / Lowell Donnan's Handyman Repair	Uninsured Employer	1 day(s) jail; 12 month(s) probation;	\$0	\$400	\$265
2018-26816	San Bernardino	Finch, Shannon Travis / Construction 42576 Falcon Ace, Big Bear Lake	Uninsured Employer	36 month(s) probation;	\$0	\$400	\$1,000
2014-1823	San Bernardino	Johnson, LaTonja	Claimant Fraud	60 month(s) prison;	\$0	\$114,639	\$0
2019-2925	San Bernardino	Lopez, Ernesto Cervantes / Ernie's Masonry	Uninsured Employer	1 day(s) jail; 12 month(s) probation;	\$0	\$0	\$235
2019-32466	San Bernardino	Lorenzen, Justin Charles	Uninsured Employer	24 month(s) probation;	\$0	\$0	\$715

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
2019-10095	San Bernardino	Palei Jr., Mosaati	Uninsured Employer	36 month(s) probation;	\$0	\$1,400	\$150
2019-12597	San Bernardino	Palei Sr., Mosaati	Uninsured Employer	36 month(s) probation;	\$0	\$1,400	\$150
2019-17378	San Bernardino	Paulk, Janice	Claimant Fraud	180 day(s) jail; 36 month(s) probation;	\$0	\$0	\$25
2018-10335	San Bernardino	Rivera, Nieto Agustin	Uninsured Employer	Sentence not Documented	\$0	\$0	\$795
2017-23948	San Bernardino	Sandoval, Hector / Blue Oak Medical Group	Single Entity Provider Fraud	58 month(s) probation;	\$0	\$10,711	\$4,122
2018-3476	San Bernardino	Saucedo, Rudy	Claimant Fraud	1 day(s) jail; 36 month(s) probation;	\$0	\$0	\$0
M095222	San Diego	ALBANEZ, RAUL ARTHUR	Uninsured Employer	1 day(s) jail; 24 month(s) probation;	\$0	\$500	\$249
M095188	San Diego	Armstrong, Scott S	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$4,000	\$249
AEK656	San Diego	Aseph, John D	Other	365 day(s) jail; 36 month(s) probation; Co-conspirator-WC Cert forgery	\$0	\$6,130	\$671

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M095147	San Diego	Avalos, Wencelaus	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
M095243	San Diego	Bibiano, Gilberto	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
AEM369	San Diego	Boesen, Sarah Rachel	Claimant Fraud	1 day(s) jail; 36 month(s) probation;	\$0	\$3,400	\$0
M095248	San Diego	Bowman, Jason Paul	Uninsured Employer	Inv. for LC3700.5(a)	\$0	\$0	\$100
AEM077	San Diego	Bright, Kenneth Edward	Premium Fraud	270 day(s) jail; 36 month(s) probation; Rest. Joint & Several w/co def	\$0	\$0	\$0
18CR3057BA	San Diego	Candelario, Jose	Multiple Entities Provider Fraud	Sentence not Documented	\$0	\$0	\$0
AEM366	San Diego	Candelario, Jose Zavala	Multiple Entities Provider Fraud	Sentence not Documented	\$0	\$0	\$0
M095215	San Diego	Chilson, Shanon Thomas	Uninsured Employer	Sentence not Documented	\$0	\$0	\$107
M095214	San Diego	Chu, Paul Soon	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M095251	San Diego	Davis, Gordon Paul	Uninsured Employer	Inv. for LC3700.5(a)	\$0	\$0	\$239
AEM307	San Diego	Delgado, Darren Leo	Premium Fraud	1 day(s) jail; 36 month(s) probation;	\$0	\$30,000	\$220
AEI109	San Diego	Dinh, Hoa Van	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$2,600	\$318
M095207	San Diego	Encabo, Benito Ramirez	Uninsured Employer	1 day(s) jail; 24 month(s) probation;	\$0	\$2,000	\$249
M095209	San Diego	Engle, Clint Donovan	Uninsured Employer	1 day(s) jail; 24 month(s) probation;	\$0	\$500	\$245
M095209	San Diego	Engle, Wendy Lorene	Uninsured Employer	Sentence not Documented	\$0	\$0	\$107
C380273	San Diego	Farrera, Volta	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
M095257	San Diego	Farrera, Volta	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
M095242	San Diego	Fernandes, Diego Birkhan	Uninsured Employer	Inv for LC3700.5(a)	\$0	\$0	\$107
M095194	San Diego	Flores, Carlos	Uninsured Employer	Sentence not Documented	\$0	\$0	\$239
M095260	San Diego	Franczyk, Keith A	Uninsured Employer	Inv for LC3700.5(a)	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M095241	San Diego	Garcia, Sipriano Nava	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$1,750	\$0
AEM077	San Diego	Gaskin, Sheryl Lynn	Premium Fraud	180 day(s) jail; 36 month(s) probation; Rest. Joint & Several w/codef	\$0	\$15,290	\$0
M095247	San Diego	Gasparfrancisco, Francisco	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$2,250	\$245
M095231	San Diego	Ghasemi, Mohammadhossein	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$2,250	\$0
AEM932	San Diego	Giddings, Paul	Premium Fraud	Sentence not Documented	\$0	\$0	\$0
AEM308	San Diego	Gonzales, Manuel	Premium Fraud	1 day(s) jail; 36 month(s) probation;	\$0	\$13,677	\$0
M095263	San Diego	Gonzalez, Robert A	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$1,200	\$0
M095274	San Diego	Guerrero, Rosalio	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
M095154	San Diego	Guerrero, Zabdiel Joab	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$51,500	\$245

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M095202	San Diego	Hernandez, Pedro Ortega	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$1,500	\$0
AEL993	San Diego	Hill, Teresa M	Claimant Fraud	90 day(s) jail; 36 month(s) probation;	\$0	\$10,577	\$0
M095229	San Diego	Hindle, Gage Knight	Uninsured Employer	1 day(s) jail; 24 month(s) probation;	\$0	\$500	\$854
M095233	San Diego	Ibrahim, Walid Moustafa	Uninsured Employer	Sentence not Documented	\$0	\$0	\$107
M095171	San Diego	Jackson, Carmen	Uninsured Employer	Sentence not Documented	\$0	\$0	\$250
M095201	San Diego	Jaynes, Michael Alan	Uninsured Employer	Sentence not Documented	\$0	\$0	\$250
M095254	San Diego	Juan, Gaspar Andres	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
AEK684	San Diego	Lopez, Josafat Sanchez	Uninsured Employer	1 day(s) jail; 36 month(s) probation; 40 hour(s) community service;	\$0	\$500	\$300
C380249	San Diego	Lopez, Juan Ramon	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
C380249	San Diego	Lopez, Ramon	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$1,000	\$249
M095254	San Diego	Mateo, Eduardo Alvarado	Uninsured Employer	Sentence not Documented	\$0	\$0	\$107
15CR2822	San Diego	Mathis, Lee	Multiple Entities Provider Fraud	14 month(s) prison;	\$0	\$35,385	\$150,000
M095236	San Diego	Mcintosh, Christopher Brandon	Uninsured Employer	Inv for LC3700.5(a)	\$0	\$0	\$107
AEM318	San Diego	Mitchell, Robert Alexander	Claimant Fraud	36 month(s) probation; 80 hour(s) community service;	\$0	\$17,869	\$0
AEM914	San Diego	Morales, David Cruz	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$4,500	\$190
M095166	San Diego	Morales, David Cruz	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$2,000	\$120
AEM317	San Diego	Morningstar, Marc	Uninsured Employer	60 month(s) prison; Sent. 7/29/19	\$0	\$15,263	\$0
M095245	San Diego	Munoz, Esteban Alexis	Uninsured Employer	Inv for LC3700.5(a)	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M095184	San Diego	Naff, Samuel Raymond	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$750	\$299
AEM015	San Diego	Nekrasov, Vladislav V	Uninsured Employer	36 month(s) probation; 40 hour(s) community service;	\$0	\$2,000	\$0
AEM164	San Diego	Nguyen, Danh Huu	Premium Fraud	36 month(s) probation; rest tbd	\$0	\$0	\$0
AEL830	San Diego	Nourmohammadi, Ali	Premium Fraud	36 month(s) probation;	\$0	\$131,633	\$0
M095234	San Diego	Palacios, Cesar E	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$1,500	\$249
M095220	San Diego	Palmer, Michael Vincent	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$1,000	\$249
M095196	San Diego	Paz, Julio Cesar	Uninsured Employer	1 day(s) jail;	\$0	\$0	\$107
AEM348	San Diego	Quito, Bertina	Claimant Fraud	36 month(s) probation;	\$0	\$1,747	\$0
M095178	San Diego	Ramirez, Felipe Manuel	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
M095288	San Diego	Reyes, Javier	Uninsured Employer	18 month(s) probation;	\$0	\$500	\$239

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M095183	San Diego	Rodriguez, Manuelito Baylen	Uninsured Employer	Sentence not Documented	\$0	\$0	\$107
M095183	San Diego	Rodriguez, Paz Callejas	Uninsured Employer	Sentence not Documented	\$0	\$0	\$107
M094966	San Diego	Rogers, Mark	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$1,000	\$245
AEM001	San Diego	Rose, Desmond James	Claimant Fraud	1 day(s) jail; 36 month(s) probation;	\$0	\$20,000	\$0
AEL830	San Diego	Samandari, Gholam Reza	Premium Fraud	Sentence not Documented	\$0	\$0	\$0
M095239	San Diego	Santiago, Mario Juan	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
19CR3006	San Diego	Schmuel, Schlomo	Multiple Entities Provider Fraud	Sentence not Documented	\$0	\$0	\$0
AEL959	San Diego	Schmuel, Schlomo	Multiple Entities Provider Fraud	Sentence not Documented	\$0	\$0	\$0
M095272	San Diego	Segura, Gustavo	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
AEE208	San Diego	Stepaniuk, Stephen	Multiple Entities Provider Fraud	Sentence not Documented	\$0	\$0	\$0
AEM371	San Diego	Stepaniuk, Stephen	Multiple Entities Provider Fraud	Sentence not Documented	\$0	\$0	\$0
M095268	San Diego	Suarez, Israel	Uninsured Employer	1 day(s) jail; 18 month(s) probation;	\$0	\$250	\$239
AEM273	San Diego	Tapia, Maria Hernandez	Claimant Fraud	36 month(s) probation;	\$0	\$2,628	\$0
M095163	San Diego	Toby, Revar Adnan	Uninsured Employer	Sentence not Documented	\$0	\$0	\$107
M095238	San Diego	Tovar, Adan Rodriguez	Uninsured Employer	1 day(s) jail; 24 month(s) probation;	\$0	\$1,250	\$0
M095240	San Diego	Tovar, Gilberto	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$2,000	\$249
M095186	San Diego	Tripoli, Umberto	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$1,500	\$277
M095161	San Diego	Umana, Melquis Aguilar	Uninsured Employer	Sentence not Documented	\$0	\$1,500	\$145

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
AEO466	San Diego	Uribe, Hector	Uninsured Employer	1 day(s) jail; 36 month(s) probation; Inv for LC3700.5(a)	\$0	\$1,400	\$0
M095244	San Diego	Valdez, Omar	Uninsured Employer	1 day(s) jail; 24 month(s) probation;	\$0	\$750	\$0
M095212	San Diego	Varga, Alex	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
AEN077	San Diego	Vu, Tuan Minh	Uninsured Employer	120 day(s) jail; 36 month(s) probation;	\$0	\$0	\$0
AEM203	San Diego	Watkins, Myishia Anionette	Claimant Fraud	180 day(s) jail; 36 month(s) probation;	\$0	\$30,975	\$0
M095252	San Diego	Wicht, Aaron Ryan	Uninsured Employer	Inv for LC3700.5(a)	\$0	\$0	\$0
M095282	San Diego	Zamaya, Joel M	Uninsured Employer	1 day(s) jail; 18 month(s) probation;	\$0	\$500	\$239
ADT984	San Diego	Zhang, Zihan	Premium Fraud	28 day(s) jail; 12 month(s) probation; Case began as Prem. Fraud	\$0	\$19,753	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
19003136	San Francisco	Jackson, Hasani	Uninsured Employer	2 day(s) jail; 24 month(s) probation;	\$0	\$1,200	\$0
2017-16033	San Joaquin	Atencio, David / Star Staffing	Claimant Fraud	120 day(s) jail; 36 month(s) probation; Filing date used as arrest date as he was never booked.	\$0	\$15,859	\$235
2016-2635	San Joaquin	Bommarito, Devra	Single Entity Provider Fraud	36 month(s) probation;	\$0	\$41,800	\$0
2017-0876	San Joaquin	Garcia, Kimberly / CDCR	Claimant Fraud	36 month(s) probation; Filing date used as arrest date as she was never booked.	\$0	\$0	\$235
2018-7873	San Joaquin	Mendoza, Jose / Garcia Olive Company, LLC	Claimant Fraud	36 month(s) probation; Filing date used as arrest date as he was never booked.	\$0	\$9,500	\$250
19NF008948	San Mateo	Bruce, Lindsey / Avenue Staging	Other	24 month(s) probation;	\$0	\$0	\$235
19SM004323	San Mateo	Castelen, David	Uninsured Employer	18 month(s) prison;	\$0	\$0	\$2,200

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
19NF004046	San Mateo	Hernandez-Coronado, Juan Bernardo	Uninsured Employer	24 month(s) probation;	\$0	\$6,053	\$1,017
19NM013526	San Mateo	Nguyen, Vu Xuan	Uninsured Employer	18 month(s) probation;	\$0	\$0	\$1,000
18NM002262	San Mateo	Panameno, Jose / J&J Landscaping	Claimant Fraud	18 month(s) probation;	\$0	\$6,510	\$0
18NF009704	San Mateo	Rossi, Ricardo	Claimant Fraud	60 day(s) jail; 36 month(s) probation;	\$0	\$60,000	\$0
19NF003236	San Mateo	Williams, Michael	Claimant Fraud	60 day(s) jail; 36 month(s) probation;	\$0	\$51,029	\$370
18CR00724	Santa Barbara	Gonzalez, Iran	Claimant Fraud	Terminal sentence, with \$15K restitution up front	\$0	\$67,877	\$140
215860	Santa Clara	Barera Riva, Pedro Pablo / Tapa Ole	Premium Fraud	Sentence not Documented	\$0	\$0	\$0
C1910058	Santa Clara	Dinh, Tuan Manh / Tuong Vi Cafe	Uninsured Employer	1 day(s) jail; 24 month(s) probation;	\$0	\$0	\$315
C1899692	Santa Clara	Disalvo, Jared Lee / Disalvo Landscape M & D	Uninsured Employer	90 day(s) jail; 24 month(s) probation;	\$0	\$0	\$315

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
C1809183	Santa Clara	Ferraro, John Christian / John Christian Construction	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$0
C1808343	Santa Clara	Henderson, Mandy	Claimant Fraud	120 day(s) jail; 36 month(s) probation;	\$0	\$27,659	\$630
C1917852	Santa Clara	Hernandez, Adrian	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$415
C1761505	Santa Clara	Karimi, Shahriar / Sunnyvale Imaging Center	Single Entity Provider Fraud	1 day(s) jail; 12 month(s) probation;	\$0	\$0	\$0
C1801077	Santa Clara	Lucas, James Robert	Uninsured Employer	90 day(s) jail; 36 month(s) probation;	\$0	\$7,100	\$630
C1802634	Santa Clara	Maldonado, Isreal Ulloa / Isreal Ulloa Gardening Services	Uninsured Employer	1 day(s) jail; 24 month(s) probation;	\$0	\$0	\$315
C1905230	Santa Clara	Martinez, Alvaro	Uninsured Employer	1 day(s) jail; 36 month(s) probation;	\$0	\$0	\$165
C1905090	Santa Clara	Mendoza, Marco Viniciopimengen / Pimentel's Painting	Uninsured Employer	Sentence not Documented	\$0	\$0	\$315

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
C1889030	Santa Clara	Mitchell, Cynthia / Innova Exams, Inc.	Single Entity Provider Fraud	Probation & Sentencing hearing has not yet taken place	\$0	\$0	\$0
C1891701	Santa Clara	Munozlezo, Rafael Enrique	Uninsured Employer	30 day(s) jail; 24 month(s) probation;	\$0	\$0	\$315
C1803505	Santa Clara	Nevarez, Cuauhtemoc	Claimant Fraud	1 day(s) jail; 24 month(s) probation; 80 hour(s) community service;	\$0	\$5,371	\$315
215860	Santa Clara	Ofarrill, Paulino Sanjorge / Tapa Ole	Premium Fraud	Sentence not Documented	\$0	\$0	\$0
C1888280	Santa Clara	Perruquet, Donald Paul / Landcraft Construction	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
C1917845	Santa Clara	Rees, Peter Anthony / Rees Design Build	Uninsured Employer	24 month(s) probation;	\$0	\$0	\$165
215860	Santa Clara	Sanchezarbona, Maria Esther / Tapa Ole	Premium Fraud	Sentence not Documented	\$0	\$0	\$0
C1888583	Santa Clara	Tran, Huan Quang	Claimant Fraud	12 month(s) probation; 80 hour(s) community service;	\$0	\$6,630	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
19CR04925	Santa Cruz	Albarran, Daniel Guadalupe	Uninsured Employer	Sentencing set for 3/26/2020	\$0	\$10,351	\$0
19CR02525	Santa Cruz	Garvey, Brent William / Brent Garvey Painting	Uninsured Employer	Report and Sentence on 4/01/2020	\$0	\$0	\$0
18WC0170	Shasta	Aguirre, Odina	Claimant Fraud	36 month(s) probation;	\$0	\$13,918	\$0
19WC0506	Shasta	Dominikus, Robert Kenneth / Robert Dominikus General Engineering	Uninsured Employer	30 day(s) jail;	\$0	\$0	\$10,000
16F3563	Shasta	Jackson, Richard / Jackson General	Premium Fraud	Sentence not Documented	\$0	\$9,250	\$0
16F3563-2	Shasta	Jackson, Teri / Jackson General	Premium Fraud	Sentence not Documented	\$0	\$9,250	\$0
18WC0782	Shasta	Tenerelli, Patrick	Uninsured Employer	32 month(s) prison;	\$0	\$0	\$0
11F1840	Shasta	Thompson, Earl James	Claimant Fraud	730 day(s) jail;	\$0	\$345,000	\$0
19WC0422	Shasta	Tidmore, James / Tidmore Construction	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$390

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
2019-00033	Siskiyou	Harding, Shannon Nichole	Claimant Fraud	60 month(s) probation; Ordered to pay FTB 10,383, will assess the workers restitution.	\$0	\$0	\$0
CRF2017-04	Siskiyou	Stansfield, Khou	Uninsured Employer	Sentence not Documented	\$0	\$8,000	\$0
FCR326389	Solano	Concepcion, Marlon Jose	Claimant Fraud	1 day(s) jail; 36 month(s) probation; 100 hour(s) community service; Court struck the second IC 1871.4(a)(1) and PC 72 plea after sentencing when the defense brought up a PC 1385 motion to strike because all restitution paid in full.	\$0	\$72,384	\$285
FCR344759	Solano	Gonzales-Gutierrez, Esmael	Uninsured Employer	1 day(s) jail; 36 month(s) probation; 70 hour(s) community service;	\$0	\$0	\$3,220

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
FCR348180	Solano	Hart, Michael Thomas / End to End	Uninsured Employer	1 day(s) jail; 36 month(s) probation; 50 hour(s) community service;	\$0	\$0	\$3,235
FCR342222	Solano	Jasch, Donald Chester	Claimant Fraud	1 day(s) jail; 36 month(s) probation; 100 hour(s) community service; 2 years to pay off the \$3000 Workers Compensation Fraud Account fine.	\$0	\$6,252	\$3,300
FCR339687	Solano	Johnson, Alexis Teanite / Zina's Care Home	Uninsured Employer	1 day(s) jail; 24 month(s) probation; Defendant pled to the sheet. \$1250 penal code can be done converted to 50 hours of community service work per the Court.	\$0	\$0	\$1,470

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
FCR339688	Solano	Pham, Duoc Phu	Uninsured Employer	120 day(s) jail; 60 month(s) probation; 100 hour(s) community service; Restitution reserved on top of what ordered. Some paid off in civil suits prior to criminal case.	\$0	\$12,000	\$730
FCR342226	Solano	Rodriguez, Ulises Ramos	Claimant Fraud	1 day(s) jail; 36 month(s) probation; 50 hour(s) community service; \$5789 Investigation Costs ordered and paid in full, along with \$5758 restitution paid in full.	\$0	\$11,547	\$255

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
FCR345062	Solano	Silva, Marco Antonio Cruz	Uninsured Employer	1 day(s) jail; 36 month(s) probation; 100 hour(s) community service; \$1000 of the fines ordered by Court payable to the WC Fraud Account.	\$0	\$0	\$1,280
360691	Sonoma	Martinez-Herrera, Miguel	Claimant Fraud	60 day(s) jail; 36 month(s) probation;	\$0	\$37,927	\$1,997
968282	Sonoma	Rodgers, Amanda / Graton Casino	Claimant Fraud	60 day(s) jail; 36 month(s) probation; Restitution of \$36,369 paid in full and once all felony terms of probation completed and 12 months elapsed without violations, ok to reduce to misdemeanor.	\$0	\$36,369	\$730

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
964492	Sonoma	Vencez, Isidro	Claimant Fraud	60 day(s) jail; 18 month(s) probation; Defendant paid restitution of \$12,560 in full at date of sentence.	\$0	\$12,560	\$0
BI19-0594	Tehama	Drum, Alfred Edward	Uninsured Employer	Sentence not Documented	\$0	\$0	\$805
BI19-0203	Tehama	Jones, Aaron Gabriel	Uninsured Employer	18 month(s) probation;	\$0	\$0	\$2,500
BI17-0279	Tehama	Stogden, Rashell Denis	Claimant Fraud	90 day(s) jail; 60 month(s) probation; 80 hour(s) community service;	\$0	\$0	\$0
BI19-0387	Tehama	Vick, Larry Michael	Uninsured Employer	Sentence not Documented	\$0	\$0	\$950
PCM379024	Tulare	Aboueid, George	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$735
PCM372072	Tulare	Andrade, Hugo	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$1,000
VCF378480	Tulare	Avila, Efrain	Claimant Fraud	Sentence not Documented	\$0	\$4,839	\$300
VCM388575	Tulare	Cruz, Armando	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$270

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
VCM379888	Tulare	Garcia, Jose	Claimant Fraud	Sentence not Documented	\$0	\$3,212	\$0
PCM381240	Tulare	Helwick, Timothy	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$270
VCM378411	Tulare	Larson, Justin	Uninsured Employer	24 month(s) probation;	\$0	\$0	\$500
VCM370813	Tulare	Larson, Justin	Uninsured Employer	24 month(s) probation;	\$0	\$0	\$500
VCM395487	Tulare	Marcelino, Isaiah	Uninsured Employer	30 day(s) jail; 36 month(s) probation;	\$0	\$0	\$1,000
VCM388334	Tulare	Ponce, Jose	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$270
VCF360622	Tulare	Pugh, Romy	Claimant Fraud	Sentence not Documented	\$0	\$5,000	\$0
PCM378283	Tulare	Rios, Refugio	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$735
VCM379584	Tulare	Sandoval, Anthony	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$270

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
2019022319	Ventura	Acosta, Rafael	Uninsured Employer	36 month(s) probation; \$1000 fine; \$9000 stayed pending successful completion of probation	\$0	\$0	\$1,000
2019010087	Ventura	Correa-tinajero, Esteban	Uninsured Employer	36 month(s) probation; \$10,000 fine, \$9000 stayed and deleted upon successful completion of probation	\$0	\$0	\$1,000
2018012061	Ventura	Munch, Christopher	Claimant Fraud	36 month(s) probation; 17(b) by Court due to restitution paid in full	\$0	\$3,254	\$70
2019022295	Ventura	Palafox-leal, Felipe	Uninsured Employer	36 month(s) probation; \$1000 fine; \$9000 stayed pending successful completion of probation.	\$0	\$0	\$1,000

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
2017033708	Ventura	Payne, Paul	Premium Fraud	365 day(s) jail; 72 month(s) probation; Sentencing occurred 8/9/19	\$0	\$1,058,058	\$107,203
2019001826	Ventura	Rocha, Alberto	Claimant Fraud	10 day(s) jail; 36 month(s) probation;	\$0	\$2,559	\$0
2016022798	Ventura	Rodriguez, Ernestina	Claimant Fraud	150 day(s) jail; 36 month(s) probation;	\$0	\$9,333	\$0
2013012483	Ventura	Serna, Jaime	Claimant Fraud	180 day(s) jail; 36 month(s) prison; Conviction 6/17/19; Sentencing 7/19/19 (FY 2019-2020; probation transferred to Fresno county 1/6/20	\$0	\$27,955	\$3,693
254109	Yolo	Purewal, Baljinder	Premium Fraud	60 day(s) jail; 48 month(s) probation;	\$0	\$51,132	\$0
195408	Yolo	Thompson, Earl James / Russell / Thompson Construction	Premium Fraud	240 month(s) prison;	\$0	\$359,011	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
254109	Yolo	Werlinger, Kelly	Premium Fraud	1 day(s) jail; 36 month(s) probation; 100 hour(s) community service;	\$0	\$0	\$286

2020 ANNUAL REPORT

HEALTH POLICY *and* REFORM BRANCH

Health Policy and Reform Branch

Background

The Health Policy and Reform Branch (HPRB) reviews, analyzes, and develops policy positions on health insurance issues within CDI. Starting in 2011, the Insurance Commissioner tasked the Branch with working towards fully implementing the federal Affordable Care Act (ACA) in California. In the years since passage and full implementation of the ACA and corresponding state-level consumer protections, the Branch continues its efforts to ensure that consumers are able to access health insurance as envisioned by state and federal law. To this end, the Health Policy and Reform Branch closely collaborates with other branches at CDI as well as with other state and federal agencies and stakeholders.

The significant and structural changes that have taken effect over the past ten years continue to require a robust framework of legal and policy support within CDI. This focus has helped the Department work effectively towards implementation of the federal health care reform requirements, integrate ongoing federal and state changes to the marketplace, increase coordination across state agencies, actively represent California insurance consumers with the federal government and the National Association of Insurance Commissioners (NAIC), and respond to federal actions that significantly challenge the stability of California's insurance market.

In 2020, the Branch continued to utilize its expertise to respond to the ill-advised federal policy proposals by the Trump Administration which would destabilize health insurance markets nationwide and that were contradictory to California's health equity goals.

Additionally, the onset of the COVID-19 pandemic in 2020 required the Branch to rapidly respond to the ensuing public health state of emergency, address COVID-19 testing, treatment and vaccination issues, and limit the effects of the pandemic on the health insurance market and California's most vulnerable communities.

ACCOMPLISHMENTS

Resisted Federal Attempts to Destabilize California's Health Insurance Market and Promote Discrimination

During 2020, the Health Policy and Reform Branch through the work of the Health Policy Approval Bureau (HPAB), the Health Actuarial Office (HAO) and HPRB staff, supported the Insurance Commissioner's continuing efforts to preserve the benefits of the Affordable Care Act for Californians by providing legal and actuarial analysis of attempts by the Trump Administration to degrade key provisions of the Act. These efforts included:

- [Statement: Trump Lawsuit Puts Our Health Care at Risk – When We Need It Most](#) - A statement released after the U.S. Supreme Court announced it would hear arguments in the Trump Administration case that sought to destroy the Affordable Care Act.

- [Letter: Trump Administration Proposed Rules Threaten Stability of Health Insurance Markets](#) - A letter to the Trump Administration opposing proposed rules that, if adopted, would threaten stability of health insurance markets.
- [Statement: Trump Administration's Supreme Court brief to destroy the Affordable Care Act](#) - A statement by Commissioner Lara on the Trump Administration's U.S. Supreme Court brief in support of striking down the Affordable Care Act.
- [Statement: U.S. Supreme Court Public Charge Ruling](#) - A statement on the U.S. Supreme Court ruling to uphold the Trump Administration's discriminatory "public charge" rule.
- [Statement: Supreme Court Decision Denying Contraception Coverage](#) - A statement responding to the U.S. Supreme Court decision in *Little Sister of the Poor v. Pennsylvania*, which upheld the Trump Administration's rule permitting employers to deny employees coverage for contraceptives based on the employer's religious or moral beliefs.
- [Statement: Trump Administration Reversing LGBTQ Health Protections](#) - A statement in response to the Trump Administration reversing non-discrimination protections under Section 1557 of the Affordable Care Act.
- [Notice to Health Insurers on LGBTQ+ Health Protections in California Law](#) - A notice to California health insurers stating that insurers must continue to comply with California's antidiscrimination laws despite the Trump Administration's rule eliminating certain long-standing protections against discrimination on the basis of gender identity and sexual orientation.

COVID-19 Pandemic Response Actions

The onset of the COVID-19 pandemic in March 2020 required groundbreaking rapid response to stabilize California's health insurance market and protect consumers by, among many things, ensuring access to COVID-19 testing and treatment, as well as health insurance coverage during a historic unemployment crisis and societal shutdown. These included:

- [Bulletin: Governor Newsom and Commissioner Lara Waive Consumer Cost-Sharing for COVID-19 Testing](#) - A bulletin directing health insurance companies to waive consumer cost-sharing for COVID-19 testing and associated hospital emergency department, urgent care, and provider office visits.
- [Notice: Insurance Commissioner Lara Calls for 60-Day Insurance Premium Grace Period Due to COVID-19 Outbreak](#) - A notice calling for a 60-day insurance premium grace period due to the COVID-19 outbreak.
- [Statement: Commissioner Lara Urges Uninsured Californians to Obtain Insurance to Protect Their Health](#) - A statement urging uninsured Californians to obtain insurance through Covered California's special enrollment period.
- Directed health insurance companies to provide increased telehealth access for consumers during the [declared COVID-19 state of emergency](#) and reiterated that insurers must provide consumers access to medically appropriate care from a qualified provider in a manner that minimizes the spread and transmission of COVID-19.

- Directed health insurance companies to submit emergency plans detailing how they will ensure continued access to needed medical care and prescription medications during the declared state of emergency.
- [Notice to Insurance Companies to Refund Premiums to Drivers and Businesses Affected by the COVID-19 Emergency](#) - A notice urging California health insurance and specialized health insurance companies to issue refunds back to their policy and certificate holders because consumers largely refrained from seeking medical care in response to the COVID-19 pandemic and the resulting “stay-at-home” orders by state and local public health officers.
- Issued COVID-19 Testing and Coverage FAQ #1 in response to federal requirements.

Analyzed and Approved Health Insurance Policies

In spite of market instability caused by the Trump Administration, the Health Policy Approval Bureau within the Health Policy and Reform Branch continued to review and authorize new and amended health insurance policies in 2020 in order to protect California consumers. HPAB reviewed 216 health insurance policies for compliance with both California and federal law, including essential health benefits coverage, cost sharing, actuarial value compliance, mental health parity, and network adequacy, among many other requirements.

In addition, HPAB is responsible for reviewing all health-related insurance policy forms for use in California including large group health insurance, student blanket health, dental, vision, and Medicare supplement insurance. Including the 216 policies mentioned above, HPAB reviewed over 3,200 policy forms, reports, and other submissions during 2020 to assure that California’s health insurance companies comply with California’s laws and regulations.

Performed In-Depth Reviews of Prescription Drug Formularies for Discriminatory Benefit Design

The Health Policy and Reform Branch continued working to enforce prescription drug laws and ensure that prescription drug formularies do not include benefit designs that discriminate based on health condition, disability, and other protected characteristics. In 2020, the HPRB continued its partnership with the Department of Clinical Pharmacy at the University of California, San Francisco, which reviewed formularies for clinically appropriate drug coverage and provided the Branch’s enforcement staff with expert advice and technical guidance.

Prescription drug formularies were evaluated for coverage of medically necessary prescription drugs and preventive medications, as well as for inappropriate drug tier placement and application of utilization management restrictions such as prior authorization and step therapy. Drugs for significant health conditions, including rheumatoid arthritis, HIV, hepatitis, multiple sclerosis, and diabetes were evaluated. In 2020, the Branch continued its surveillance of drugs used to treat mental health

conditions and substance use disorders such as schizophrenia, bipolar disorder, and opioid use disorder, to ensure that coverage of drug therapies for these conditions was consistent with clinical treatment guidelines and comparable to coverage of drugs for physical health conditions. The HPRB also continued to review formularies for cost-free access to the full range of female contraceptives and preventive medications, as well as application of the cost sharing cap to oral chemotherapy drugs. The HPRB's focused enforcement efforts in this area have promoted consumer access to nondiscriminatory and clinically appropriate prescription drug benefits since 2016.

Prescription Drug Cost Reporting

Pursuant to Senate Bill 17 (Hernandez, Chapter 603, Statutes of 2017) insurers are required to report information regarding outpatient generic, brand name, and specialty prescription drugs for the 25 most frequently prescribed drugs, 25 costliest drugs by total annual plan spending, including cost-sharing, and the 25 drugs with the highest year-over-year increase. CDI received and analyzed this data from insurers and reported its findings to the Legislature at the end of 2019. In 2020, CDI held a virtual public meeting to go over those findings.

Provided Technical Assistance to Governmental Agencies and Insurers with Complex Health Insurance Issues

As experts on the federal Affordable Care Act, the California Insurance Code, and the large body of new legal requirements, the Department provided extensive technical assistance to Covered California, legislators and their staff, consumers, and insurers. Further, the Branch provided technical support to consumers with complex health insurance issues.

This technical assistance was especially important in 2020 given the COVID-19 pandemic, as well as the Trump Administration's continued efforts to destabilize California's health insurance markets.

Saved Consumers Money through Rate Review

In 2020, the Health Actuarial Office reviewed all major medical rate increases in the individual and small group markets filed with the Department. While California law does not give the Insurance Commissioner the authority to reject excessive health insurance rate increases, the Commissioner can determine that a rate is unreasonable. The process of reviewing rates and discussing concerns with insurance carriers who voluntarily agree to reduce rates has resulted in an estimated total savings of \$13.7 million for California consumers with major medical insurance products in 2020.

Health Insurance Enforcement, Consumer Protection, and Diversity Efforts

- [Statement: Insurance Commissioner Lara issues statement on Governor's 2020 budget.](#)
- [Department Issues Cease and Desist Order to Protect California Consumers from Misleading Health Plans Known as 'Health Care Sharing Ministries'.](#)
- A Notice to agents regarding "Health Care Sharing Ministries."
- [Notice: Commissioner Lara issues Notice to take action in reducing HIV transmission and ensure health insurance companies cover HIV PrEP without patient cost sharing](#) - A notice to all health insurance companies in California informing them of their obligation to provide preventive health services coverage for HIV preexposure prophylaxis (PrEP), as well as the medical services necessary for prescribing and ongoing adherence to PrEP, without requiring cost sharing.
- [Notice: Commissioner Lara acts to enforce recently signed landmark state mental health and substance use parity law](#) - A notice to all health insurance companies in California informing them of their obligation to comply with landmark changes to the California Mental Health Parity Act.
- [Comment Letter: Eleven state insurance commissioners provide ACA policy recommendations to President-elect Biden](#) - A joint comment letter sent by Commissioner Lara and 10 other state insurance commissioners which detailed health policy recommendations for the Biden Administration to consider.
- [Letter: Commissioner Lara takes proactive step to ensure transgender youth have access to gender-affirming medical care for gender dysphoria](#) - A general counsel opinion letter clarifying that under existing California law, health insurance companies may not deny coverage for male chest reconstruction surgery for female-to-male patients undergoing gender-affirming care for gender dysphoria based solely on a patient's age.

Represented CDI and the Commissioner at the NAIC

Commissioner Lara co-chairs a Workstream of the new NAIC Special Committee on Race and Insurance. The Workstream is developing recommendations for health insurance regulatory changes that will address health disparities affecting people of color, the LGBTQ+ community, Alaskan native and other indigenous people, and people with disabilities.

The Health Policy team actively participated in weekly NAIC meetings and conference calls, influencing the national dialogue by providing California's perspective and experience in insurance market reform, and analyzing information essential to the implementation of the ACA, and subsequent federal regulatory actions in California. The team also participated in weekly NAIC subgroups such as the State Rate Review subgroup and the Network Adequacy Model Review sub-group, and is California's representative on the Pharmacy Benefit Manager subgroup.

2020 ANNUAL REPORT

ENTERPRISE PLANNING, RISK *and*
COMPLIANCE

Enterprise Planning, Risk and Compliance

The Office of Enterprise Planning, Risk and Compliance (EPRC) is responsible for establishing and implementing short and long term strategic plans, policies, goals, objectives, and operating procedures related to regulatory changes, risk assessment, control failures, breaches in physical and data security, compliance activities, internal audits, privacy, ethics, incompatible activities statement, and disaster recovery. The office provides heightened leadership and improved coordination of planning, risk, and compliance for the Department. EPRC is comprised of four programs:

INFORMATION SECURITY OFFICE

The Information Security Office (ISO) is responsible for protecting CDI's information assets; managing vulnerabilities within CDI's information processing infrastructure; managing threats and incidents impacting CDI's information resources; developing and maintaining policies to ensure appropriate use of CDI's information assets; and educating employees about their information security and privacy protection responsibilities.

OFFICE OF STRATEGIC PLANNING

The Office of Strategic Planning (OSP) is responsible for all elements of strategic planning including the development and implementation of action plans to support the vision, mission, values and goals of CDI. In partnership with HR, the office wrote the Workforce and Succession Plan and is involved in completing all of the strategies outlined in the report. Additional projects include the coordination of the Annual Report of the Commissioner, the annual Employee Engagement Survey, department-wide training and development opportunities, performance management efforts and projects related to the intranet.

INTERNAL AUDITS UNIT

The Internal Audits Unit is responsible for providing CDI's management with independent and objective assurance and consulting services. The Internal Audits Unit utilizes a disciplined approach to improve the effectiveness and efficiency of the Department's operations, monitor internal controls, and ensure compliance with applicable laws and regulations.

RISK AND COMPLIANCE UNIT

The Risk and Compliance (RAC) Unit is responsible for designing, implementing, and maintaining an Enterprise Risk Management structure for the Department. RAC develops plans and alternatives for increasing the ongoing efficiency and effectiveness of departmental internal controls as outlined in the State Leadership Accountability Act; ensures departmental compliance with various mandates, including the Incompatible Activities Statement and Ethics Training; and educates employees on risk management.

2020 ANNUAL REPORT
LEGAL BRANCH

Legal Branch

The Legal Branch ensures compliance with the California Insurance Code and related laws that apply to the business of insurance by all insurers, insurance agents and brokers, and any other person or organization engaging in or applying to engage in the business of insurance in California. The Legal Branch serves an integral part of the Department's mission by:

- Litigating enforcement actions.
- Reviewing and analyzing certain insurance policies to determine whether the policy should be approved for sale to consumers.
- Ensuring rate filings comply with the requirements of Proposition 103.
- Providing legal assistance to other branches of the Department.
- Supporting the Department's Fraud Division in the prevention of insurance fraud.
- Handling corporate licensing applications and providing governance oversight in order to ensure insurer compliance with all relevant state laws.

The Legal Branch also assists with the promulgation of regulations implementing California statutes and provides legal services to the Department relating to service of process and records requests. The Legal Branch is divided into nine bureaus:

- Auto Enforcement Bureau
- Corporate Affairs Bureau I
- Corporate Affairs Bureau II
- Enforcement Bureau Oakland
- Enforcement Bureau Sacramento
- Fraud Liaison Bureau
- Government Law Bureau
- Policy Approval Bureau
- Rate Enforcement Bureau

AUTO ENFORCEMENT BUREAU

The Auto Enforcement Bureau (AEB) litigates enforcement actions against insurance companies and broker-agents (producers). As an enforcement bureau, AEB protects policyholders, prospective policyholders, consumers, and the California insurance marketplace by ensuring that insurance producers and insurers comply with the Insurance Code and other laws and regulations that apply to the business of insurance.

In addition to other duties, AEB is also responsible for Vehicle Service Contracts (VSC), including the review of contracts and forms, and evaluation of Vehicle Service Contract Provider license applications, and related license disciplinary matters. During 2020, VSC matters increased by 58.4%.

AEB also handles all aspects of litigation and enforcement known as “compliance” cases. AEB attorneys prepare and file pleadings and represent the Commissioner in administrative hearings in disciplinary actions against both licensed and unlicensed insurers and producers, including the revocation or denial of licenses and imposing fines for unfair claims practices.

Beyond its core function of an enforcement litigation bureau, AEB also provides legal opinions to the Commissioner and to the various divisions of the Department; provides support for investigations of producers and examinations of insurers; assists with the development of regulations; and represents the Department in adverse action matters involving employees.

AUTO ENFORCEMENT BUREAU STATISTICS
Calendar Year 2020

MATTER TYPE	MATTERS OPENED	MATTERS CLOSED
Disciplinary	164	190
Vehicle Service Contract	905	879
Unfair Practices Act	0	0
Legal Opinion	1	2
Regulation	0	0
Cease & Desist	0	1
Litigation/Defense	2	3
Legislation (bill analysis)	0	5
Miscellaneous	0	0
Human Resources	0	0
Order to Show Cause	0	0
Public Records Act Request	0	0
Oversight	6	9
Total	1,078	1,089

CORPORATE AFFAIRS BUREAU I

The Corporate Affairs Bureaus protect California consumers through licensing, oversight, and enforcement. These activities protect insurer solvency and require the

conduct of company affairs in accordance with the law. The Corporate Affairs Bureau I (CAB I) concentrates on the areas of surplus lines, risk retention and risk purchasing groups, title and underwritten title companies, insurer name approvals, and premium tax issues. In addition, CAB I reviews applications filed by insurance companies seeking approval to issue securities, mergers, acquisitions, inter-affiliate service agreements, extraordinary dividend payments, and other insurance holding company act filings.

CORPORATE AFFAIRS BUREAU II

The Corporate Affairs Bureau II (CAB II) concentrates on the areas of reinsurance, non-standard company structures, and life settlements. In addition, CAB II handles insurance company licensing and oversight, provides legal services to the Financial Surveillance Branch's Troubled Companies Unit and to the Department's Conservation & Liquidation Office (CLO). The CLO conserves and manages insurers found to be in a financially hazardous condition such that further transaction of business would pose a risk to policyholders, creditors or to the public and in the event the insurance company cannot be rehabilitated, the CLO liquidates the insurer. The goal is to protect those stakeholders, and in the case of liquidation, maximize return to policyholders and creditors. In addition, CAB II reviews securities permits, mergers, acquisitions, inter-affiliate service agreements, extraordinary dividend payments, and other insurance holding company act filings.

CORPORATE AFFAIRS BUREAUS STATISTICS Calendar Year 2020

TYPE	BEGIN # ASSIGNED CASES	ASSIGNED	CLOSED	END # ASSIGNED CASES
Accredited Reinsurer	0	1	1	0
Accredited Reinsurer Renewal	8	22	22	8
Advisory Organization License	1	2	2	1
Amended Deed of Trust	0	0	0	0
C/A Amend-Add Line	11	16	17	10
C/A Amend-Delete Line	0	1	0	1
C/A Amend-Domestic Change 709.5	0	1	0	1
C/A Amend-Name	10	21	27	4
C/A Amend-Non-Domestic Re-domicile	3	12	11	4
Certificate of Authority	5	20	14	11

TYPE	BEGIN # ASSIGNED CASES	ASSIGNED	CLOSED	END # ASSIGNED CASES
Certificate of Authority Status - 700C	18	5	19	4
Certified Reinsurer	2	5	6	1
Certified Reinsurer Renewal	8	15	13	10
Custodian Qualification	0	1	1	0
Custody Agreement	1	4	5	0
Exemption – Certificate of	0	0	0	0
Failure to Make Required Filing	0	0	0	0
Grants/Annuities - C/A	3	2	1	4
Grants/Annuities-Amended C/A	2	1	0	3
HC Disclaimer of Affiliation .4l	9	24	25	8
HC Exempt - Comm. Domiciled Status .14b	0	1	1	0
HC Exempt – Form A .2g	3	9	10	2
HC Extraordinary Dividend .5g	1	12	10	3
HC Investments .5b7	0	1	1	0
HC Guarantees .5b5	1	0	1	0
HC Mgt. Serv./Cost Share Agmt .5b4	34	88	93	29
HC Misc.	0	0	0	0
HC Reinsurance .5b3	13	55	49	19
HC Sales Purchases Loans .5b1	1	16	10	7
Holding Companies Acquisition	6	16	10	12
Home Protection	2	0	2	0
Letter of Credit	1	7	6	2
Life Settlement Provider	1	2	1	2
Merger	3	11	13	1
Miscellaneous	15	20	23	12
Motor Club License	1	1	2	0
Motor Club Service Contract	16	25	18	23
Name Approval Reservation	22	86	83	25
Organizational Permit	3	1	2	2

TYPE	BEGIN # ASSIGNED CASES	ASSIGNED	CLOSED	END # ASSIGNED CASES
Purchasing Alliance Registration	0	0	0	0
Rein/Sale-Purchase/Transfer-Assumption	1	15	10	6
Risk Purchasing Group	11	11	20	2
Risk Purchasing Group Renewal	50	289	302	37
Risk Retention Group	2	13	13	2
Risk Retention Group Renewal	88	74	112	50
S810	0	0	0	0
Stock Permit	1	0	1	0
Stock Permit – Amend	1	0	0	1
Surplus Line Filing	3	6	3	6
US Trust	0	0	0	0
US Trust Amendment	0	0	0	0
US Trust Renewal	13	16	21	8
UTC-Amend License	4	5	7	2
UTC-License	2	2	3	1
UTC-Organizational Permit	4	5	5	4
UTC-Permit	0	0	0	0
UTC-Transfer of Shares	1	4	4	1
Variable Annuity	0	1	0	1
Variable Annuity – Amend	20	92	80	32
Variable Life	0	0	0	0
Variable Life – Amend	11	51	48	14
WC Deposit Agreement	11	13	20	4
Withdrawal	4	2	4	2
Total	431	1103	1152	382

ENFORCEMENT BUREAU OAKLAND

The Enforcement Bureau-Oakland (EB-OAK) litigates enforcement actions against insurance companies and insurance producers. EB-OAK protects the insurance buying public and the California insurance marketplace by ensuring that insurance producers and insurers comply with the Insurance Code and other laws that apply to the business of insurance by initiating enforcement actions when it appears that a regulated person or company has violated California insurance laws.

Enforcement Bureau Oakland Statistics

- During the year, 293 cases were received and action was completed on 265.
- In 2020, EB-OAK concluded 29 administrative hearings.
- Monetary penalties, cost reimbursement, and restitution assessed through negotiated settlements and/or hearings amounted to \$93,623.

**ENFORCEMENT BUREAU OAKLAND STATISTICS
Calendar Year 2020**

RESOLUTION OF ENFORCEMENT CASES	MATTERS CLOSED
Order of Revocation	12
Order of Revocation/Issuance of Restricted License	20
Order of Revocation/Issuance of Restricted License with fines	1
Order of Denial	5
Order of Denial/Issuance of Restricted License	39
Order of Suspension	7
Order Monetary Penalty	6
Order of Dismissal	1
Cease and Desist	4
Order Removing Restrictions Granted	6
Order Removing Restrictions Denied	0
Rewritten Decision	1
Miscellaneous	23
No Disciplinary Action Warranted	33
Warning Letter	20
Order of Summary Denial	3
Order of Summary Denial/Issuance of Restricted License	0
Order of Summary Revocation	18
Order of Summary Revocation/Issuance of Restricted License	0
Default Revocation	22
Default Denial	3
Default Order of Denial/Issuance of Restricted License	0
Surrender License	11
License Application Withdrawn	2

ENFORCEMENT BUREAU SACRAMENTO

The Enforcement Bureau Sacramento (EB-SAC) litigates enforcement actions against insurance producers, insurers, and other persons conducting insurance business in California. EB-SAC provides assistance to the Licensing Services Division in evaluating qualifications for licensure of producer applicants and other licensees who have a criminal record or a record of professional license discipline, and reviewing legal documents implementing recommended action regarding those applicants and licensees.

Enforcement Bureau Sacramento Statistics

- During the 2020 year, 1,275 cases were received and action was completed on 1,303.
- In 2020, EB-SAC concluded 59 administrative hearings.
- Monetary penalties, cost reimbursement, and restitution assessed through negotiated settlements and/or hearings amounted to over \$105,927.05.

ENFORCEMENT BUREAU SACRAMENTO STATISTICS Calendar Year 2020

RESOLUTION OF ENFORCEMENT CASES	MATTERS CLOSED
Order of Revocation	61
Order of Revocation / Issuance of Restricted License	12
Order of Revocation / Issuance of Restricted License with fines	17
Order of Denial	93
Order of Denial / Issuance of Restricted License	158
Order of Denial / Issuance of Restricted License with fines	53
Order of Suspension	19
Order of Dismissal	7
Cease and Desist	2
Order for Monetary Penalty and/or Reimbursement	28
Order Removing Restrictions Granted	170
Miscellaneous Orders	10
Warning	53
Voluntary Withdrawal of Application	15

RESOLUTION OF ENFORCEMENT CASES	MATTERS CLOSED
No Disciplinary Action Warranted	58
No AR Action/Referred for Disciplinary Proceeding	178
Removal of Restrictions Denied	17
Order of Summary Denial	49
Order of Summary Denial/Issuance of Restricted License	102
Order of Summary Revocation	89
Order of Summary Revocation/Issuance of Restricted License	8
Order Granting 1033 Consent	16
Order Denying 1033 Consent	10
Barred from Licensure/Exam	5

FRAUD LIAISON BUREAU

The Fraud Liaison Bureau (FLB) provides legal support to the Department’s Fraud Division (FD) and represents the State directly in cases brought pursuant to Insurance Code section 1871.7, relating to vehicle insurance fraud.

General Duties – FLB provides legal advice related to FD's peace officer functions such as search and seizure, and unique employment-related issues due to the status of its investigators as peace officers. The FLB coordinates with the Office of the Attorney General when FD employees are involved in civil litigation cases. This type of litigation often involves the conduct of an employee in the performance of his or her duties on the job.

Qui Tam Cases

Overview – FLB handles numerous civil cases filed by private parties alleging violations of the Insurance Frauds Prevention Act (IFPA) in the Insurance Code. These cases are referred to as “qui tam cases.” Qui tam cases are complex civil actions filed by a whistle-blower. A private party whistle-blower must serve the Commissioner with civil qui tam complaints. The cases cover a large range of alleged unlawful conduct including kickbacks in the sales and promotion of pharmaceuticals, misleading billing practices by hospitals, fraud by medical clinics, and the unlawful promotion and sale of medical devices. The Commissioner may intervene in these cases. These cases can involve large companies that have been accused of engaging in false and misleading practices.

On December 31, 2020, there were 229 active qui tam cases pending.

Commissioner’s Intervention – The Commissioner represents the interests of the State when intervening into existing Qui Tam matters. In cases in which the Commissioner has not intervened, the Commissioner must approve the allocation of funds that result from a settlement or judgment against the defendant(s) to ensure that the State’s interest in the case is protected.

**FRAUD LIAISON BUREAU WORKFLOW
Calendar Year 2020**

TYPE	MATTERS OPENED	MATTERS CLOSED	PENDING AT YEAR-END
Qui Tam Litigation	47	2	229
Qui Tam Investigative Hearing	9	1	29
Non-Qui Tam Civil Litigation	0	0	0
Total	56	3	258

GOVERNMENT LAW BUREAU

The Government Law Bureau (GLB) provides legal support to the Legislative Office and for the Department’s rulemaking program. GLB personnel assist the Special Counsel to the Commissioner with the oversight and management of all Department rulemaking actions. An attorney in GLB serves as the Department’s Privacy Officer. Consequently, GLB personnel are responsible for the Department’s privacy policy and provide advice to the Department on questions relating to the protection of personally identifiable information contained within the Department’s records. Staff in GLB monitor the workers’ compensation system, assist the Commissioner with his review of the workers’ compensation advisory pure premium rate, and preside over the hearing for the annual Worker’s Compensation Insurance Rating Bureau’s regulatory filing. GLB also handles all requests made pursuant to the Public Records Act, serves as the Department’s agent for service of process, and is the Department’s primary custodian of records.

**GOVERNMENT LAW BUREAU STATISTICS BY MATTER TYPE
Calendar Year 2020**

NAME	ASSIGNED	CLOSED
Litigation – Defense/Other	21	4
Public Records Act Request	880	851
Subpoena	98	86
Substituted Service of Process	20	20
Legislation Analyses/Proposals	8	2
Regulation	6	0
Total	1033	963

POLICY APPROVAL BUREAU

The Policy Approval Bureau (PAB) reviews life and non-health disability insurance products for compliance with California law and regulations. PAB advises Department personnel and others, regarding statutes and regulations pertaining to life and disability insurance. Further, PAB assists with the development of regulations relating to life and disability insurance law, advertising, and administration.

POLICY APPROVAL BUREAU STATISTICS Calendar Year 2020

PRODUCT	RECEIVED	CLOSED
Group Non-Health Disability and Group Life	177	162
Supplemental Life Insurance	239	213
Variable Contracts	211	204
Unclassified	86	87
Individual Non-Health Disability	71	58
Individual and Group Credit Insurance	1	1
Long Term Care Insurance	154	98
Total	943	827

RATE ENFORCEMENT BUREAU

The Rate Enforcement Bureau (REB) enforces the provisions of Proposition 103 and other laws pertaining to the availability and affordability of insurance and the rating and underwriting practices of property and casualty insurers. REB provides legal support to the Department's Rate Regulation Branch, represents the Department in prior approval rate hearings, and represents the Department in administrative enforcement cases alleging rating and underwriting violations. REB provides legal assistance for issues related to the California Earthquake Authority, the Commissioner's Catastrophe and Climate Change Initiatives, the California Automobile Assigned Risk Plan, and the California Low Cost Automobile Insurance Program.

RATE ENFORCEMENT BUREAU STATISTICS
Calendar Year 2020

MAJOR ACTIVITIES	MATTERS
Prior Approval (and COVID-19 Rate Challenges):	
Petitions for Hearing Received	12
Petitions for Hearing Granted	0
Petitions for Hearing Denied	8
Notices of Hearing Issued	0
Petitions for Hearing Resolved Without Hearing	14
Petitions for Hearing Resolved Following Hearing	0
Matters Based on Petitions for Pending at Year End	14
Regulations:	
Regulation Matters Opened	2
Regulations Approved	1
Regulations Pending	6
Enforcement Matters And Primary Jurisdiction Referrals:	
Enforcement Matters Opened	4
Enforcement Matters Closed	5
Enforcement Matters Pending	11
Civil Litigation and Appeals:	
Matters Opened	2
Amicus Brief Filed	0
Matters Closed	1
Matters Pending	7

2020 ANNUAL REPORT
POLICY *and* LEGISLATION BRANCH

Policy and Legislation Branch

Newly established under Commissioner Lara, the Policy and Legislation Branch (PLB) oversees major policy initiatives and special initiatives of the Commissioner that are Department-wide and across multi-branches in line with the Commissioner's vision and main goals. PLB houses the Legislative Office, the Insurance Diversity Initiative, the California Organized Investment Network (COIN) Program, and the Appointments Office, as well as helps coordinate the implementation of major chaptered legislation and Department-wide innovation policy efforts.

LEGISLATIVE OFFICE

The Legislative Office (LO) represents the Commissioner and the CDI in all matters pending before the California State Legislature, the Governor's Office and Administration, and U.S. Congress. Its staff is responsible for advancing CDI's legislative agenda, establishing effective working relationships with all stakeholders in the legislative process, and providing technical assistance to elected officials and their staff on insurance related issues.

The staff of the Legislative Office are responsible for coordinating departmental legislative proposals and the analyses of introduced legislation likely to have a potential impact on the Department. The staff also coordinates and prepares testimony and materials for legislative hearings and participates in meetings with authors, sponsors, and advocates of legislation affecting the Department. In addition, staff conducts in-house training on legislative bill analysis and the legislative process.

Under the leadership of Commissioner Lara, CDI sponsored 13 bills in 2020; yet, due to the significant paring down of introduced bills due to the pandemic, six bills were ultimately signed by Governor Gavin Newsom. In addition to strongly advocating for CDI's 2020 sponsored bills, CDI's Legislative Office closely monitored, provided technical assistance to, took positions on, and/or advocated for or against 732 bills this legislative calendar. This includes 185 bills that made it to Governor Newsom's desk, 152 of which were signed. The other 580 bills that the LO engaged on or tracked were introduced and amended throughout this year, yet did not make it through the legislative process and to the Governor's desk.

The following are the 13 CDI sponsored bills, six of which became law:

1. **Assembly Bill (AB) 2049 authored by Assembly Member Ken Cooley (D-Rancho Cordova) on "Reinsurance Credit" – Signed into law as Chapter 71.** Incorporates the National Association of Insurance Commissioners (NAIC)-approved revisions to the Credit for Reinsurance Model Law (#785) and Credit for Reinsurance Model Regulation (#786) into state law, making the models consistent with provisions of covered agreements with the European Union and United

Kingdom with respect to reinsurance collateral requirements in order to avoid potential federal preemption of California's existing law regarding credit for reinsurance by the Federal Insurance Office and to retain California's state accreditation by the NAIC.

2. **AB 2367 authored by Assembly Member Lorena Gonzalez (D-San Diego) and Assembly Member Monique Limón (D-Santa Barbara) on “Residential Property Insurance: Wildfire Resilience” – Remained in Legislature.** Requires insurance companies to write or renew policies for existing homes in communities that meet a new statewide standard for fire-hardening. The bill also would authorize the Insurance Commissioner to require insurance companies to offer financial incentives for homeowners to do the work to make their homes more fire-safe.
3. **AB 2436 authored by Assembly Member Richard Bloom (D-Santa Monica) on “Residential Property Insurance” – Merged into AB 2756.** Helps consumers comply with applicable building codes in place after a major property loss by providing Building Code Upgrade coverage to homeowners that would help cover the cost of building codes that are in effect at the time of loss, and require fire policies to include a minimum of 10% of primary dwelling limits (“Coverage A”) as an additional amount available for replacement costs of the insured structure.
4. **AB 2453 authored by Assembly Member Adrin Nazarian (D-North Hollywood) on “Long-Term Care Insurance and Accelerated Death Benefits” – Remained in Legislature.** Removes a specified exclusion for life insurance policies that accelerate benefits for long term care, and would, with respect to those policies, require the procedures to also take into consideration the applicant's goals or needs with respect to life insurance, and to take into consideration the advantages and disadvantages of the proposed insurance coverage compared to those of a stand alone long term care insurance policy.
5. **AB 2658 authored by Assembly Member Autumn Burke (D-Inglewood) on “Occupational Safety and Health: Hazards” – Signed into law as Chapter 288.** Protects a domestic worker from domestic employer retaliation, including firing, if they refuse to work in hazardous conditions caused by wildfires. It also prevents an employer from ordering an employee, including a household domestic service worker, to remain in or enter a mandatory evacuation zone as a result of wildfires or a local public health order pursuant to Penal Code Section 409.5, including as a result of COVID-19. This new law will protect domestic workers by making it a crime for the employer to direct an employee to remain in or enter an area that has been closed off from individuals by COVID-19 related orders issued from local public health officers, which will help decrease the spread of COVID-19 and ensure the health and public safety of workers and their families.
6. **AB 2756 authored by Assembly Member Monique Limón (D-Santa Barbara) and Assembly Member Richard Bloom (D-Santa Monica) on “Residential Property Insurance” – Signed into law as Chapter 263.** Strengthens consumer

protections by requiring insurance companies, upon issuing or renewing a residential property that does not cover the peril of fire, to prominently disclose on the declarations page of the homeowner's policy that their policy does not cover the peril of fire. And when a residential property insurance policy is being issued that doesn't cover the peril of fire, this new law would require a signed acknowledgment from the policyholder that they are aware of this non-coverage with their policy. Additionally, this new law would require insurance companies to specifically identify the limits being reduced or coverage being eliminated when a policy is being renewed and to notify the policyholder of the elimination of coverage for the previously covered peril of fire. Lastly, this new law would help cover the cost of building codes that are in effect at the time of loss or rebuild and require fire policies, issued or renewed on or after July 1, 2021, to include a minimum of 10% of primary dwelling limits (or "Coverage A") as an additional amount available for replacement costs of the policyholder's structure.

7. **Assembly Concurrent Resolution (ACR) 98 authored by Assembly Member Buffy Wicks (D-Oakland) on "Mental Health and Substance Use Treatment" – Remained in the Legislature.** Urges specified state departments and the Attorney General to use their authority to ensure that health care service plans and health insurers subject to their authority comply with the federal Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act.
8. **Senate Bill (SB) 872 authored by Senator Bill Dodd (D-Napa) on "Residential Property Insurance: State of Emergency" – Signed into law as Chapter 261.** Extends Additional Living Expenses (ALE) to homeowners who suffer from causes due to fire damage of essential infrastructure and/or partial loss of home, mandates that the deduction of land value is not applied to replacement cost of a fully destroyed home when the insured replaces the destroyed home by wildfire with a newly purchased property at a new location, allows policyholders, if they choose to report their inventory, to group items and use their own forms rather than use a company's form, gives an automatic 60-day grace period on policy premiums immediately following a Governor-declared disaster, and requires insurers to make an immediate advance payment for ALE for no less than four months of their housing without submitting a lengthy expense itemization list.
9. **SB 961 authored by Senator Lena Gonzalez (D-Long Beach) on "The Equal Insurance HIV Act" – Merged into SB 1255.** Prohibits a life or disability income insurer from declining an insurance application or enrollment request solely on the basis of a positive HIV test. Some insurance application denials are based on outdated survival statistic bias that allow discrimination against individuals who are HIV-positive based on test results only, not considering other health and wellness factors. As HIV positive individuals are living longer, healthier lives than before, their need for life and disability income insurance is imperative for them to protect themselves and their loved ones.

10. **SB 1002 authored by Senator Jerry Hill (D-San Mateo) on “Public Insurance Adjusters” – Remained in Legislature.** Clarifies that public adjusters cannot take a percentage of insurance proceeds that an insurer paid to an insured prior to the public adjuster entering into a written contract with the insured.
11. **SB 1192 authored by Senator Steven Bradford (D-Gardena) on “Firefighters’, Police Officers’, or Peace Officers’ Benefit and Relief Associations” – Signed into law as Chapter 365.** Creates consumer protections for members of police/firefighter/peace officer benefit associations that offer long-term disability or long-term care benefits by having the plan’s benefit documentation made available to a member within 30 days of request, requiring a disclosure indicating benefits are not protected against insolvency by an insurance guarantee association, and mandating these associations submit an actuarial opinion to the CDI every four years certifying that the associations are financially sound.
12. **SB 1222 authored by Senator Maria Elena Durazo (D-Los Angeles) on “Detention Facilities: Contracts” – Remained in Legislature.** Requires any insurance company providing insurance coverage to private for-profit prisons and detention facilities to be an admitted insurance carrier authorized to do business in California and that the private for-profit prisons and detention facilities meet and maintain specific insurance requirements in order to continue to operate in the state. This bill additionally would mandate insurance companies to terminate coverage if private for-profit prisons and detentions centers do not comply with specified local, state, and federal standards.
13. **SB 1255 authored by Senate Committee on Insurance on “Insurance” – Signed into law as Chapter 184.** Remedies several issues identified and vetted by CDI and stakeholders to clarify and clean-up various technical Insurance Code sections. The following proposals are included in this bill:
 - Ambiguity removed regarding disciplinary action for misdemeanor convictions by replacing “denounced” with “specific”.
 - Clean-up to AB 1209 (Nazarian, Chapter 625, Statutes of 2019).
 - Alignment of CDI’s Public Large Group Market Meeting Calendar with the California Department of Managed Health Care’s (DMHC) Public Large Group Market Meeting Calendar.
 - Delayed Implementation of AB 567 (Calderon, Chapter 746, Statutes of 2019).
 - Clean-up to AB 2802 (Friedman, Chapter 439, Statutes of 2018).
 - Alignment of CDI’s Licensing Statutes with the NAIC’s Uniform Licensing Standards.
 - In addition, the bill incorporates SB 961 (Gonzalez, 2020) – Known as the Equal Insurance HIV Act – which would prohibit a life or disability income insurer from declining an insurance application or enrollment request solely on the basis of a positive HIV test. Some insurance application denials are based on outdated survival statistic bias that allow discrimination against individuals who are HIV-positive based on test results only, not considering other health

and wellness factors. As HIV positive individuals are living longer, healthier lives than before, their need for life and disability income insurance is imperative for them to protect themselves and their loved ones.

APPOINTMENTS OFFICE

On an on-going basis, the Appointments Office manages appointments made by Commissioner Lara to nine advisory boards, task forces, and committees including the:

1. California Automobile Assigned Risk Plan (CAARP) Advisory Committee,
2. California Earthquake Authority (CEA) Advisory Panel,
3. California Insurance Guarantee Association (CIGA) Board of Governors,
4. California Life & Health Insurance Guarantee Association (CLHIGA) Board of Governors,
5. California Organized Investment Network (COIN) Advisory Board,
6. California Workers' Compensation Insurance Rating Bureau (WCIRB) Governing Committee,
7. Curriculum Board,
8. Insurance Diversity Task Force, and the
9. Long Term Care Insurance Task Force.

In alignment with the goals of the Commissioner's Insurance Diversity Initiative, the Department aimed to identify and broaden the demographic diversity of appointees, including gender, ethnicity, sexual orientation, and disabled veteran status. In 2020, the Appointments Office facilitated 33 appointments made by the Commissioner, 28 of which were diverse individuals, or 85%. Of the 60 total appointees to boards and committees, 42 are diverse individuals, or 70%. Commissioner Lara will continue striving to achieve diversity in his appointments that serve to emulate the growing demographics and great diversity of the Golden State.

INSURANCE DIVERSITY INITIATIVE

The COVID-19 pandemic coupled with the ongoing racial justice movement magnified the significance underscoring the mission and purpose of the Insurance Diversity Initiative (Initiative). Since 2011, the Initiative focuses on accelerating the level of diversity and equity within California's \$340 billion insurance industry by advancing supplier and board diversity.

Namely, these efforts by Department staff and the Commissioner-appointed Insurance Diversity Task Force are meant to encourage diverse board leadership and increased procurement from businesses owned by women, LGBTQ+ people, veterans, disabled veterans and historically underrepresented communities, or collectively referred to as "diverse suppliers." The Initiative accomplishes these goals by conducting surveys to collect and publicly disseminate information about the diversity efforts of insurers, as well as through outreach, partnerships, and Department-hosted events. In 2020, with

the creation of the first ever Special Committee on Race & Insurance within the National Association of Insurance Commissioners (NAIC), the Initiative became regarded as a national model program. Commissioner Lara continues to deepen his commitment to creating greater equitable opportunities for diverse businesses in California and among insurer board members.

Collectively, the Initiative is comprised of the following components:

- **Insurance Diversity Task Force**
 - A Commissioner-appointed 15 member advisory group comprised of diversity advocates, supplier and board diversity experts, community leaders, and insurer representatives.
 - In 2020, the Task Force, in collaboration with Commissioner Lara and the Department, embarked on a bold 2020-2021 Strategic Plan – one that outlines actionable goals for greater engagement and opportunities to address the needs of diverse businesses and increase greater diversity among insurer boards.

- **Insurance Diversity Surveys**
 - Since 2012, with the enactment of AB 53 authored by then-Assembly Member Jose Solorio (D-Santa Ana), the Department has administered insurance diversity surveys. The transparency achieved through AB 53 highlighted important findings on diversity within the insurance industry.
 - In 2019, following the expiration of AB 53 and prior unsuccessful legislative efforts, Commissioner Lara sponsored SB534 (Bradford, Chapter 249, Statutes of 2019) which was signed into law by Governor Gavin Newsom.
 - SB 534 extended and codified components of the insurance diversity survey; expanded diverse business definitions to include LGBT- and veteran-owned businesses; codified the Insurance Diversity Task Force. SB 534 extends innovative programs that bring increased transparency and opportunities for partnership between the nation’s largest insurance market and woman-, minority-, LGBT-, veteran-, and disabled veteran-owned businesses along with critical information on the level of diversity among the boards of insurance companies. 2020 marked the first year following the enactment of SB 534.
 - In 2020, the Initiative administered the biennial California Insurance Diversity Survey (CAIDS) which yielded responses from 260 and 250 insurance companies in 2019 and 2018, respectively, that met the prerequisite \$100 California premium reporting threshold. CAIDS data revealed that procurement from diverse suppliers among California insurers increased by 126% since 2012 (\$930 million in 2012 to \$2.1 billion in 2019).

- **Insurance Diversity Summit**
 - Since 2012, the Department hosted an annual summit that brings together insurance industry experts, diverse businesses, diverse chambers of

- commerce, government leaders and other diversity stakeholders for an opportunity to engage in meaningful discussions, benefit from networking opportunities, and inspire ideas for measurable progress within the insurance industry.
- In 2020, the Department hosted its first-ever two-day virtual Insurance Diversity Summit. The Summit's theme for this uniquely challenging year was "*Uplifting Our Communities*" as we witnessed communities devastated by underrepresentation, racial injustice, and economic barriers atop of a global health pandemic that isolated us all. As a testament to our goal of removing barriers to access, the Summit was free of charge to members of the public who wished to attend. The online event featured engaging keynotes led by the Commissioner in tandem with Insurance Diversity Task Force members and insurance company executives, board directors, and elected leaders championing board diversity. The Summit also included Matchmaking Roundtables, Resource Expo, and engaging webinars led by experts on the topics of race and diversity in the insurance industry, diversity in the boardroom, navigating the insurer procurement pathways, building resilience in business strategies, and more.
 - **Special Mission-Critical Projects**
 - The Insurance Diversity Initiative also leads and/or participates in special projects that are imperative to our mission.
 - To proactively address the disproportionate negative impact of COVID-19 to California's diverse business community, the Initiative convened the first **Statewide Coalition on Diversity Initiatives** (Coalition) that is committed to increasing the economic impact of the state's small and/or diverse businesses by expanding access to business resources and procurement opportunities across California's Executive Branch. The Coalition is comprised of the following state agencies:
 - California Public Utilities Commission
 - Governor's Office of Business & Economic Development
 - California Department of General Services
 - California Department of Transportation
 - Office of Statewide Health Planning and Development
 - Other projects include the *Diversity Digest*, a monthly e-newsletter that is distributed to over 5,000 stakeholders on our listserv; regular updates to the [Insurance Diversity Initiative's website](#); and, attendance at local, national and statewide conferences and webinars in order to continue to increase our knowledge of best practices, support our mission of increasing supplier and board diversity, expand our network of stakeholders, and participate in legislative activities as it relates to the mission of the Initiative.
 - As a result of the Initiative's subject matter expertise in hosting virtual publicly-noticed Task Force meetings due to the Governor's Executive Order

N-29-20, the program became a resource leader on video conferencing best practices among the Department's Boards and Commissions

Magnifying Board Diversity Commitments

The racial justice movement and COVID -19 laid bare the inequities faced by diverse communities in times of crisis, including representation from historically underrepresented communities in the boardrooms of insurance companies.

Throughout 2020, Commissioner Lara continues reinforcing his long-standing commitment to advancing board diversity within the insurance industry that included leading a successful Governing Board Diversity (GBD) Engagement Campaign, and elevating the value and visibility of the Initiative by sharing leading practices with fellow commissioners and diversity stakeholders on a national level. In particular, Commissioner Lara demonstrated the importance of creating equity in this industry through the following board diversity commitments:

- **Governing Board Diversity Engagement Campaign** – Beginning in 2019, Commissioner Lara led the GBD Campaign as part of a "call to action" for insurers to diversify their boards. As of March 2020, 80% of those insurance company CEOs shared that their companies had achieved, surpassed, or made active progress towards achieving their goals to diversify its boards of directors.
- **NAIC Special Executive (EX) Committee on Race and Insurance** – With the creation of the first-ever Special EX Committee on Race and Insurance, the Initiative provided critical subject matter expertise to the Commissioner as part of the Committee's Workstream One that is charged with researching and analyzing the level of diversity and inclusion within the insurance industry.
- **Support for NASDAQ's Board Diversity Proposal** – Commissioner Lara submitted a letter to the Securities & Exchange Commission to support NASDAQ's proposal to require all companies listed on its U.S. exchange to
 - publicly disclose consistent, transparent diversity statistics regarding their board of directors; and
 - require most Nasdaq-listed companies to have, or explain why they do not have, at least two diverse directors, including one who self-identifies as female and one who self-identifies as either an underrepresented minority or LGBTQ+.

2020 State of Board Diversity in California's Insurance Industry

The breadth and scope of California's increasingly diverse population means that it is equally important to see the diversity of the State and consumers reflected on the boards of insurance companies. Board directors, as part of the highest decision-making entity of a company, have the power to direct company-wide policies, allocate resources, and make impactful decisions that can transform a company's culture. However, diversifying insurer governing boards remains a challenge.

A total of 260 (2019) and 250 (2018) companies reported to the California Department of Insurance, representing 1,341 and 1,227 board seats, respectively. According to the 2020 CAIDS report data, in 2019, one-quarter of insurance company boards had reached a critical mass of having 30% female board directors, or the point where women can become an influential body on their boards. Yet in that same year, our analysis also reveals that 20.3% of insurance company boards reported the absence of any woman. Representation among ethnically diverse board members continues to remain a challenge within the insurance industry, and is not reflective of the U.S. population. In 2018 and 2019, among the boards of respondent insurance companies, 48.1% and 35.8%, respectively, reported zero ethnic diversity.

2020 CAIDS – California Insurance Industry Board Diversity

Year	Number of Board Directors	Women Board Directors (%)	Ethnically Diverse* Directors (%)	Veteran Board Directors	Disabled Veteran Board Directors	LGBT Board Directors
2019	1,341	23.1%	14.3%	6.0%	< 1.0%	< 1.0%
2018	1,227	22.2%	14.2%	5.8%	< 1.0%	< 1.0%

*Includes board directors that self-identify as African American, Hispanic-Latino, Asian/Pacific Islander, or Native American

State of Supplier Diversity in California’s Insurance Industry – Survey Highlights

One of the key milestones of the Initiative was the successful administration of the California Insurance Diversity Survey, a biennial survey to collect & publicly disseminate insurer procurement and board diversity data from California admitted insurance companies that collect at least \$100 million in California premiums, annually.

Diverse Procurement Spend in California by Year

Year	Diverse Spend
2012	\$930 Million
2013	\$1.3 Billion
2014	\$1.5 Billion
2015	\$1.7 Billion
2016	\$1.6 Billion
2017	\$1.8 Billion
2018	\$1.8 Billion
2019	\$2.1 Billion

Diverse Procurement by Certification Category

Certification Category	2012	2013	2014	2015	2016	2017	2018	2019
Women Business Enterprise (WBE)	\$153 Million	\$433 Million	\$558 Million	\$510.8 Million	\$506.4 Million	\$683.6 Million	\$669 Million	\$678 Million
Minority Business Enterprise (MBE)	\$241 Million	\$618 Million	\$729 Million	\$947.7 Million	\$806.2 Million	\$919.4 Million	\$1.02 Billion	\$1.2 Billion
Disabled Veteran Business Enterprise (DVBE)	\$1 Million	\$83 Million	\$89 Million	\$92 Million	\$108.1 Million	\$29.0 Million	\$16 Million	\$28 Million
LGBT Business Enterprise (LGBTBE)	\$104,000	\$5.6 Million	\$5.3 Million	\$6.6 Million	\$4.98 Million	\$9.9 Million	\$9.8 Million	\$10.3 Million
Multi-Certified Business Enterprise (MCBE)	\$38 Million	\$111 Million	\$135 Million	\$126 Million	\$132.5 Million	\$92.1 Million	\$82.5 Million	\$126 Million
Veteran Owned Business Enterprise (VOBE)*	N/A	N/A	N/A	N/A	\$41.1 Million	\$48.3 Million	\$27.3 Million	\$27.9 Million

*The 2017 MIDS included a new reporting category for the certification type: Veteran Owned Business Enterprise

Diverse Procurement by Ethnicity

Ethnicity	2013	2014	2015	2016	2017	2018	2019
Asian Pacific Islander	\$277 Million	\$330 Million	\$576 Million	\$435 Million	\$428 Million	\$347 Million	\$573 Million
African American	\$154 Million	\$173 Million	\$158 Million	\$167 Million	\$239 Million	\$223 Million	\$245 Million
Latino/Hispanic	\$111 Million	\$146 Million	\$145 Million	\$158 Million	\$149 Million	\$103 Million	\$151 Million
Multi-Ethnic	\$10 Million	\$10 Million	\$17 Million	\$51 Million	\$19 Million	\$9 Million	\$15 Million
American Indian	\$42 Million	\$39 Million	\$9 Million	\$6 Million	\$11 Million	\$4 Million	\$3 Million

CALIFORNIA ORGANIZED INVESTMENT NETWORK

The California Organized Investment Network (COIN) guides insurers on making financially sound investments that provide environmental benefits in California and social and economic benefits for the state's low-to-moderate income, rural, and underserved communities.

Commissioner Lara has made it a priority of COIN to increase and enhance its focus on environment/green investments, support for affordable housing, and small businesses affected by the COVID-19 pandemic during his tenure. Furthermore, to the extent possible, these investments should be allocated to Diverse Investment Managers, defined as comprised of 50% or above ownership or employees representing minority communities. This will be achieved through COIN's Investment Bulletin Program and Impact Investment Marketplace, and further enhanced through individual discussions with insurance companies and asset managers. COIN is currently building out impact metrics in the Impact Investment Marketplace platform. This questionnaire will be sent out to COIN approved Investment Bulletin managers, which will measure the social and environmental impact of each of their investments and collect data on any insurers who have made investments in their fund, with a particular emphasis on the Commissioner's focus on environment/green investments and affordable housing.

Highlights from 2020 include:

- COIN continued to build relationships throughout the institutional investment industry, including with insurers, asset managers, socially responsible investors, and community development organizations. Participation in the COIN program achieved record levels across a number of metrics, including a record number of primary insurer and asset manager investor contacts, and a record number of COIN Impact Investment Marketplace account holders.
- A record twenty-two new Investment Bulletins, up from the prior record of ten new Investment Bulletins in 2019, as COIN staff suspended marketing trips due to the COVID pandemic, and focused more time on sourcing, reviewing, and approving new COIN Investment Bulletins, which provided social and environmental benefits in affordable housing, small and middle-sized businesses, real estate, renewable energy, and mortgage loans for low-to-moderate income populations in California.
- In 2020, COIN certified 30 Community Development Financial Institutions (CDFI) which hold 24 investments totaling \$50 million.
- Conducted two virtual COIN Advisory Board meetings, appointed seven new members, including a newly added member with experience in investments that benefit the environment, as outlined in AB 1099 (Calderon, Chapter 186, Statutes of 2019), and re-appointed one member. Two members whose appointments were not up for renewal were held over from the prior COIN Advisory Board.

COIN Insurer Investment Bulletin Program

Investment Bulletins, which are pre-qualified by COIN, help insurers to easily find asset classes that fit their investment portfolio. The investments are focused on providing social and/or environmental impact in California, with competitive financial returns for insurance company investors. In 2020, COIN continued to see increased direct investments by insurers, which will be collected during the 2021 Community Investment Survey (CIS) Data Call, when insurers who write over \$100 million of California direct written premium will report their COIN-qualified investment holdings for years 2016-2020, including any holdings in COIN Investment Bulletins.

Through the COIN Investment Bulletin program, COIN does investment research for the insurer, providing:

- Expertise - Finding California-focused investment opportunities for insurers.
- Due Diligence - Evaluating and verifying management, risks, benefits, and potential returns of investments.
- Performance - Seeking consistent, competitive financial returns with a social/environmental benefit.
- Unlocking Capital - Finding insurers to fund social and/or environmental impact investments.

Major 2020 Qualified Investments and Projects:

- BlackRock Global Renewable Power Fund: \$2.5 billion renewable energy fund, the third such fund from BlackRock, that in total have raised over \$6 billion of investments that benefit the environment, of which about \$300 million has been in California. Investments in the fund have led to over 90 million MWh of clean energy produced, over 9 million homes powered with clean energy, and over 34 million metric tons of CO2 emissions avoided, thereby contributing to the fight against climate change.
- Calvert California Rebuilding Fund: Launched by Governor Newsom in November 2020, the California Rebuilding Fund is a public private partnership to address the capital and advisory needs of California small businesses as they reopen and recover from the COVID-19 health and economic crisis. With \$315 million in combined facility capacity, this effort targets the smallest of small businesses – those with fewer than 50 employees – and has a goal of reaching historically under-resourced communities.
- Diverse Communities Impact Fund (DCIF): DCIF invests in platforms that improve the quality of life by increasing access to better education; healthcare; banking, financial services and credit; and, improved environmental conditions. The \$100 million DCIF will focus on impact investing as a framework approach to

evaluate markets, investments, and business decisions that consider environmental, social, health & economic factors using a measurable, repeatable and profitable process, all while benefiting the low-income communities they serve.

- **IMPACT Mortgage Opportunities Fund:** The \$200 million Fund will derive its returns from investments in short-term mortgage loans that will provide financing for acquiring affordable multifamily properties while the related property borrower obtains permanent financing to maintain the property for low and moderate-income tenants, thereby maintaining or expanding the supply of affordable housing in California.
- **Watt Investment Partners Affordable Housing Preservation Strategy:** The Strategy focuses on California residential properties, located in at-risk areas for current and future displacement pressure and gentrification and improves housing security for at-risk tenant populations by legally requiring housing to remain affordable to low income tenants into the long term (55+ years).

Commissioner Lara launches “Invest in Our Diverse Communities” Initiative

On July 1, 2020, Commissioner Lara launched “Invest in Our Diverse Communities”, an initiative to identify diverse woman-, veteran-, LGBTQ+-, Latinx, Asian Pacific Islander, Black, and Native American-owned investment managers who can guide investments made by insurance companies into capital ready socially responsible affordable housing and environmental projects across California. The initiative will identify investments managed or owned by diverse investment leaders to fund targeted projects with social benefits in California.

“The COVID-19 pandemic has exposed the inequality in wealth that continues to persist in communities across our state, which I believe the insurance industry can help to tackle through socially responsible investments,” said Insurance Commissioner Ricardo Lara. “‘Invest in Our Diverse Communities’ will help insurance companies target their investments to diverse managers and firms who support environmentally sustainable programs and affordable housing projects for California to help improve our way of life and provide a stable home for those who need it.”

Initiative investments will address areas requiring immediate attention, such as healthcare, homelessness, and environmental sustainability. These investment opportunities also assist small businesses in underserved communities which, during the COVID-19 pandemic, will be needed now more than ever before.

COIN Advisory Board

COIN utilized the COIN Advisory Board (CAB) to advise the best methods to increase the level of insurance industry capital in financially sound investments and facilitate

contact among executives at insurance companies, community-based organizations, and community development financial institutions.

In 2020, Commissioner Lara announced the following eight appointments to the COIN Advisory Board:

Suzanne Anarde is Chief Executive Officer for Rural Community Assistance Corporation (RCAC), a nonprofit organization that provides training, technical and financial resources, and advocacy to support rural communities to achieve their goals and visions. Anarde has worked for more than 29 years as a community development professional dedicated to rural revitalization. She is a board member of the National Rural Housing Coalition Board of Directors and the U.S. Bank Community Advisory Committee. Anarde joins the COIN Advisory Board as a consumer advocacy group representative with a term ending on July 1, 2022.

Ophir Bruck leads signatory relations and strategic initiatives in western North America for the United Nations supported Principles for Responsible Investment (PRI), the world's leading proponent of responsible investment. The PRI supports a global network of more than 3,100 institutional investors and service providers representing \$103 trillion in assets under management with the incorporation of environmental, social, and governance (ESG) issues into investment and stewardship policy and practice. Prior to joining the PRI, Bruck was an investment analyst at the University of California Office of the Chief Investment Officer, where he led the development and implementation of a sustainable investment framework for the university system's endowment and pension assets. Bruck joins the COIN Advisory Board as a representative with experience seeking investments that provide environmental benefits with a term ending on July 1, 2022.

Stephanie Chan is Chief Investment Officer at the State Compensation Insurance Fund (SCIF) where she is responsible for managing SCIF's \$20 billion investment portfolio as well as the Treasury and Investment operations. In 2019, she received her credential as a Chartered Financial Analyst, the highest distinction in the investment management profession. Prior to working at SCIF, Chan had several years of public accounting and auditing experience working at the California Bureau of State Audits as Senior Auditor. Chan joins the COIN Advisory Board as an insurance investment executive with a term ending on July 1, 2022.

Patricia GoPaul is General Counsel for the Low Income Investment Fund, which provides financing and technical assistance to create and preserve affordable housing, child care centers, charter schools, healthy food retail, health clinics, and transit-oriented development in distressed neighborhoods nationwide. She is former Counsel and Senior Vice President of Impact Community Capital and, before that, served for many years in the legal sector. She is also a member of Community Vision f/k/a/ Northern California Community Loan Fund Board of Directors. GoPaul rejoins the COIN

Advisory Board as a representative with experience seeking investments for low-to-moderate-income or rural communities with a term ending on July 1, 2022.

Linda Hill is Vice President II for Aegon Real Assets where she is responsible for originating, underwriting, and closing approximately \$400 million in annual tax credit equity investment. Hill is a member of the Executive Real Estate Committee at Aegon, which approves all real estate transactions including commercial mortgage loans, private equity, and energy investments. She is also a member of the Affordable Housing Investors Council (AHIC) and a member of the Affordable Housing Tax Credit Coalition. Hill joins the COIN Advisory Board as an insurance investment executive with a term ending on July 1, 2022.

Ginger Hitzke is President of Hitzke Development Corporation. Hitzke has 23 years of experience in the field of economic development and specializes in affordable rental housing, including permanent supportive housing on infill, transit-oriented sites. She is Board President for Circulate San Diego, member of Inclusive Action for the City (formerly Leadership for Urban Renewal Network), and past member of the San Diego Housing Federation. Hitzke joins the COIN Advisory Board as an economic development practitioner with a term ending on July 1, 2022.

Jennifer McElyea is Senior Managing Partner at Watt Investment Partners, where she is responsible for over \$500 million of assets under management including the negotiation and execution of real estate investment opportunities in affordable housing and public-private partnerships. She serves as a member on the BizFed Institute Board of Directors and is Vice Chair of the Urban Land Institute Public Private Partnership Council. McElyea joins the COIN Advisory Board as an affordable housing practitioner with a term ending on July 1, 2022.

Thomas Connell (T.C.) Wilson is Chief Investment Officer for The Doctors Company, the nation's largest physician-owned medical malpractice insurance company. Wilson directly oversees the company's \$5 billion investment portfolio and contributes to the strategic growth plan as it relates to investment review and assessment of new partnerships and opportunities. Under Wilson's leadership, the Doctors Company recently approved a 1% set aside for COIN-approved investment opportunities. Wilson joins the COIN Advisory Board as an insurance investment executive with a term ending on July 1, 2022.

2020 ANNUAL REPORT
RATE REGULATION BRANCH

Rate Regulation Branch

The Rate Regulation Branch (RRB) is responsible for the prior approval of property and casualty (PC) insurance rates charged to consumers. Under California's prior approval statutes and provisions of Proposition 103 enacted by the voters in 1988, RRB analyzes rate filings submitted by PC insurers and other insurance organizations for most PC insurance lines of business, ensuring that proposed rates are not excessive, inadequate, or unfairly discriminatory. In addition, RRB analyzes filings submitted by PC insurers and other insurance organizations under California's file-and-use statutes for a limited number of PC lines of business.

RRB processed 6,843 PC rates, rules, and form filings in 2020 and reduced requested rate increases by \$690.3 million. In addition, RRB approved reductions of existing rates totaling more than \$294 million. For personal auto insurance coverage, the reductions to requested rate increases totaled \$540 million and the approved reductions of existing rates was more than \$273 million.

RATE FILING BUREAUS

RRB consists of six rate filing bureaus, three in Los Angeles, two in Oakland, and one in Sacramento. These bureaus receive and review filings from over 750 PC companies licensed in California. The Intake Unit in the Oakland office is responsible for processing all prior approval rate filing applications and providing copies of all filings to the Public Viewing Rooms maintained in Oakland and Los Angeles. The Intake Unit in the Los Angeles office is responsible for processing all file-and-use rate filing applications which cover the Workers' Compensation and Title lines of insurance.

RRB actively utilizes the National Association of Insurance Commissioners' (NAIC) System for Electronic Rate and Form Filings (SERFF). SERFF is designed to enable companies to send and states to receive, comment on, approve, or reject insurance industry rate and form filings. This system helps increase efficiency and facilitates communication between the rate filing bureaus and insurers. The percentage of filings received via SERFF continues to increase each year. In 2020 the percentage of total filings received through SERFF was approximately 99.5%.

Number of Rate Filings Received in Calendar Years 2019 and 2020

TYPE	2019	2020
Private Passenger Automobile	498	340
Homeowners	304	262
Title	71	71
Other Personal Lines Products	315	301
Workers' Compensation	626	465
Medical Malpractice	57	46

TYPE	2019	2020
Other Commercial Lines Products	4,737	5,358
Total	6,608	6,843

RATE ACTUARY OFFICE

The primary function of the Rate Actuary Office (RAO) is to provide consultative services to RRB. RAO's actuaries are assigned to review filings which impact the greatest number of consumers in need of protection – generally, those rate and automobile class plan filings submitted by the larger personal line insurers. In addition, RAO actuaries are often called upon to review more complex filings, with or without statistical models, help train non-actuarial staff, provide their expertise in the development of new and revised regulatory and legislative proposals, serve as expert witnesses in litigated rate matters, and represent the Department within the professional actuarial community by participating in topical panel discussions at annual and regional meetings of the Casualty Actuarial Society.

RATE SPECIALIST BUREAU

The Rate Specialist Bureau (RSB) provides advice and support to the Commissioner, Executive Staff, RRB, other Department managers, the industry, and consumers with regard to underwriting, rating, data collection, statistical analysis, profitability, and rate-of-return issues. In addition, RSB also monitors different emerging issues affecting insurance regulation such as the use of InsurTech in the areas of sharing economy, autonomous vehicles, artificial intelligence, blockchain, etc. RSB's duties and responsibilities extend to all lines of insurance and special task force assignments.

Besides producing the essential Rate Component Determination (RCD) generic rating factors for use by RRB staff, RSB is also responsible for reporting data under California Insurance Code (CIC) Sections 674.5 and 674.6. Under CIC Section 674.5, an insurer ceasing to offer any particular class of commercial liability insurance must provide prior notification of its intent to the Commissioner. Likewise, under CIC Section 674.6, an insurer offering policies of commercial liability and most types of PC insurance must provide prior notification to the Commissioner of its intent to withdraw wholly or substantially from the specified line of insurance. The list of notifications that RSB received in 2020 is shown in the following table.

Companies Filing Withdrawals, Cease Writings, etc. in Calendar Year 2020

NAIC Number	Company Name	Group Name	Request Date	Effective Date	Withdrawal of Line or Indicated Company Action
34525	First American Specialty Insurance Company	First American Title Group	11/4/2020	9/30/2020	Homeowners
25895	United States Liability Insurance Company	Berkshire Hathaway Group	8/20/2020	11/9/2020	Allied Health Products
40029	Explorer Insurance Company	ICW Group Assets Inc. Group	5/26/2020	10/1/2020	Personal Auto
21873	Fireman's Fund Insurance Company	Allianz Insurance Group	3/3/2020	6/15/2020	Agribusiness Products
21857	The American Insurance Company	Allianz Insurance Group	3/3/2020	6/15/2020	Agribusiness Products
21881	National Surety Corporation	Allianz Insurance Group	3/3/2020	6/15/2020	Agribusiness Products
21849	American Automobile Insurance Company	Allianz Insurance Group	3/3/2020	6/15/2020	Agribusiness Products
21865	Associated Indemnity Corporation	Allianz Insurance Group	3/3/2020	6/15/2020	Agribusiness Products
19976	Amica Mutual Insurance Company	Amica Mutual Group	1/6/2020	5/1/2020	Named Non-Owner Automobile Policies

2020 ANNUAL REPORT
ADMINISTRATION *and* LICENSING
SERVICES BRANCH

Administration and Licensing Services Branch

The Administration and Licensing Services Branch (ALSB) provides administrative support services to CDI including budgets, accounting, business services, human resources, and information technology. The Branch also provides licensing services to insurance agents, brokers, adjusters, and bail agents and assistance to the Insurance Commissioner in performing adjudicatory tasks. ALSB consists of:

- Administrative Hearing Bureau
- Financial Management Division
- Human Resources Management Division
- Information Technology Division
- Licensing Services Division

ADMINISTRATIVE HEARING BUREAU

The Administrative Hearing Bureau (AHB) assists the Insurance Commissioner in performing adjudicatory tasks provided for by statute or regulation. Specifically, the AHB provides Administrative Law Judges (ALJ) to conduct hearings authorized by the California Insurance Code (CIC) and its applicable regulations. As quasi-judicial officers, the ALJs must adhere to the tenets of the Model Code of Judicial Conduct as well as the California Code of Judicial Ethics. Accordingly, the ALJs must remain insulated from the legal, enforcement, and regulatory branches of CDI.

Evidentiary Hearings

As directed by statute, the AHB conducts formal and informal evidentiary hearings in accordance with the Administrative Procedure Act and other controlling statutes or regulations. Evidentiary hearings range from single-day trials to hearings lasting several weeks or months. Most hearings involve more than two parties and all require expertise in insurance law as well as evidentiary procedure. All AHB hearings employ a court reporter and many require significant pre- and post-hearing briefings. At the conclusion of the hearing, the ALJs submit proposed decisions containing findings of fact and conclusions of law to the Commissioner, who issues the final decision in each case. The ALJs also mediate disputes upon request, thereby avoiding the necessity of an evidentiary hearing.

In 2020, AHB Judges presided over the following types of evidentiary hearings:

- Appeals from decisions of the Workers’ Compensation Insurance Rating Bureau or insurance carriers regarding application of the workers’ compensation insurance rating system and plans including proceedings related to workers’ compensation insurance rating filings
- Prior approval rate hearings
- Applications for Written Consent by Prohibited Persons
- Cease and Desist hearings
- Non-Compliance hearings
- California Automobile Assigned Risk Plan hearings

The AHB also mediated resolutions in several workers’ compensation appeals and began issuing final decisions in Request for Compensation cases.

In April 2020, the AHB pivoted to conducting all hearings via the Zoom video-conference platform, as a result of the COVID-19 pandemic. All staff undertook considerable training and spent considerable time drafting policies and procedures for remote hearings. AHB livestreams all its hearings to its own YouTube channel.

In 2020, the AHB opened 31 cases and closed 38 cases in the case categories listed in the table below. These figures are far below AHB’s normal case trends due entirely to the COVID-19 pandemic.

2020 ADMINISTRATIVE HEARINGS BY CATEGORY

CASE TYPE	OPENED	CLOSED
Workers’ Compensation Appeals (including procedures re: rate filings)	19	34
Prohibited Person hearings	3	2
Cease and Desist hearings	1	0
Non-Compliance hearings	0	1
California Automobile Assigned Risk Plan hearings	0	1
Request for Compensation Petitions	8	0

Courtroom and Litigation Support

The AHB also oversees the Administrative Hearing Rooms in Oakland and Los Angeles. To that end, AHB staff handle all hearing room reservations and all departmental requests for court reporters. AHB maintains the master calendar and updates the online hearing calendar on a weekly basis. AHB also administers the court reporting contract, reviews all transcripts for accuracy, and distributes transcripts to the proper parties.

In the event the Insurance Commissioner's decision is appealed, AHB prepares the administrative record, sends the mandated record for reproduction, and files the administrative record with the proper appellate Court.

FINANCIAL MANAGEMENT DIVISION

The Financial Management Division (FMD) consists of three Bureaus:

- Accounting Services Bureau (ASB) provides a full range of accounting functions including payables, receivables, revolving fund, cashiering, general ledger, security deposits, and gross premium and surplus line tax collection ensuring effective management of CDI's financial affairs to provide accurate financial reports to state control agencies.
- Budget and Revenue Management Bureau develops CDI's annual budget and the supplementary schedules submitted to the Department of Finance; develops annual budget allocations and monitors expenditures and revenue collection in FI\$Cal for all CDI programs; develops various hourly rates for cost recovery; and oversees and maintains CDI's activity reporting system for cost accounting purposes.
- Business Management Bureau provides a full range of administrative and business services in the areas of procurement, contracts, facilities, records, forms, reprographics, physical assets, fleet, emergency and continuity planning, mail, and supply services.

Tax Collection Program – ASB oversees the timely processing of premium tax returns filed by insurers and surplus line brokers and the timely collection and reporting of all appropriate taxes. For calendar year 2019, ASB processed 3,399 tax returns. Additionally, CDI collected approximately \$3.1 billion in tax revenue for Fiscal Year (FY) 2019-20 to support the state’s General Fund.

**PROCESSED TAX RETURNS
CALENDAR YEAR 2019**

INSURANCE TYPE	NUMBER OF ANNUAL TAX RETURNS	TAX RATE	LAW REFERENCE
Surplus Line	1,451	3%	CIC § 1775.5
Property & Casualty	905	2.35%	RTC § 12202
Ocean Marine	580	5%	RTC § 12101
Life	430	2.35% or 0.5%	RTC § 12202
Title	18	2.35%	RTC § 12202
Home	15	2.35%	RTC § 12202
TOTAL	3,399		

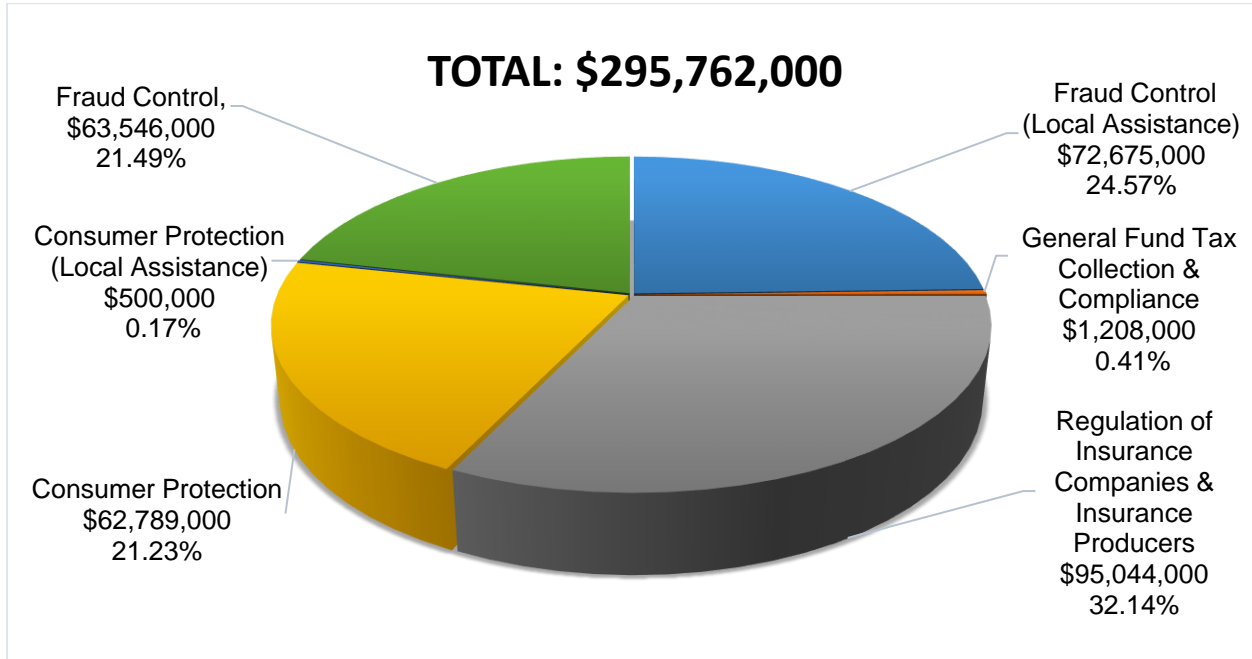
California Insurance Code (CIC), California Revenue and Taxation Code (RTC)

**FIVE-YEAR SUMMARY OF PREMIUM (INCLUDING SURPLUS LINE) TAXES
COLLECTED BY CDI FOR THE STATE’S GENERAL FUND**

FISCAL YEAR	TAXES COLLECTED
2015-16	\$2,595,977,000
2016-17	\$2,479,205,000
2017-18	\$2,558,066,000
2018-19	\$2,702,402,000
2019-20	\$3,117,483,000

Expenditures – CDI’s total expenditures for FY 2019-20 were \$295.8 million.

**TOTAL EXPENDITURES BY PROGRAM
FISCAL YEAR 2019-20**



Note: The chart “Total Expenditures by Program, Fiscal Year 2019-20” includes Distributed Administration expenditures of \$37,258,000. (Distributed Administration represents the cost of centralized administrative functions that benefit all CDI programs and include Accounting, Budgeting, Business Services, Human Resources, Information Technology, and other essential administrative functions. The costs of these administrative functions are passed on to all CDI programs as an indirect cost.)

CDI’s expenditures fall into the following categories:

- **Personal Services** – Costs related to services performed by CDI employees to support operations. This includes salaries, wages, and staff benefits.
- **Operating Expenses and Equipment** – Costs of goods and services (other than personal services previously defined) incurred by CDI to support its operations.
- **Local Assistance** – Funds provided to local entities (e.g., District Attorneys) in support of CDI’s programs.

**EXPENDITURES BY CATEGORY
FISCAL YEAR 2019-20**

CATEGORY	EXPENDITURES
Personal Services	\$175,006,000
Operating Expenses and Equipment	\$47,581,000
Local Assistance	\$73,175,000
TOTAL	\$295,762,000

Revenues – In FY 2019-20, CDI generated \$304 million in revenue from fees, licenses, and various assessments paid by insurers, insurance producers, and other licensees. Insurance Fund revenue generally is received from insurance companies and insurance producers that CDI regulates. Both insurers and producers pay license, filing, and other fees.

**REVENUE COLLECTION BY TYPE
FISCAL YEAR 2019-20**

TYPES OF REVENUE	AMOUNT	% OF TOTAL
Fraud (shown by subset below):	\$131,594,000	43.28%
-Workers' Compensation	(\$72,366,000)	-54.99%
-Auto (\$1.50)	(\$44,312,000)	-33.67%
-Disability and Healthcare	(\$8,735,000)	-6.64%
-General	(\$6,181,000)	-4.70%
Fees and License	\$90,407,000	29.74%
Proposition 103	\$40,212,000	13.23%
Examination Fees	\$25,548,000	8.40%
Auto Consumer Services (\$0.26)	\$8,974,000	2.95%
Principle-Based Reserving (Life/LTC)	\$3,360,000	1.11%
Seismic Safety	\$1,529,000	0.50%
Independent Medical Review	\$1,390,000	0.46%
Life and Annuity	\$1,015,000	0.33%
TOTAL	\$304,029,000	100.00%

The revenue reflected in the table “Revenue by Collection Type, Fiscal Year 2019-20” was generated from the following assessments:

- **Fraud** – Fraud Control revenue is derived from the following fees and assessments:
 - Fraud Workers’ Compensation – Annual assessment determined by the Fraud Assessment Commission used to fund workers' compensation fraud investigation and prosecution.
 - Fraud Auto (\$1.50) – Annual assessment for each vehicle insured. \$1.00 funds the investigation and prosecution of automobile insurance fraud and \$0.50 funds the organized automobile Fraud Activity Interdiction Program (self-assessed quarterly).
 - Fraud Disability and Healthcare – Annual assessment not to exceed \$0.20 for each insured person to fund investigation and prosecution of fraudulent disability insurance claims.
 - Fraud General – Annual assessment up to \$5,100 for each insurer doing business in the state to support Fraud Division.
- **Fees and License**
 - License Fees and Penalties – Fees to cover the cost of issuing and making changes to licenses (paid by companies and individual licensees) to support the Department’s general operations.
 - General Fees – Fees to cover the costs associated with processing and maintaining Action Notices, Policy Approvals, Insurer Certifications, Annual Statements, and Workers’ Compensation Rate Filings.
- **Proposition 103** – Annual assessment to recover costs of administering Proposition 103 including participating in rate hearings and conducting inquiries into consumer complaints.
- **Examination Fees** – Hourly rate developed annually to recover the costs of performing insurance practice exams, financial analysis reviews, field exams, and actuarial reviews.
- **Auto Consumer Services (\$0.26)** – Annual assessment for each vehicle insured to fund the consumer services functions related to regulating automobile insurers. Part of the fee (i.e., up to \$0.05) is specifically used to support the California Low Cost Auto Program (self-assessed quarterly).
- **Principle-Based Reserving**
 - Life – Annual assessment for costs associated with principle-based reserving valuation.
 - Long-Term Care – Annual assessment for costs associated with principle-based reserving for long-term care policies.
- **Seismic Safety** – Annual assessment of \$0.15 per earned property exposure to fund the Seismic Safety Commission (pass through from CDI to the Commission).
- **Independent Medical Review** – Annual assessment to cover the costs of administering the Independent Medical Review System.
- **Life and Annuity** – Annual fee of \$1.00 for each individual life insurance and individual annuity product issued (self-assessed bi-annually).

HUMAN RESOURCES MANAGEMENT DIVISION

The Human Resources Management Division (HRMD) is responsible for all personnel functions and provides overall policy direction on human resource functions related to the management of employees. HRMD supports the organization in the recruitment, training, and retention of a high-quality workforce. The Division:

- Administers employee pay and benefits.
- Determines appropriate position classification, gathers and evaluates pay data, and manages the examination and recruitment programs.
- Facilitates cooperative and productive labor relations among CDI employees and respective labor organizations.
- Oversees the Employee Assistance Program, Reasonable Accommodation Program, Employee Recognition Program, Safety Program, Wellness Program, and Return to Work Program.
- Develops, delivers, and coordinates in-house instructor-led and web-based training.
- Provides ongoing management advice and consultation concerning human resource issues.
- Administers career development, recruitment and outreach, and employee engagement services and programs.

INFORMATION TECHNOLOGY DIVISION

The Information Technology Division (ITD) provides reliable, supportable, and innovative information technology (IT) services and solutions to the Department to meet business and operational requirements. ITD consists of the following bureaus:

- **The Application Development and Maintenance Bureau (ADAM)** provides custom software development and supports a variety of commercial-off-the-shelf products/applications to meet the business needs of the Department. ADAM keeps abreast of the latest advancements in application tools and technology, including maintaining CDI's internet and intranet application servers.
- **The Project Coordination and Administrative Support Bureau** provides departmental and divisional support. Departmental support activities include IT procurement; IT project management; and control agency compliance as well as supporting and improving usability of CDI's website content, online services, and intranet. Divisional support activities include expenditure tracking; human resources coordination; IT and Department infrastructure budget tracking and monitoring; and training request coordination.
- **The Statewide Network Support Bureau (SNSB)** provides departmental support for the technology infrastructure. Support consists of telecommunication services; Local Area Network; Wide Area Network; hardware / software installation; e-mail services; video services; security; and maintenance for personal computers and other devices. SNSB monitors and maintains the Oracle

database infrastructure, commonly referred to as the ‘middle tier’, and hosts all production data in-house serving as CDI’s Data Center.

LICENSING SERVICES DIVISION

The Licensing Services Division (LSD) is responsible for ensuring all license applicants and licensees meet all eligibility requirements specified in the California Insurance Code and the California Code of Regulations. LSD consists of the following bureaus:

- **The Producer Licensing Bureau** issues, maintains, and updates records of all insurance producer, adjuster, bail agent, and other licenses; obtains information and documentary evidence regarding criminal convictions and other adverse actions in the backgrounds of insurance producers and license applicants; and analyzes evidence and makes recommendations as to the actions, if any, to be taken against these individuals.
- **The Curriculum and Officer Review Bureau** prepares and administers written qualifying insurance examinations; reviews and approves education courses submitted by insurance companies, educational institutions, and others; performs background reviews of insurance company officers and individuals seeking appointment to the Commissioner’s boards and committees; reviews consumer complaint files received from the Investigation Division; and assists in processing the applications of non-admitted insurers applying to be added to CDI’s List of Approved Surplus Line Insurers.

**LICENSE PROCESSING STATISTICS
CALENDAR YEARS 2019 AND 2020**

WORKLOAD	2019	2020	PERCENTAGE CHANGE
Individual License Applications Received	86,017	90,252	5%
License Examinations Scheduled	68,098	56,654	-17%
New Licenses Issued	79,319	67,624	-15%
Licenses Renewed	146,781	157,590	7%
Insurer Appointments/Terminations	816,819	778,368	-5%
Bonds Processed	3,938	2,427	-38%
Licensing Calls Handled	221,797	110,317*	-50%
Email Inquiries Processed	8,672	30,763*	255%

*Due to COVID-19 stay-at-home orders, the Licensing Hotline was closed for five months in 2020 resulting in a decrease in hotline calls handled and an increase in email inquiries processed.

**APPLICATIONS RECEIVED BY LICENSE TYPE
CALENDAR YEARS 2019 AND 2020**

LICENSE TYPE	2019	2020	PERCENTAGE CHANGE
Life and Accident/Health (combined)	30,698	34,176	11%
Life	16,648	16,313	-2%
Property and Casualty	16,065	14,033	-13%
Accident and Health	11,677	15,487	33%
Personal Lines	10,487	7,984	-24%
Limited Lines Automobile	350	236	-33%

**NEW LICENSES ISSUED BY LICENSE TYPE
CALENDAR YEARS 2019 AND 2020**

LICENSE TYPE	2019	2020	PERCENTAGE CHANGE
Life	38,791	40,841	5%
Accident and Health	34,563	39,464	14%
Property and Casualty	13,796	11,930	-14%
Personal Lines	9,714	6,903	-29%
Limited Lines Automobile	327	204	-38%

**LICENSE BACKGROUND STATISTICS
CALENDAR YEARS 2019 AND 2020**

WORKLOAD	2019	2020	PERCENTAGE CHANGE
Insurance agent and broker background reviews	4,133	3,965	-4%
Cases referred to Legal Branch for disciplinary action	622	546	-12%
Insurance agent and broker alternative resolution program cases	833	642	-23%

**OFFICER BACKGROUND SECTION STATISTICS
CALENDAR YEARS 2019 AND 2020**

WORKLOAD	2019	2020	PERCENTAGE CHANGE
Insurance company officer and director background reviews	391	491	26%
Updates to List of Approved Surplus Line Insurers	12	5	-58%
Cases referred to Legal Branch or Investigations Division for disciplinary action or further investigation	0	0	0%
Orders of Administrative Bar for cheating on examinations	12	2	-83%
Commissioner Board and Committees background reviews	42	37	-12%

LSD Licensing Examination First-Time Pass Rates:

The following tables are the examination pass rates for individuals taking the license examination on their first attempt. In addition to the pass rates for each license type, a breakdown of first-time pass percentages is broken out by gender, ethnic group, and education levels, which the examinees provide to CDI on a voluntary basis.

**FIRST-TIME EXAMINATION PASS RATES
CALENDAR YEAR 2020**

LICENSE TYPE	EXAMINEES	PASS RATE
Property / Casualty	5,144	43%
Life and Accident / Health	18,012	69%
Life	11,589	68%
Accident and Health	1,607	85%
Personal Lines	1,864	64%
Limited-Lines Automobile	207	64%

**FIRST-TIME EXAMINATION PASS RATES BY GENDER
CALENDAR YEAR 2020**

LICENSE TYPE	EXAMINEES	PASS RATE
Property / Casualty -		
Female	2,723	39%
Male	2,165	49%
Declined to Participate	256	40%
Life and Accident / Health -		
Female	8,634	68%
Male	8,013	71%
Declined to Participate	1,365	74%
Life -		
Female	3,472	72%
Male	2,712	77%
Declined to Participate	5,405	61%
Accident / Health -		
Female	623	83%
Male	641	89%
Declined to Participate	343	82%
Personal Lines -		
Female	884	56%
Male	500	64%
Declined to Participate	480	78%
Limited Lines Automobile -		
Female	130	58%
Male	34	74%
Declined to Participate	43	77%

**FIRST-TIME EXAMINATION PASS RATES BY ETHNIC GROUP
CALENDAR YEAR 2020**

LICENSE TYPE	EXAMINEES	PASS RATE
Property / Casualty -		
American Indian / Alaskan Native	34	32%
Asian	699	47%
Black	212	37%
Filipino	108	35%
Hispanic	1,432	30%
Pacific Islander	26	54%
White	1,831	54%
Declined to Participate	802	42%
Life and Accident / Health -		
American Indian / Alaskan Native	91	67%
Asian	3,439	71%
Black	1,727	60%
Filipino	1,007	67%
Hispanic	3,451	57%
Pacific Islander	160	57%
White	4,802	80%
Declined to Participate	3,335	72%
Life -		
American Indian / Alaskan Native	30	80%
Asian	1,253	76%
Black	640	76%
Filipino	520	81%
Hispanic	1,881	66%
Pacific Islander	116	70%
White	873	88%
Declined to Participate	6,276	62%
Accident / Health -		
American Indian / Alaskan Native	15	80%
Asian	205	84%
Black	143	83%
Filipino	75	88%
Hispanic	309	79%
Pacific Islander	9	100%
White	349	95%
Declined to Participate	502	83%

**FIRST-TIME EXAMINATION PASS RATES BY ETHNIC GROUP (CONTINUED)
CALENDAR YEAR 2020**

LICENSE TYPE	EXAMINEES	PASS RATE
Personal Lines -		
American Indian / Alaskan Native	4	50%
Asian	80	66%
Black	66	71%
Filipino	18	72%
Hispanic	710	55%
Pacific Islander	4	75%
White	211	74%
Declined to Participate	771	68%
Limited Lines Automobile -		
American Indian / Alaskan Native	0	NA
Asian	2	50%
Black	0	NA
Filipino	0	NA
Hispanic	131	60%
Pacific Islander	0	NA
White	7	71%
Declined to Participate	67	72%

**FIRST-TIME EXAMINATION PASS RATES BY EDUCATION LEVEL
CALENDAR YEAR 2020**

LICENSE TYPE	EXAMINEES	PASS RATE
Property / Casualty -		
High School/ GED	685	28%
Some College	1,436	34%
2-Year College Degree	497	38%
4-Year College Degree	1,609	57%
Master's Degree	330	58%
Doctoral Degree	26	81%
Declined to Participate	491	39%
Life and Accident / Health -		
High School/ GED	1,819	50%
Some College	4,268	61%
2-Year College Degree	1,588	64%
4-Year College Degree	5,890	78%
Master's Degree	1,672	82%
Doctoral Degree	276	86%
Declined to Participate	2,299	71%

**FIRST-TIME EXAMINATION PASS RATES BY EDUCATION LEVEL (CONTINUED)
CALENDAR YEAR 2020**

LICENSE TYPE	EXAMINEES	PASS RATE
Life -		
High School/ GED	1,103	58%
Some College	1,581	74%
2-Year College Degree	601	78%
4-Year College Degree	1,494	84%
Master's Degree	474	92%
Doctoral Degree	74	89%
Declined to Participate	6,028	61%
Accident / Health -		
High School/ GED	134	69%
Some College	318	84%
2-Year College Degree	142	83%
4-Year College Degree	415	93%
Master's Degree	122	93%
Doctoral Degree	13	92%
Declined to Participate	446	83%
Personal Lines -		
High School/ GED	386	50%
Some College	474	61%
2-Year College Degree	119	66%
4-Year College Degree	175	77%
Master's Degree	11	73%
Doctoral Degree	0	NA
Declined to Participate	683	69%
Limited Lines Automobile -		
High School/ GED	73	59%
Some College	56	63%
2-Year College Degree	9	33%
4-Year College Degree	6	100%
Master's Degree	2	100%
Doctoral Degree	0	NA
Declined to Participate	60	72%

2020 ANNUAL REPORT
OFFICE *of* CIVIL RIGHTS

Office of Civil Rights

In 2020, with the onset of the COVID-19 stay-at-home orders issued by the Governor, the Office of Civil Rights (OCR) took the Sexual Harassment Prevention training virtual so the Department would maintain compliance with all state and federal laws relating to Civil Rights and Equal Employment Opportunity.

In 2020, the Department took the Equal Employment Opportunity & OCR services and complaint processes virtual, ensuring CDI staff would always have access to them while maximizing teleworking opportunities in accordance with the Governor's stay-at-home orders.

In 2020, the Department's OCR took the statutorily mandated Disability Accessibility Committee virtual to continue to meet with and advise the Commissioner, managers, and supervisors on disability related matters and to help identify systemic access issues for employees or applicants with disabilities.

By the end of 2020, the Department's staff was in full compliance with the Sexual Harassment Prevention training requirements as mandated by AB 1825 and SB 778 (amendment to extend the initial deadline). The requirements state that all employees must have completed their mandatory Sexual Harassment Prevention training by January 1, 2021, which requires one-hour training for staff and two-hour training for managers and supervisors.

2020 ANNUAL REPORT
**COMMUNICATIONS *and* PRESS
RELATIONS BRANCH**

Communications and Press Relations Branch

The Communications and Press Relations Branch (CPRB) coordinates communication within the Department and disseminates the Department's key messages to consumers, the insurance industry, media, CDI staff, and other stakeholders.

The function of CPRB is to keep a wide variety of stakeholders, such as the media, general public, consumer advocates, the Governor's Office, allied agencies, and public policy officials informed about significant insurance issues. CPRB staff works closely with internal stakeholders to advance the Department's goals and objectives, and serves as an effective liaison with the media (television, newspapers, radio, online publications, and bloggers) via press releases, phone calls, emails, social media outreach, and events.

During 2020, major initiatives included:

- COVID-19 consumer and business recovery: CPRB produced news materials, press releases, town halls, fact sheets, and speeches by the Insurance Commissioner about the COVID-19 pandemic and resources available to consumers and businesses.
- Consumer protection and education: CPRB communicated and coordinated with numerous international, national, state, and local reporters to promote the Consumer Services Branch and Consumer Hotline. The Branch supported outreach regarding pending legislation, including media coverage, developing fact sheets, consumer stories, virtual events, briefing calls, and graphic design and promotion.
- California disaster preparedness and recovery public information campaign: CPRB led a multi-pronged outreach campaign to motivate California residents to prepare for a historic wildfire season and to educate them about post-disaster recovery by combining efforts with CAL FIRE, the insurance industry, local leaders and community and government assistance services. CPRB leveraged opportunities to positively impact consumer behavior. As California still recovers from the last several years of catastrophic wildfires, CPRB worked with media, disseminated press releases, and used social media to share the Department's efforts and resources at dozens of virtual town halls and events.
- Expanding access to health care: CPRB produced news materials, press releases, and speeches by the Insurance Commissioner about proposed changes to health insurance, access to health care including continuing the fight for health protections for LGBTQ+ individuals. CPRB arranged interviews about health insurance changes and other health care system information to media outlets across the nation.

- **Climate Change:** CPRB produced materials, press releases, and speeches by the Insurance Commissioner about climate change, in particular the launch of the first-ever database of green insurance products, and the continued work of the Climate Insurance Working Group.
- **Protecting Californians from insurance fraud:** CPRB produced multiple news materials, press releases, and speeches about the efforts to curb insurance fraud. CDI partnered with district attorneys across the state to not only fight insurance fraud but to deliver strong deterrent messages and warn the public of potential scams related to COVID-19 and following disasters as well as the consequences and dangers of insurance fraud.
- **Ensuring a fair insurance market:** CPRB arranged interviews, speeches, and press releases to educate the public about the Department's continued efforts to ensure the financial stability of the insurance market. CPRB also developed materials, talking points, PowerPoints and fact sheets related to the issue of insurance availability and affordability including materials for the first ever wildfire investigatory hearing.
- **Leveraging social media to advance CDI's mission:** CPRB expanded CDI's presence on social media and launched stories and videos to deliver relevant and timely information about resources for consumers, breaking news, and participated in several state and national campaigns including International Fraud Awareness Week, the Great California Shakeout, National Preparedness Month, and Public Service Recognition Week. CPRB also increased consumer engagement on social media increasing CDI's audience and reach while sharing important information for consumers regarding COVID-19 as well as information before, during and after disasters.

2020 ANNUAL REPORT

OFFICE *of the* SPECIAL COUNSEL

Office of the Special Counsel

The Office of Special Counsel (OSC) provides independent legal advice directly to the Insurance Commissioner, handles various special projects and Commissioner initiatives, advises the Commissioner concerning administrative litigation matters presented to him for a decision, oversees the Department's rulemaking projects and regulation changes, and manages the Department's participation and interaction with the National Association of Insurance Commissioners (NAIC).

COMMISSIONER INITIATIVES – COVID-19 PREMIUM REFUNDS

As the reach of the pandemic worsened, local public health agencies took measures to protect California's residents, and the Governor issued a statewide "Stay at Home" emergency Executive Order. Beginning in March of 2020, it became apparent that the COVID-19 pandemic uniquely altered insurance risks in many fundamental ways unanticipated by insurance companies when computing the 2020 price for insurance premiums. Accordingly, during the course of 2020, Commissioner Lara directed the OSC to oversee the Department's premium refund initiative. Commissioner Lara proactively took action to address potential premium overcharges and issued three separate bulletins directing insurance companies to return overcharged premiums to California consumers. The Commissioner's bulletins covered six different insurance lines: private passenger automobile, commercial automobile, workers' compensation, commercial multi-peril, commercial liability, medical malpractice, plus any other insurance line where the risk of loss had fallen substantially as a result of the COVID-19 pandemic.

The Commissioner's bulletins, along with data he collected and his efforts to enforce those bulletins resulted in more than \$2.29 billion in premiums returned to California's consumers in 2020 alone. The Commissioner's efforts to evaluate insurance company refund amounts to safeguard consumers against overcharged premiums continued through 2020 and beyond.

RULEMAKING PROCEEDINGS (REGULATIONS)

The OSC oversees the process for promulgating regulations at the California Department of Insurance. This process requires project management, economic analysis, legal research, collaborating with different program areas and subject matter experts, engaging with the insurance industry, consumer advocates and other stakeholders, and navigating the requirements of the Administrative Procedure Act (APA) in conjunction with the Office of Administrative Law (OAL).

In 2020, the Department managed 34 rulemaking projects, reviewed and evaluated four potential rulemaking projects, and filed 11 rulemaking projects with OAL.

Public Meetings of Proposed Regulations

Group Insurance Plans Under Insurance Code Section 1861.12 Discussion Workshop

Following a 2019 survey of insurers and an investigatory hearing in which Commissioner Lara found disturbing evidence of socioeconomic disparities in auto insurance group discounts offered to millions of California drivers, Commissioner Lara held an initial public workshop on January 28, 2020 to discuss contemplated changes to regulations concerning Group Insurance Plans Under Insurance Code Section 1861.12.

Eyewitness Identification Procedures Discussion Workshop

On June 18, 2020, Commissioner Lara held a public workshop to discuss the adoption of regulations that establish procedural requirements for Department personnel conducting eyewitness identification procedures, as authorized by the provisions of Penal Code section 857.9(a). The authorizing statute was added by Senate Bill 923 (Wiener) in 2017. Prior to the effective date of SB 923, the Department implemented policies to comply with the mandates of the bill. By adopting the requirements of SB 923, the Department will ensure more accurate eyewitness identifications and thereby, enhance the administration of justice.

Virtual Investigatory Hearing on Homeowners' Insurance Availability and Affordability

Commissioner Lara convened a virtual investigatory hearing on October 19, 2020, to initiate a series of regulatory actions that will protect insurance availability and affordability for residents that face shrinking insurance access due to the increasing risk of wildfires. Several years of deadly and destructive wildfires, intensified by climate change, have made insurance more difficult and expensive to find for many Californians, especially those living in high wildfire risk areas and in the "wildland urban interface" of the state. Commissioner Lara sought information from the public, from experts in fire science, as well as insurance representatives and consumer advocates as he considers actions to make insurance more available and affordable for Californians living in the path of future wildfires and other climate-related insurance risks. A recording of the investigatory hearing and related information are available for the public and can be accessed at the following link: <https://www.insurance.ca.gov/01-consumers/200-wrr/Virtual-HO3-Investigatory-Hearing.cfm>

Virtual Meeting on Home Hardening and Wildfire Catastrophe Modeling in Ratemaking

On December 10, 2020, Commissioner Lara convened a virtual meeting with fire and home-hardening experts as well as wildfire catastrophe modeling experts regarding potential administrative and regulatory changes to incentivize mitigation measures and discuss models that are based in fire science to protect lives and property. The purpose of this meeting was to provide a technical, science-based conversation as the Commissioner considers further administrative actions. Participants attending this meeting also explored the extent to which wildfire catastrophe modeling as a ratemaking tool can improve market competition while ensuring insurance availability. This meeting also examined the manner in which wildfire mitigation can reduce the spread and risks of future wildfires. A recording of the virtual meeting and related information are available for the public and can be accessed at the following link:

<https://www.insurance.ca.gov/01-consumers/200-wrr/MtgReHomeHardWildfireCatModelRatemaking.cfm>

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS (NAIC)

The Office of Special Counsel handles the coordination and facilitation of the Department's interaction with the NAIC and its participation on NAIC committees, task forces, and working groups. As the largest insurance market in the nation, California plays a significant role in helping shape model laws and regulatory policy. Doing so involves active participation in national meetings and conference calls with regulators from other states. In 2020, California served as Chair, Vice Chair and/or Member on 77 out of the 124 NAIC Committees, Task Forces and Working Groups and monitored approximately 47 others. California serves in a leadership capacity as Chair or Vice Chair on 12 Committees, Task Forces, and Working Groups. The OSC also directly supported the Deputy Commissioner for Climate and Sustainability along with the Commissioner in his roles as Chair of the Climate and Resiliency (EX) Task Force, Cannabis Insurance (C) Working Group, Vice Chair of the Information Systems (EX 1) Task Force and the Climate Risk and Resilience (C) Working Group

2020 ANNUAL REPORT
**CONSERVATION *and* LIQUIDATION
OFFICE**

Conservation and Liquidation Office

Section One – The Conservation & Liquidation Office

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SECTION ONE – THE CONSERVATION & LIQUIDATION OFFICE

Background

The California Insurance Commissioner (Commissioner), an elected official of the State of California, acts under the supervision of the Superior Court when conserving and liquidating insurance enterprises. In this statutory capacity, the Commissioner is charged with the responsibility for taking possession and control of the assets and affairs of financially troubled insurance enterprises domiciled in California. An impaired enterprise subject to a conservation or liquidation order is commonly referred to as an estate.

The Commissioner, through the state Attorney General’s office, applies to the Superior Court for a conservation order to place the financially troubled enterprise in conservatorship. Under a conservation order, the Commissioner takes possession of the estate’s financial records and real and personal property, and conducts the business of the estate until a final disposition regarding the estate is determined. The conservation order allows the Commissioner to begin an investigation to determine, based on the estate’s financial condition, if the estate can be rehabilitated, or if continuing business would be hazardous to its policyholders, creditors, or the public.

If, at the time the conservation order is issued or anytime thereafter, it appears to the Commissioner that it would be futile to proceed with the conservation, the Commissioner will apply for an order to liquidate the estate’s business. In response to the Commissioner’s application, the Court generally orders the Commissioner to liquidate the estate’s business in the most expeditious fashion.

The Conservation & Liquidation Office (“CLO”) performs conservation and liquidation services on behalf of the Commissioner with respect to insurance companies domiciled in California.

The CLO was created in 1994 as the successor to the Conservation & Liquidation Division of the Department of Insurance which was managed by State employees. The CLO is based in San Francisco, California. As of December 31, 2020, the CLO is responsible for the administration of 15 insurance estates.

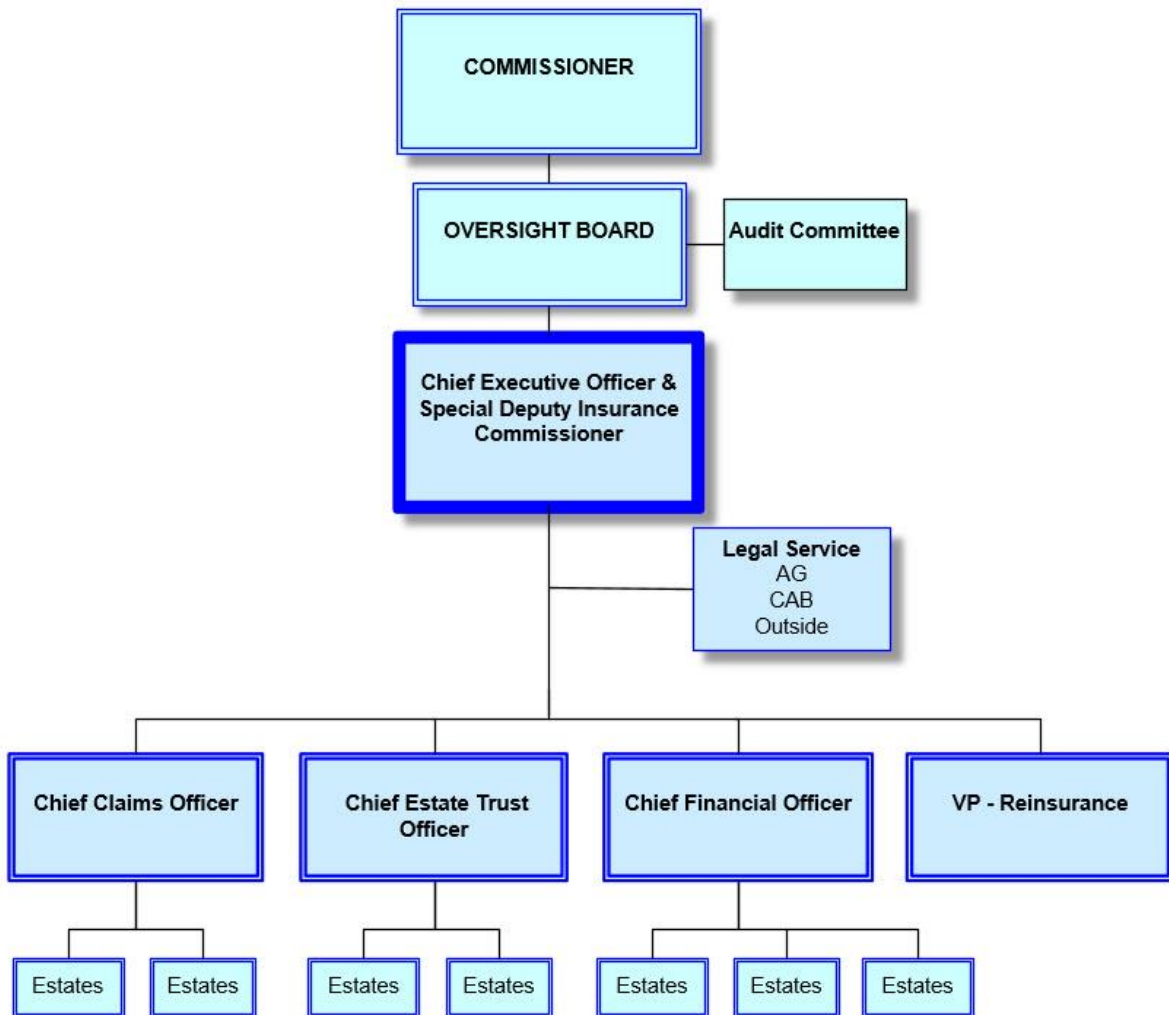
In addition to the role described above, the CLO at times provides special examination services to the Financial Surveillance Branch of the Department of Insurance. The CLO is reimbursed directly by the company being examined. During 2020, the CLO assisted with two such examinations.

In 2014, the CLO’s Oversight Board authorized the CLO/Regulatory Services Group (RSG) (name used when doing work other than traditional California conservation and liquidations) to enter an engagement with the Nevada Insurance Commissioner to provide receivership management services. In 2016, the Board authorized engagements with Insurance Commissioners from the states of Colorado, Hawaii Oregon, and Wyoming. In 2017, the Board authorized an engagement with the State of Arizona to assist in the Meritas insolvency. In 2020, the Board again authorized an engagement with the State of Nevada to assist in the Physicians Indemnity Risk

Retention Group Insolvency. By providing professional receivership services to other states, the CLO and RSG are able to maintain proven receivership skills and institutional knowledge in California at a time that receiverships/liquidations are declining. These engagements further help to reduce the overall cost to California estates under the management of the CLO.,

Organizational Structure

**Conservation & Liquidation Office
Executive/Board**



Oversight Board and Audit Committee Meetings

CLO activities are overseen by an Oversight Board composed of three senior executives of the California Department of Insurance. The Board also serves as the Audit Committee members. During 2020 the Oversight Board and Audit Committee members are the Chief Deputy Commissioner, Deputy Insurance Commissioner – General Counsel, and Deputy Commissioner – Financial Surveillance Branch.

During 2020 the Oversight Board and Audit Committee held three regularly scheduled meetings.

Mission Statement and 2020 Organizational Goals and Results

The CLO’s Mission Statement is as follows:

The CLO, on behalf of the Insurance Commissioner, rehabilitates and/or liquidates, under Court supervision, troubled insurance enterprises domiciled in the State of California. In addition, the CLO provides Special Examination Services, with Commissioner and Board oversight. As a fiduciary for the benefit of claimants, the CLO handles the property of troubled or failed enterprises in a prudent, cost-effective, fair, timely, and expeditious manner.

On an annual basis, the CLO prepares a Business Plan for the organization supporting the CLO Mission Statement. The Business Plan is presented to the Oversight Board for approval.

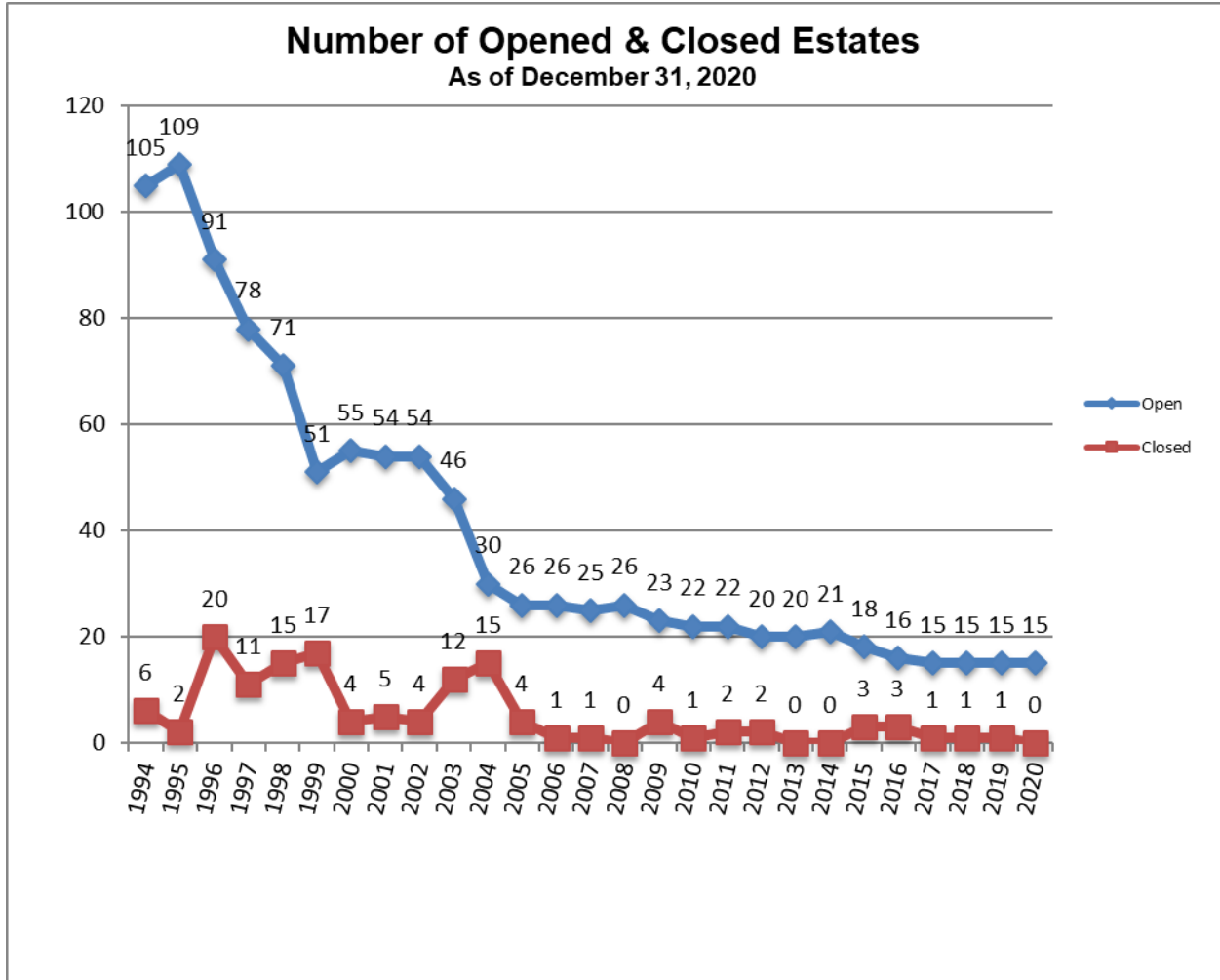
The 2020 Business Plan focused on estate closings and distributions, collecting/converting assets, evaluating claims and enhancing the operating efficiencies of the CLO.

Entering 2020, there were 15 open estates under management. The open estates consist of 14 Property & Casualty Estates and one Life/Health Estate. The CLO goal in 2020 was to close one estate and distribute \$120 million.

The final distribution and closing of an estate is one of the more challenging milestones to achieve in the liquidation process. The Great States estate is awaiting a final federal tax refund to complete a final supplemental distribution and estate closure has been moved to 2021.

1. Closings

GOAL	RESULTS
Close 1 Estate: 1) Great States Ins. Co.	Due to delay of federal tax refund, Great States will not close until 2021.

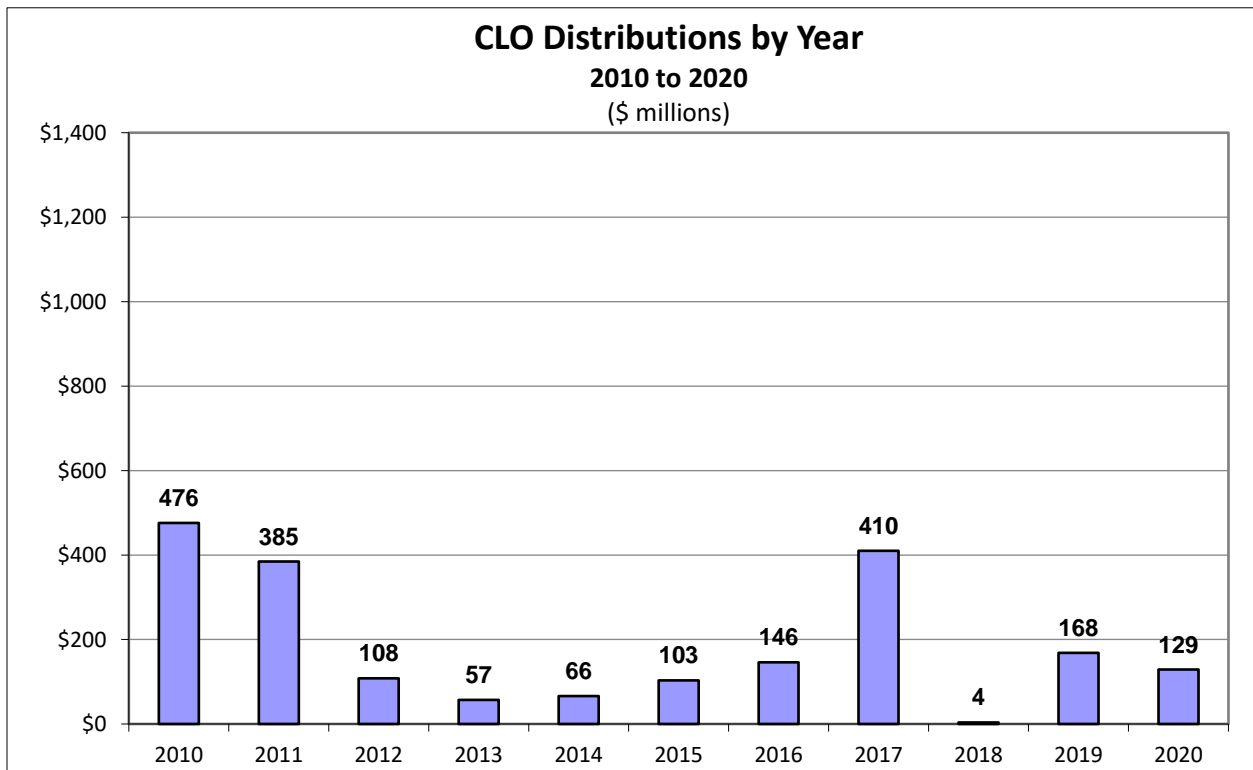


Since 1994, there have been approximately 133 estates closed. These estates consisted of 55 ancillaries, 22 title companies and 56 regular insurers. Ancillary and title companies typically require only limited work on behalf of the Liquidator.

2. Distributions

Final Distributions

Estate	2020 Actual (\$ Millions)	2020 Goal (\$ Millions)
Executive Life Ins. Co.	\$79.1	\$80.0
Mission Ins. Cos.	\$49.5	\$40.0
SeeChange (closed estate)	\$.3	\$0
TOTAL DISTRIBUTIONS:	\$128.9	\$120.0



CLO Investment Policy

The CLO has a formal investment policy, as approved by its Oversight Board, requiring that investments be investment grade fixed income obligations of any type. These investments may be issued or guaranteed by (1) the U.S. and agencies, instrumentalities, and political sub-divisions of the U.S., and/or (2) U.S. corporations, trusts and special purpose entities. Such securities must be traded on exchanges or in over-the-counter markets in the U.S. None of the portfolio will be invested in fixed income securities rated below investment grade quality by Standard & Poor's, Moody's, or by another nationally recognized statistical rating organization. In addition, the duration must be maintained within +/- 12 months of the Barclays Capital U.S. Government/Credit 1-3 Yr. The average duration was approximately 1.5 years at December 31, 2020.

The investments are managed in equal parts by two professional money management firms and are warehoused at the Union Bank of California.

At December 31, 2020, the CLO had \$402.6 million of estate marketable investment securities under management.

For the year ending December 31, 2020, the average portfolio balance was approximately \$365.6 million. The portfolio earned an interest yield of 2.3% and a net yield after security gains/losses and mark-to-market adjustments of 3.7%.

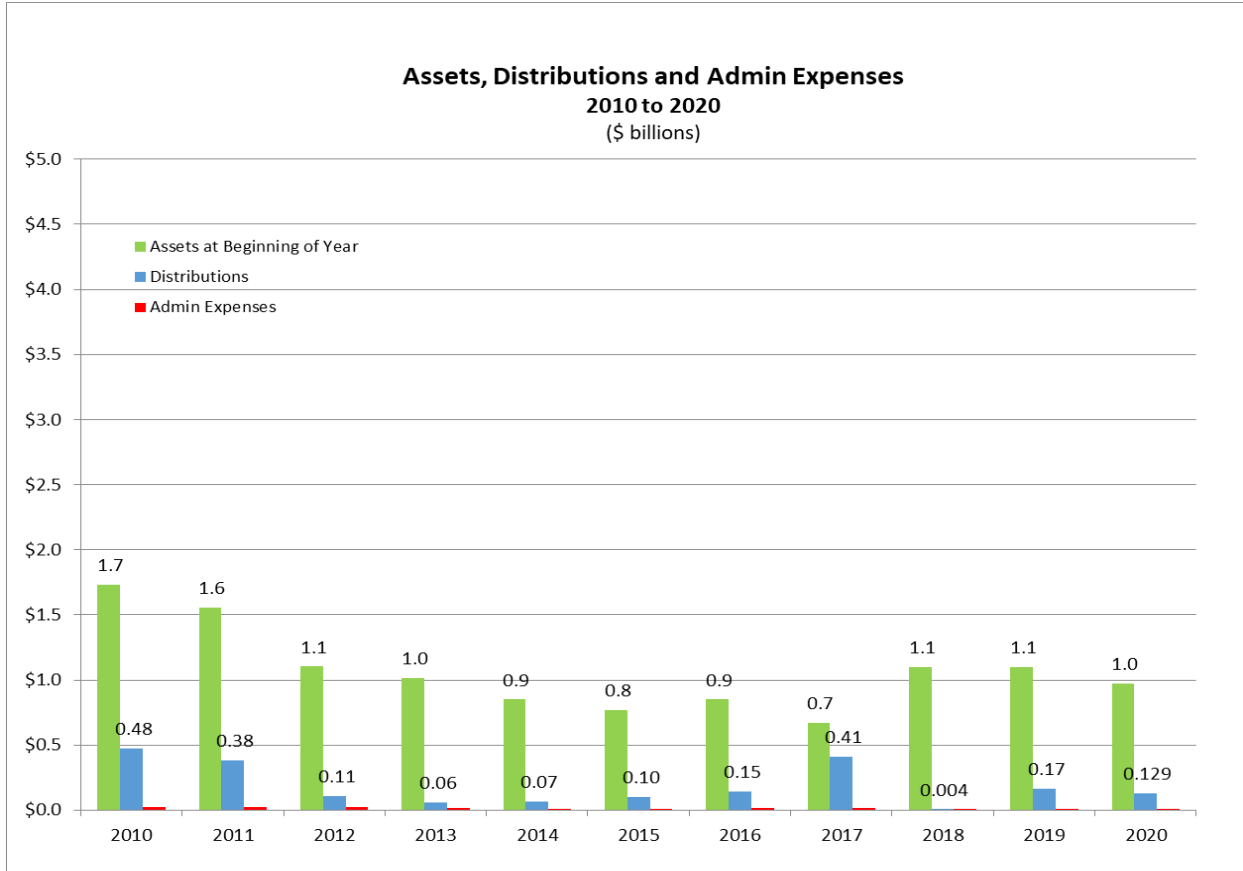
Administrative Expenses

Administrative expenses consist of both direct and indirect expenses. See "CLO Financial Results" section of this report on the budget and actual expenditures for 2020 for direct and indirect expenses.

Direct expenses charged to estates consist of legal costs, consultants and contractors, salaries and benefits for employees working exclusively for a single estate, if applicable, office expenses, and depreciation of property and equipment.

Indirect expenses that are not incurred on behalf of a specific estate are allocated using an allocation method based on the ratio of employee hours directly charged to a specific estate to total direct hours charged to all estates. For example, if employees charged 200 hours to a specific estate and in total 2,000 hours were incurred by all estates, that specific estate would be allocated 10% (200 hours divided by 2,000 total hours charged to all estates). Indirect expenses include CLO employee compensation, rent, and other facilities charges and office expenses.

In accordance with California Insurance Code Section 1035, the Commissioner may petition funds from a general appropriation of the State of California Insurance Fund if an estate does not have sufficient assets to pay for administrative expenses.



The chart above displays the aggregated estate assets at beginning of year, distributions and administrative expenses from the year 2010 to 2020. The table below lists these figures.

Year	Assets (\$ billions)	Distributions (\$ millions)	Administrative Expenses (\$ millions)
2010	\$1.7	\$476	\$22
2011	\$1.6	\$385	\$21
2012	\$1.1	\$108	\$25
2013	\$1.0	\$57	\$14
2014	\$0.9	\$66	\$15
2015	\$0.8	\$103	\$16
2016	\$0.9	\$146	\$15
2017	\$0.7	\$410	\$11
2018	\$1.1	\$4	\$9
2019	\$1.1	\$168	\$13
2020	\$1.0	\$129	\$11

Compensation Methodology

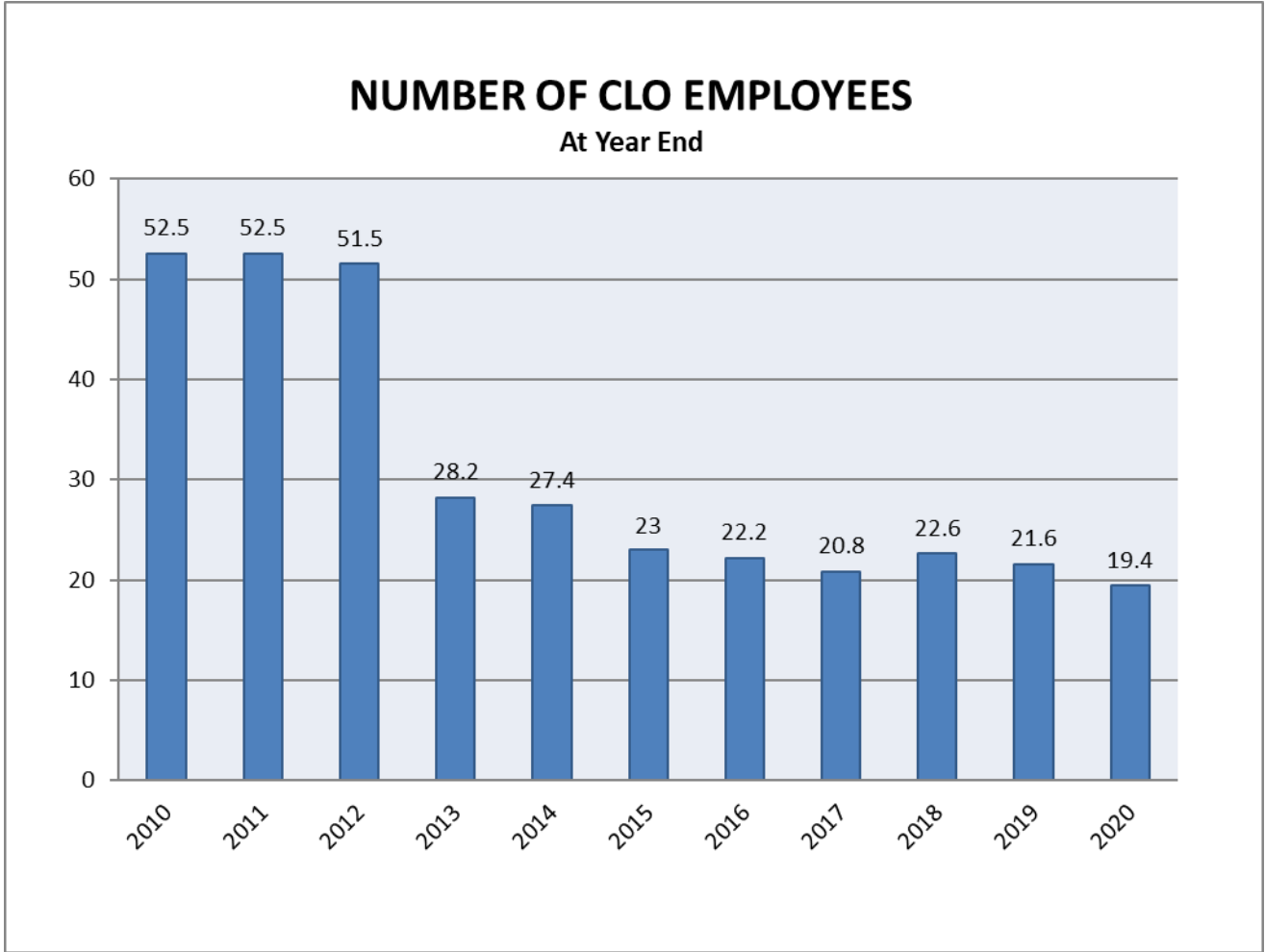
The CLO is not part of the State’s civil service system. All employees are at-will. The CLO does not have a bonus plan or pay incentive compensation. To that end, the CLO has established policies and procedures that are more akin to the private marketplace. The CLO engages an outside consultant to assist in establishing compensation ranges. In developing this report for the CLO, the primary survey source used was the CompAnalyst, which is a large survey representing thousands of companies across the U.S. which includes hundreds of jobs. This subscription survey collects marketplace compensation data from many sources and uses mathematical algorithms to predict the pay level of any of its survey jobs in major industries and geographical locations. The data used in this study was the nonprofit industry segment located in San Francisco.

A summary of the compensation procedures follows:

- A written job description is developed for each position.
- Salary grades are derived from comparable external market data.
- Salary ranges are identified (low, middle, and high) based on market comparisons obtained by an outside independent compensation consultant.
- Salary ranges are updated periodically.
- The creation of a “new job position” is sent to an outside consultant for external evaluation.
- All employees receive an annual compensation review.

CLO employment on a full-time equivalent basis and total compensation for employees are summarized below:

	2020	2021 (Budget)
Number of CLO full-time equivalent employees at beginning of year	21.6	19.4
Total compensation and benefits for CLO employees	\$4,794,467	\$4,501,115



The chart above shows the number of CLO full-time employee equivalent from 2010 to 2020.

As estates have closed resulting in reduced workloads and as a result of internal operating efficiencies the number of full-time employees decreased by 63% compared to December 31, 2010.

CLO Financial Results

For Years Ended December 31, 2020 and December 31, 2019

Cash received	December 31, 2020 Actual	December 31, 2020 Budget	December 31, 2019
Reinsurance recoveries, and miscellaneous income	12,698,500	Reinsurance recoveries and miscellaneous income are not amendable to budgeting due to the irregular timing of their occurrence.	\$86,729,900
Investment income, net of expenses	19,963,500	Investment income is not budgeted due to the large changes in investment balances that occur throughout the year (due to distributions), as well as changes in investment return rates.	32,716,300
Total:	32,662,000		\$119,446,200

	December 31, 2020	December 31, 2020	December 31, 2019
	Actual	Budget	
Distributions	\$128,865,300	\$120,000,000	\$168,464,580

Administrative – Estate Direct Expenses

Estate Direct Expenses	December 31, 2020	December 31, 2020	December 31, 2019
	Actual	Budget	
Legal expenses	\$2,283,000	\$1,700,200	\$1,458,800
Consultants and contractors	1,587,900	1,902,900	1,495,700
Office expenses	686,400	843,300	1,953,900
Compensation and benefits			943,900
Total:	\$4,557,300	\$4,446,400	\$5,852,300

Administrative – CLO Overhead Expenses

CLO overhead expenses	December 31, 2020	December 31, 2020	December 31, 2019
	Actual	Budget	
Compensation and benefits	\$4,794,500	\$4,675,700	\$5,240,400
Office expenses	1,452,100	1,471,500	1,316,900
Consultants and contractors	101,500	100,400	146,800
Legal expenses	2,100	20,000	21,700
Total:	6,350,200	\$6,267,600	\$6,725,800
Administrative Totals	December 31, 2020	December 31, 2020	December 31, 2019
	Actual	Budget	
Estate Direct Expense Total	4,557,300	\$4,446,400	\$5,852,300
CLO Overhead Expense Total	6,350,200	6,267,600	6,725,800
Total:	10,907,500	\$10,714,000	\$12,578,100

Estates Open Longer Than Ten Years

After the entry of an order placing an impaired California insurer into conservation and/or liquidation, the Insurance Commissioner and the CLO have the statutory responsibility to marshal and resolve the assets and liabilities of the failed entity.

The time required to close an insolvency proceeding is largely determined by the amount and complexity of the assets to be monetized and distributed to claimants. In addition, the length of an insolvency is equally affected by the amount of time required to make a final determination of an estate's liability.

Most of the insolvencies that remain open for more than ten years have some combination of on-going litigation, complicated tax exposure, potential collection of additional material assets, and challenges associated with the evaluation of liabilities. Until both sides of the insolvent estate's balance sheet are resolved (assets collected and liabilities fixed), the insolvency proceeding will remain open. In addition, estates are subject to federal tax reporting and escheatment requirements after the final distribution. The estates listed below have been in liquidation for ten years or more.

Executive Life & ELIC Opt-Out Trust:

The Estate has remained open until the full resolution of any remaining contingencies. Since the Estate was transferred to the CLO in 1997, the Estate has recovered \$906 million from litigation and distributed \$932 million to claimants. The ELIC Estate completed a final distribution on July 1, 2020. The Estate will work on a host of post distribution closing requirements (creditor outreach, escheatment, etc.) in 2021.

Fremont Indemnity Company:

Fremont released a \$83.4 million final distribution to approved Class 2 creditors on September 26th, the distribution paid 43.25% of approved policyholder claims. The Estate completed most all post distribution and closing activities in 2020 including the sale of a subsidiary entity to a third party. The Fremont Estate negotiated the sale of its wholly owned subsidiary stock and charter for Fremont Life Insurance Company (FLIC). The Estate received court approval of the FLIC sale as part of its comprehensive closing order. In addition, the Estate continues to hold certain non-transferrable annuity assets that will generate material payments to the estate over the next number of years. Together with the pending FLIC sale proceeds, the liquidation court has authorized the estate to retain the non-transferrable assets to be collected, and to distribute those funds when collections reach a \$5 million threshold.

Golden Eagle:

The Estate has filed pleadings administratively closing the legal proceeding on the active Superior Court docket subject to the remaining claims run-off plan. As reported in prior years, all Golden Eagle policyholder claims have been 100% reinsured and are being paid timely. The reinsurance program covering the court sanctioned run-off ensures Golden Eagle's ability to pay all policyholder claims when and as they become payable (up to the reinsurer's aggregate limit of liability). As such the Commissioner has not asked the court to take any action that would prematurely cut off any policyholder's right to submit and be paid on a claim covered under a Golden Eagle policy. Golden Eagle and the insurance guaranty associations remain liable to the policyholders in the very unlikely event the reinsurance is not sufficient to satisfy all claim obligations. The reinsurance program is believed to have sufficient coverage to accommodate all remaining claims exposure, but if the reinsurance protection is ever exhausted (by reaching the reinsurer's aggregate limit of liability) the Commissioner will take steps to trigger guaranty association protection for Golden Eagle's policyholders. Until all claims are resolved or paid out, the Estate will continue to honor all remaining claims run-off requirements but will remain in an administratively closed status. The CLO acts in a pure monitoring capacity to ensure that the reinsurance contract continues to pay all claims.

Great States:

The Estate resolved a surety bond matter in Arizona as well as navigated the recent legislative change in Arizona which complicated the process of determining the proper payee for distribution purposes. With the resolution of these final issues Great States completed a distribution in 2019 and was positioned for closure. The Estate is still due a material tax refund from the Federal government and will immediately seek to distribute the tax collection upon receipt and seek a final closure order. Significant delays in collecting the final tax recovery have been slowed by the recent civil restrictions and their impact on the IRS. The Estate is estimated to collect its final recovery and distribute the funds and close in 2021.

Mission/Mission National:

Both Mission Insurance Company and Mission National Insurance Company have paid 100% of all Policyholder claim exposure. In addition to entering into agreements with the United States Department of Justice and the EPA on a Federal Waiver settlement and release, the Mission estate received material distributions in 2019 and early 2020 from the Receivership estate of Centaur in Illinois. Subsequent to the Centaur collections, the Mission estate completed distributions to creditors totaling \$49.5 million. Mission and Mission National estates will remain open to collect final reinsurance obligations from other insolvent estates.

Superior National Insurance Companies in Liquidation (SNICIL):

After obtaining a Court sanctioned final claims cut-off date of June 30, 2019, the SNICIL Estate (5 related estates managed and referred to as a single estate internally) has addressed and finalized most all claims from the Guaranty Funds with properly submitted POCs. The CLO continues to work on a couple final claim approvals and the resulting claw-back requirements from a couple Guaranty Funds. Upon completion of the final creditor approvals, the estate will seek to file a motion for a final distribution in 2021. Collectively, the 5 estates have already distributed approximately \$1.5 billion dollars in early access distributions to state Guaranty Funds since 2001. Other than a very small claim from the Federal Government, all non-Guaranty Fund claims are resolved. The estate has essentially resolved the entire reinsurance program and its collections.

Western Employers:

After receiving a court sanctioned final claims cut-off date in 2017, the estate resolved all outstanding claims and released a final distribution in October, 2019 paying 100% of the estate's approved claims plus interest on that claim from the date of its approval until the date of the distribution. Subsequently, the Federal Government submitted a late claim after the claims cut-off date, arguing a super priority status and that the state court does not have the authority to bar the claim. Counsel for the Estate has negotiated a settlement of the late filed Federal claim, and is in the process of final ratification by both the Federal and State authorities. All claims other than that of the Federal

Government have been paid in full. Upon final completion and funding of the settlement with the Federal Government the estate will perform all remaining post-distribution closing requirements as well as seek approval to release a final distribution of any residual estate assets to the equity holder.

Claims History

Property and Casualty Estates

Estate	Liquidation Date	Proof of Claims Filed	Proof of Claims Resolved	Open Proof of Claims
California Ins Co	N/A	TBD	TBD	TBD
CastlePoint National	4/1/2017	1,893	639	1,254
Fremont	7/2/2003	45,673	45,673	0
Golden Eagle	2/18/1998		n/a (see below)	
Great States	5/8/2001	1,169	1,169	0
Merced	12/3/2018	450	10	440
Mission (2 estates)	2/24/1987	141,646	141,646	0
Superior (5 estates)	9/26/2000	13,951	13,946	5
Western Employers	4/19/1991	9,792	9,791	1
	Total:	214,574	212,874	1,700

Note: Golden Eagle is not subject to a finding of statutory insolvency. All claims are covered under a reinsurance agreement and are being paid by the reinsurer.

Life and Health Insurance Estates

Executive Life Insurance Company: Executive Life is a life insurance company and has policies rather than claims. There were 327,000 policies/contracts at time of liquidation.

2021 Business Goals

The 2021 Business Plan is focusing on estate closings and distributions.

Entering 2021 there are 15 open estates under management by the CLO. The open estates consist of 14 Property & Casualty Estates and one Life/Health Estate. Our goal in 2021 is to distribute \$180.7 million.

Starting 2021, we have 19.4 full-time employee equivalents. We will re-assess staffing requirements throughout the year and will make any changes deemed necessary.

The 2021 Goals are as follows:

1. Close 1 Estate

Great States Ins. Co.

Note: Closing is defined as fully releasing the Commissioner from all legal responsibilities for an estate.

2. Early Access and Final Distributions

Early Access Distribution:

CastlePoint National Ins. Co.60,000,000

Final Distributions:

Western Employers Ins. Co.40,000,000

Superior National Ins. Cos (SNICIL).....80,000,000

Great States Ins. Co. (supplemental). 700,000

\$180,700,000

SECTION TWO – ESTATE SPECIFIC INFORMATION

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Estates in Conservation and/or Liquidation as of December 31, 2020	193
Report on Individual Estates.....	194-223

Conservation or Liquidation Estates Opened During the Year 2020

None

Conservation or Liquidation Estates Closed During the Year 2020

None

Current Year and Cumulative Distributions by Estate

Current Year and Cumulative Distributions by Estate

	Year Ended 12/31/2020				Cumulative to 12/31/2020			
	Policyholders	Federal & State Claims	General Creditors	***Total	Policyholders	Federal & State Claims	General Creditors	Total
**Castlepoint National Ins Co	-	-	-	-	251,520,019	-	-	251,520,019
*Executive Life Ins Co	79,092,018	-	-	79,092,018	931,667,566	-	-	931,667,566
Fremont Indemnity Co	-	-	-	-	1,106,139,443	-	-	1,106,139,443
Great States Ins Corp	-	-	-	-	61,818,395	-	-	61,818,395
Mission Ins Co	-	-	38,358,301	38,358,301	846,832,560	23,861,132	390,041,525	1,260,735,218
Mission National Ins Co	7,484,651	-	-	7,484,651	536,482,595	4,850,000	27,077,326	568,409,921
California Comp Ins Co	(9,247,591)	-	-	(9,247,591)	912,811,476	-	-	912,811,476
Combined Benefits Ins Co	(1,627,476)	-	-	(1,627,476)	26,450,838	-	-	26,450,838
Superior National Ins Co	(74,619,890)	-	-	(74,619,890)	348,548,043	-	-	348,548,043
Superior Pacific Cas Co	(2,068,323)	-	-	(2,068,323)	54,901,416	-	-	54,901,416
Commercial Comp Cas Co	(187,589)	-	-	(187,589)	99,841,213	-	-	99,841,213
Western Employers Ins Co	(669,063)	-	-	(669,063)	174,034,103	59,669	8,974,372	183,068,144
	(1,843,264)	-	38,358,301	36,515,037	5,351,047,668	28,770,801	426,093,223	5,805,911,692

*Since administration was transferred to CLO in 1997.

**In addition, the CastlePoint estate made statutory deposit releases of \$227.6 million (2017), \$4.9 million (2018), and \$19 million (2019) for a cumulative total of \$251.5 million.

***2020 Total Distribution amount of \$36.5 million is net of distribution credits from several Insurance Guaranty Associations. Actual estate distributions total \$124.9 million.

Note: Above schedule does not include closed estate 2020 distributions from Enterprise (\$3,630,353) and SeeChange (\$300,000). Golden Eagle, California Ins. Co., and Merced estates are not included as no distributions have occurred.

Estates in Conservation and/or Liquidation as of December 31, 2020

Estate Name	Date Conserved	Date Liquidated
California Ins. Company	11/04/19	*
California Compensation Insurance Company	03/06/00	09/26/00
CastlePoint National Insurance Company	07/28/16	04/01/17
Combined Benefits Insurance Company	03/06/00	09/26/00
Commercial Compensation Casualty Company	06/09/00	09/26/00
Executive Life Insurance Company	04/11/91	12/06/91
Fremont Indemnity Company	06/04/03	07/02/03
Golden Eagle Insurance Company	01/31/97	02/18/98
Great States Insurance Company	03/30/01	05/08/01
Merced Property and Casualty Company	**	12/03/18
Mission Insurance Company	10/31/85	02/24/87
Mission National Insurance Company	11/26/85	02/24/87
Superior National Insurance Company	03/06/00	09/26/00
Superior Pacific Casualty Company	03/06/00	09/26/00
Western Employers Insurance Company	04/02/91	04/19/91

***No Liquidation Order obtained**

****No Conservation Order obtained**

Report on Individual Estates

Each estate has its own unique set of challenges to monetizing assets, valuing the claims, distributing assets and closing. No two estates are the same. The remaining portion of Section 2 provides a brief summary of the 2020 operating goals and results, the current status of the estate in the conservation or liquidation process, and summarized financial information. (*See note below*)

In reviewing the financial information, the following must be taken into account:

- The Statement of Assets and Liabilities have been prepared on the liquidation basis of accounting. Under the liquidation basis of accounting, assets reported on the financial statements are assets that are determined to be collectible. The liabilities may change during the course of the liquidation depending on the types of business written by the company, and as claims are reviewed and adjudicated.
- No estimates for future administrative expenses are included in the liabilities, unless the estate has been approved for final distribution and closure by the Court.
- California Insurance Code Section 1033 prescribes that claims on estate assets are paid according to a priority scheme, except when otherwise provided in a rehabilitation plan. The probability of a claim being paid is dependent on the valuation of the claim, the order of priority of the claim, and the amount of funds remaining after other claims having higher preference have been discharged. Each priority class of claims must be fully paid before any distribution may be made to the next priority class. All members of a class receiving partial payment receive the same pro-rata amount.
- For estates where available assets are insufficient to pay all policyholder claims, the CLO intentionally does not evaluate the lower priority proofs of claims, since to do so would incur unnecessary administrative time and expenses, reducing funds available for distribution to higher-priority claimants.
- Shareholders receive any remaining residual value of the estate's net assets only after the general creditors have been paid.
- Beginning Monetary Assets at takeover represent cash and investment balances at the time of liquidation or, in cases where the estate was first liquidated and managed by other parties, at the time the estate was taken over by the Conservation & Liquidation Office.

Note: Each estate under management of the CLO has an annual independent review of its financial statements. Copies of the independently reviewed financial statements can be accessed through the [CLO webpage](#). Annual audits or reviews are waived for estates with little or no assets or activity

ESTATE SPECIFIC INFORMATION

California Insurance Company

Conservation Order: November 4, 2019

2020 Report

California Insurance Company ("CIC") was placed into Conservation on November 4, 2019 by the California Superior Court for the County of San Mateo. The Conservator was appointed to address and resolve certain regulatory concerns related to CIC's recent attempt to exit the California market without the necessary prior approval to do so. The Conservator developed and seeks court approval of a comprehensive rehabilitation plan to address the issues with CIC and their desire to re-domesticate outside California. The Conservator expects his rehabilitation plan to be heard by the court during the summer of 2021.

California Ins Co

ASSETS AND LIABILITIES

As of December 31, 2019

Assets	12/31/2019	12/31/2020
Cash and investments	\$1,115,073,495	\$1,019,322,004
Other assets	61,111,021	86,356,365
Total assets	\$1,176,184,516	\$1,105,678,369
Liabilities	12/31/2019	
Claims against policies	\$416,881,632	\$426,733,877
All other claims	168,717,178	85,275,968
Total liabilities	585,598,810	512,009,845
Net assets (deficiency)	\$590,585,706	\$593,668,524

INCOME AND EXPENSES

For Year Ended December 31, 2019

Income	2019	
Net premium income	\$231,048,317	\$162,031,160
Investment income	74,249,691	16,387,861
Other income	10,456	304,111
Total income	\$305,308,464	\$178,723,132
Expenses	2019	
Loss and claims expense	\$215,713,991	\$175,040,286
Federal Income Tax expense	17,258,633	2,347,632
Total expenses	232,972,624	177,387,918
Net income (loss)	\$72,335,840	\$1,335,214

CastlePoint National Insurance Company

Conservation Order: July 28, 2016

Liquidation Order: April 1, 2017

2020 Report

CastlePoint National Insurance Company (CastlePoint) was a California domiciled property and casualty insurer that was placed into Conservation on July 28, 2016 and Liquidation effective April 1, 2017 by the San Francisco Superior Court.

CastlePoint is the successor by merger with the following companies prior to Conservation:

- Tower Insurance Company of New York
- Tower National Insurance Company
- CastlePoint Florida Insurance Company
- Massachusetts Homeland Insurance Company
- York Insurance Company of Maine
- Hermitage Insurance Company
- North East Insurance Company
- Preserver Insurance Company
- CastlePoint Insurance Company

A Conservation and Liquidation Plan approved by the Court allowed CastlePoint to deconsolidate from its parent and from the consolidated taxpayer group. In addition, it allowed the Receiver to commute stop loss reinsurance treaties in return for a cash payment of \$200 million which enabled CastlePoint to continue to make claim payments while the claim files were being prepared for the transfer to the 47 affected guaranty associations. A total of 5,977 claim files were transferred through this process.

Since the order of liquidation, the Receiver has opened and/or re-opened approximately 2,900 claim files for the various guaranty associations. CastlePoint has also collected in excess of \$50 million in miscellaneous assets and \$55 million in reinsurance recoveries.

An addendum to an administrative services agreement between CastlePoint and AmTrust/National General was executed to continue to support the claims, IT and accounting functions of the insolvency through June 30, 2021.

CastlePoint settled a litigated matter where a claimant is seeking damages from CastlePoint and/or AmTrust as the third party administrator in 2020.

CastlePoint National Ins Co

ASSETS AND LIABILITIES

As of Decemeber 31, 2019 and December 31, 2020

Assets	12/31/2019	12/31/2020
Cash and investments	\$333,866,800	\$342,566,500
Recoverable from reinsurers	253,016,200	245,276,100
Other assets	17,575,600	17,572,200
Total assets	604,458,600	605,414,800
Liabilities	12/31/2019	12/31/2020
Secured claims and accrued expenses	7,135,200	7,135,200
Claims against policies, before distributions	1,056,396,200	1,056,396,200
Less distributions to policyholders	(251,520,000)	(251,520,000)
All other claims	69,005,400	67,796,900
Total liabilities	881,016,800	879,808,300
Net assets (deficiency)	(276,558,200)	(274,393,500)

INCOME AND EXPENSES

For Year Ended December 31, 2019 and 2020

Income	2019	2020
Investment income	\$19,717,800	\$9,367,300
Salvage and other recoveries	2,808,700	1,101,200
Total income	22,526,500	10,468,500
Expenses	2019	2020
Loss and claims expenses	4,104,700	5,666,300
Other underwriting expenses incurred	-	-
Administrative expenses	6,094,000	4,152,600
Total expenses	10,198,700	9,818,900
Net income (loss)	\$12,327,800	\$649,600

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	\$519,264,000
Recoveries, net of expenses	74,822,500
Distributions	(251,520,000)
Monetary assets available for distribution	\$342,566,500

Executive Life Insurance Company

Conservation Order: April 11, 1991

Liquidation Order: December 6, 1991

2020 Report

Executive Life Insurance Company (ELIC) was placed in conservation on April 11, 1991. ELIC had more than 330,000 policyholders and was one of the largest life insurance insolvency proceedings in United States history. In 1991, the Commissioner conducted an auction seeking bids to acquire the junk bond portfolio and insurance assets of ELIC. In December 1991, the Commissioner awarded the ELIC asset purchase to a group of French and European investors (the Altus/MAAF group) as the winning bidder, and the transaction was subsequently approved by the Conservation Court.

In 1992, ELIC's junk bond portfolio was sold to Altus Finance for approximately \$3 billion. In 1993, the Court approved a final Rehabilitation Plan under which the majority of ELIC's assets and its restructured insurance policies transferred to a new California insurance company created by the European consortium that had won the 1991 bid. The Rehabilitation Plan became effective in September 1993. Under the terms of the Rehabilitation Plan, former ELIC policyholders could accept new coverage (Opt In) from Aurora National Life Assurance Company (Aurora, now RGA Reinsurance/Aurora) or terminate their ELIC policies (Opt Out) in return for a pro rata share of ELIC's assets. The Rehabilitation Plan also established Enhancement Trusts to marshal and distribute assets to former ELIC policyholders.

The Commissioner commenced a civil action in 1999 against Altus Finance S.A. (Altus) and other defendants alleging that they had acquired the junk bond portfolio and insurance assets of ELIC through fraud. Settlements were reached with certain defendants and some of the co-defendants in 2004 and 2005.

The Commissioner's lawsuit against Altus S.A. et al was resolved in the fourth quarter of 2015. In September 2016, the ELIC estate completed an interim distribution of \$110.8 million to policyholder claimants pursuant to the ELIC Rehabilitation Plan.

On December 4, 2019, the Commissioner obtained court approval to distribute the remaining Altus funds to policyholders on July 1, 2020 and close ELIC's proceedings in 2021. Prior to the closure, ELIC unclaimed distribution checks will be escheated to the Unclaimed Property Division of the respective State of the policyholder's domicile on record. Since the Estate was transferred to the CLO in 1997, the Estate has recovered \$906 million from litigation and distributed \$932 million to claimants.

ELIC Opt-Out Trust

The Opt-Out Trust receives approximately 33% of ELIC assets which are distributed to approximately 27,300 former ELIC policyholders (Opt-Outs) who elected to terminate their policies. On July 1, 2020, the remaining assets of the Opt-Out Trust were distributed and the Opt-Out Trust will be closed in 2021 after the final escheatment is completed.

Executive Life Ins Co

ASSETS AND LIABILITIES

As of Decemeber 31, 2019 and December 31, 2020

Assets	12/31/2019	12/31/2020
Cash and investments	\$81,177,800	\$2,657,700
Total assets	81,177,800	2,657,700
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Liabilities	12/31/2019	12/31/2020
Secured claims and accrued expenses	89,900	-
Policyholder liability	79,814,400	-
Total liabilities	79,903,700	-
Net assets (deficiency)	1,274,100	2,657,700

INCOME AND EXPENSES

For Year Ended December 31, 2019 and 2020

Income	2019	2020
Investment income	\$2,721,300	\$2,148,500
Total income	2,721,300	2,148,500
<hr/>		
Expenses	2019	2020
Post-liquidation Federal income tax	(1,623,000)	632,000
Administrative expenses	1,008,400	668,000
Loss and claims expenses	109,934,300	40,300
Total expenses	109,319,700	1,340,300
Net income (loss)	(106,598,400)	808,200

CHANGE IN MONETARY ASSETS⁸

Beginning monetary assets at takeover	\$112,111,400
Recoveries, net of expenses	822,213,800
Distributions.....	(931,667,500)
Monetary assets available for distribution	\$2,657,700

⁸ This schedule represents changes in monetary assets from August 1, 1997, when Executive Life's estate accounting was transferred to the CLO, to December 31, 2010.

ELIC Opt Out Trust

ASSETS AND LIABILITIES

As of Decemeber 31, 2019 and December 31, 2020

Assets	12/31/2019	12/31/2020
Cash and investments	\$12,086,600	\$11,594,400
Total assets	<u>12,086,600</u>	<u>11,594,400</u>
Liabilities	12/31/2019	12/31/2020
Secured claims	9,615,800	9,646,400
Unclaimed funds payable	1,793,700	1,704,200
Reserve for administrative expenses	677,100	243,800
Total liabilities	<u>12,086,600</u>	<u>11,594,400</u>

INCOME AND EXPENSES

For Year Ended December 31, 2019 and 2020

Income and Expenses	2019	2020
Investment income	\$414,600	\$534,000
Administrative expenses	324,400	1,351,700
Net income (loss)	<u>\$90,200</u>	<u>(\$817,700)</u>

Fremont Indemnity Company

Conservation Order: June 04, 2003

Liquidation Order: July 02, 2003

2020 Report

Fremont was a “Monoline” Workers’ Compensation insurer writing coverage in 48 states. Fremont is the successor by merger of six affiliate insurers that were under the common ownership of Fremont Compensation Insurance Group, Inc. (FCIG). Approximately 65% of Fremont’s Workers’ Compensation claims are attributable to business written in California. The Fremont claims bar date, set by the liquidation court was June 30, 2004.

The Estate resolved all remaining reinsurance treaties and closed down all routine reinsurance operations in 2017.

Legal Counsel for the Estate obtained a “tail-cutting” order from the court establishing July 28, 2017 as the date all open claims must be liquidated, the order further established September 29, 2017 for all liquidated claims to be perfected and submitted to the Liquidator. Fremont released an \$83.4 million final distribution to approved Class 2 creditors on September 26, 2019. The distribution paid 43.25% of approved policyholder claims. The estate conducted significant post distribution and closing activities in 2020. The estate continues to hold certain non-transferrable assets that generate material payments to the estate over the next number of years. As part of the Fremont closing order the liquidation court authorized the estate to retain the non-transferrable assets to be collected and to distribute those funds when collections reach a \$5 million threshold.

The Fremont estate negotiated the sale of the charter and stock of Fremont Life Insurance Company, a wholly owned subsidiary of the Fremont Estate. The sale has been approved by the liquidation court and is scheduled to close in early 2021.

Fremont Indemnity Co

ASSETS AND LIABILITIES

As of Decemeber 31, 2019 and December 31, 2020

Assets	12/31/2019	12/31/2020
Cash and investments	\$2,721,000	\$3,667,500
Recoverable from reinsurers	1,858,700	1,425,000
Other assets	67,200	67,200
Total assets	4,646,900	5,159,700
Liabilities	12/31/2019	12/31/2020
Secured claims and accrued expenses	32,300	32,300
Claims against policies, before distributions	2,532,388,200	2,532,388,200
Less distributions to policyholders	(1,106,139,400)	(1,106,139,400)
All other claims	221,395,500	221,395,500
Total liabilities	1,647,676,600	1,647,676,600
Net assets (deficiency)	(\$1,643,029,700)	(\$1,642,516,900)

INCOME AND EXPENSES

For Year Ended December 31, 2019 and 2020

Income	2019	2020
Investment income	\$2,499,000	\$102,700
Salvage and other recoveries	305,900	625,800
Total income	2,804,900	728,500
Expenses	2019	2020
Loss and claims expenses	22,155,100	-
Federal Income Tax Expense	663,000	35,000
Administrative expenses	508,600	180,600
Total expenses	23,326,700	215,600
Net income (loss)	(\$20,521,800)	512,900

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	\$434,855,900
Recoveries, net of expenses	674,951,000
Distributions	(1,106,139,400)
Monetary assets available for distribution	\$3,667,500

Golden Eagle Insurance Company

Conservation Order: January 31, 1997

Rehab/Liquidation Plan Approved: August 4, 1997

Liquidation Order: February 18, 1998

2020 Report

Golden Eagle Insurance Company (Golden Eagle) is the subject of a Plan of Rehabilitation and Liquidation (Plan) approved by the Superior Court in 1997. The Plan provides for an orderly “run-off” of claims under Golden Eagle’s pre-1997 insurance policies, a process which is ongoing.

As part of the process to run off the remainder of the Golden Eagle estate, additional reinsurance coverage was purchased from Liberty Mutual affiliates to cover all the remaining covered insurance policy exposures. Golden Eagle’s insurance liabilities are fully funded under the Plan eliminating the need for a formal finding of insolvency, and thus have not triggered the claim payment obligations of the Insurance Guaranty Associations (IGAs). Under the court approved Plan these claims will continue to be received, adjusted, and paid in the ordinary course of the run-off of Golden Eagle’s policyholder liabilities. The IGAs remain as a back-up, in the unlikely event that the claims payment assets available under the Plan are exhausted prior to the final policyholder claim payment.

All remaining policyholder claims continue to be administered and paid under the Plan’s indemnity reinsurance and excess of loss reinsurance agreements all within the range of expected cost and reinsurance coverage. The Plan agreements will remain in full force and effect until the entire remaining exposure is paid, assumed, or novated. Currently the legal proceeding is administratively closed on the active court docket, yet the Golden Eagle Estate must remain open to monitor the long-term claim run-off and to give policyholders access to appeal rights through the OSC process that is incorporated into the Plan.

The only assets that remain in the Estate consist of a reserve to fund the administrative expenses that the CLO will incur while monitoring the duration of the run off process.

Golden Eagle Ins Co

ASSETS AND LIABILITIES

As of Decemeber 31, 2019 and December 31, 2020

Assets	12/31/2019	12/31/2020
Cash and investments	\$1,390,000	\$1,340,000
Total assets	1,390,000	1,340,000
<hr/>		
Liabilities	12/31/2019	12/31/2020
Total liabilities	-	-
Net assets (deficiency)	\$1,390,000	\$1,340,000

INCOME AND EXPENSES

For Year Ended December 31, 2019 and 2020

Income	2019	2020
Investment income	\$48,200	\$49,300
Total income	48,200	49,300
<hr/>		
Expenses	2019	2020
Administrative expenses	65,300	99,300
Total expenses	65,300	99,300
Net income (loss)	(\$17,100)	(\$50,000)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover ⁹	\$2,029,000
Recoveries, net of expenses	(689,000)
Monetary assets available for distribution	\$1,340,000

⁹ As of December 31, 2006, when Golden Eagle's estate accounting was transferred to the CLO.

Great States Insurance Company

Conservation Order: March 30, 2001

Liquidation Order: May 8, 2001

2020 Report

Great States Insurance Company was domiciled in California and was licensed to write workers compensation coverage in 14 states concentrated in Arizona, California, Colorado, and Nevada. The final date to submit a claim against the Estate, was December 2, 2001.

The Estate resolved a contentious surety bond matter in Arizona as well as address a legislative change which complicated the process of determining the proper payee for distribution purposes. The Estate released a court approved final distribution in 2019, and subsequently learned of a material federal tax refund due the estate. Upon collection of the final refund asset from the IRS the Estate will release a supplemental final distribution in 2021 and work to close the proceeding by year-end 2021.

Great States Ins Co

ASSETS AND LIABILITIES

As of Decemeber 31, 2019 and December 31, 2020

Assets	12/31/2019	12/31/2020
Cash and investments	\$652,900	\$584,300
Total assets	652,900	584,300
Liabilities	12/31/2019	12/31/2020
Secured claims and accrued expenses	66,900	67,600
Claims against policies, before distributions	70,352,500	70,352,500
Less distributions to policyholders	(61,818,400)	(61,818,400)
All other claims	11,917,600	11,917,600
Total liabilities	20,518,600	20,519,300
Net assets (deficiency)	(\$19,865,700)	(19,935,000)

INCOME AND EXPENSES

For Year Ended December 31, 2019 and 2020

Income	2019	2020
Investment income	\$623,600	\$22,500
Salvage and other recoveries	900	100
Total income	624,500	22,600
Expenses	2019	2020
Loss and claims expenses	(1,416,200)	-
Federal Income Tax Expense	(215,400)	-
Administrative expenses	233,200	91,800
Total expenses	(1,398,400)	91,800
Net income (loss)	\$2,022,900	(\$69,200)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	\$7,889,700
Recoveries, net of expenses	54,513,000
Distributions.....	(61,818,400)
Monetary assets available for distribution	\$584,300

Merced Property & Casualty Company

Liquidation Order: December 3, 2018

2020 Report

Merced Property & Casualty Company (“Merced”) located in Atwater, California is a wholly owned subsidiary of United Heritage Financial Group, and was licensed and authorized to transact homeowners insurance including fire, surety, plate glass, liability, burglary and automobile in California.

In November of 2018, the Camp Fire started in Butte County, California and ultimately burned an area in excess of 153,000 acres causing at least 85 civilian casualties and destroyed 18,793 structures including 13,696 single-family homes. Merced wrote significant homeowners coverage in the cities of Paradise and Magalia, and suffered terminal claim development as a result.

Merced was placed into liquidation by the Merced County Superior Court on December 3, 2018. In late November 2018 at the time of the Commissioner’s urgent filing for an insolvency order, Merced reported approximately \$23 million in admitted assets and \$63 million in total estimated liabilities resulting in a reported negative surplus of \$40 million. Merced’s negative surplus position violates the minimum capital and surplus requirements as set forth in Insurance Code sections 700.01, 700.02 & 700.025.

The liquidation team has completed the transfer of all in-force policy and claim data to the California Insurance Guarantee Association (CIGA). Upon entry of the liquidation order, CIGA’s statutory obligation to adjust and pay Merced claims was triggered. CIGA is projected to ultimately pay \$77.7 million Camp Fire claims. Independent of the CLO, CIGA filed a subrogation claim against PGE and to date has recovered \$55.4 million in recoveries.

As of December 31, 2020, the Merced Estate, in coordination with the California Insurance Guarantee Association (CIGA), has paid approximately \$76.5 million in loss payments to insureds and loss expenses and currently estimates an additional \$1.4 million in expected case reserves to develop over the next couple quarters. In addition CIGA has paid out approximately \$3 million in unearned premium refunds. As of June 30, 2019, all of Merced’s liquidation estate operations are now managed from the CLO’s San Francisco office. The estate has filed a \$26.6 million proof of claim in the Pacific Gas & Electric (PGE) bankruptcy proceeding seeking recovery of the estate’s expenses incurred to date as well as a reserve for future costs of administration. The Estate filed its first status report and fee application with the court and attended a status conference in September 2019. The court accepted the status report and approved the liquidation fees and expenses. The Atwater home office building and land have been placed under an exclusive listing with the Merced branch of CB Richard Ellis Real Estate.

The Estate is working to schedule a early access distribution in 2021 upon determination of the estate's overcap exposure. Annual status and fee application filings will be submitted to the court during the 2nd quarter of 2021.

Merced Property and Casualty Co

ASSETS AND LIABILITIES

As of Decemeber 31, 2019 and December 31, 2020

Assets	12/31/2019	12/31/2020
Cash and investments	\$30,705,200	\$31,457,700
Recoverable from reinsurers	74,200	-
Other assets	804,800	804,800
Total assets	31,584,200	32,262,500
Liabilities	12/31/2019	12/31/2020
Secured claims and accrued expenses	56,100	56,100
Claims against policies, before distributions ¹⁰	83,201,500	28,332,900
All other claims	400,400	400,400
Total liabilities	83,658,000	28,789,400
Net assets (deficiency)	(52,073,800)	3,473,100

INCOME AND EXPENSES

For Year Ended December 31, 2019 and 2020

Income	2019	2020
Investment income	\$435,000	\$1,115,400
Other income	800,000	53,865,100
Total income	1,235,000	54,980,500
Expenses	2019	2020
Loss and claims expenses	11,907,600	(961,900)
Administrative expenses	1,556,200	395,400
Total expenses	13,463,800	(566,500)
Net income (loss)	(12,228,800)	55,547,000

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	\$23,011,357
Recoveries, net of expenses	8,446,343
Distributions.....	-
Monetary assets available for distribution	\$31,457,700

¹⁰ Claims against policies do not reflect approximately \$4.4 million of claims for damages above the guaranty fund statutory liability since these claims were not adjudicated prior to the issuance of these financial statements.

Mission Insurance Company

Conservation Order: October 31, 1985

Liquidation Order: February 24, 1987

Mission National Insurance Company

Conservation Order: November 26, 1985

Liquidation Order: February 24, 1987

2020 Report

The Mission Insurance Companies' insolvency proceedings began with the conservation of the Mission entity on October 31, 1985 with the balance of the entities being conserved in November 1985. Efforts to rehabilitate the companies did not succeed, and on February 24, 1987, the companies were ordered into liquidation

In accordance with a 2006 court approved closing plan, the Mission estates completed a final policyholder distribution in 2006 whereby all policyholder claimants for Mission, Mission National and Enterprise were paid 100% of their approved claim. As of year-end 2020, the general creditors of the Mission estate have unsatisfied portions remaining on their approved claims.

The Mission estates participate as members of a consolidated tax group (Covanta being the parent) and, as such, are joint and severally liable for the tax exposure of the group. The Mission estate has been indemnified from certain tax and tax related exposure by the ultimate taxpayer.

After legal counsel for the estate reached an agreement with the United States Department of Justice and the EPA on a Federal Waiver settlement and release, the Estates made a material distribution in 2017 to all creditors. In November, 2019 the Mission estate received a material distribution from the receivership estate of Centaur insurance in Illinois. By August 2020, the Mission estate completed distributions to creditors totaling over \$1.2 billion. Both estates must remain open as there are material assets to recover from other insolvent entities.

Mission Ins Co

ASSETS AND LIABILITIES

As of Decemeber 31, 2019 and December 31, 2020

Assets	12/31/2019	12/31/2020
Cash and investments	\$40,425,100	\$3,488,300
Recoverable from reinsurers	649,700	649,700
Other assets	23,816,500	23,816,400
Total assets	64,891,300	27,954,400
Liabilities	12/31/2019	12/31/2020
Secured claims and accrued expenses	1,170,600	1,130,100
Claims against policies, before distributions	846,832,600	846,832,600
Less distributions to policyholders	(846,832,600)	(846,832,600)
All other claims	113,850,200	74,061,200
Total liabilities	115,020,800	75,191,300
Net assets (deficiency)	(50,129,500)	(\$47,236,900)

INCOME AND EXPENSES

As of Decemeber 31, 2019 and December 31, 2020

Income	2019	2020
Investment income	\$223,600	\$1,393,200
Salvage and other recoveries	95,200	735,500
Total income	318,800	2,128,700
Expenses	2019	2020
Loss and claims expenses	(15,026,300)	(1,382,600)
Administrative expenses	383,100	618,700
Total expenses	(14,643,200)	(763,900)
Net income (loss)	\$14,962,000	\$2,892,600

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	\$133,667,000
Recoveries, net of expenses	1,106,806,500
Distributions.....	(1,236,985,200)
Monetary assets available for distribution	\$3,488,300

Mission National Ins Co

ASSETS AND LIABILITIES

As of Decemeber 31, 2019 and December 31, 2020

Assets	12/31/2019	12/31/2020
Cash and investments	\$8,124,900	\$3,288,200
Recoverable from reinsurers	1,793,200	1,793,200
Total assets	9,918,100	5,081,400
Liabilities	12/31/2019	12/31/2020
Secured claims and accrued expenses	1,258,100	1,511,400
Claims against policies, before distributions	596,098,500	596,098,500
Less distributions to policyholders	(528,997,900)	(536,482,600)
All other claims	16,838,100	16,838,100
Total liabilities	85,196,800	77,965,400
Net assets (deficiency)	(\$75,278,700)	(\$72,884,000)

INCOME AND EXPENSES

For Year Ended December 31, 2019 and 2020

Income	2019	2020
Investment income	\$142,200	\$281,200
Salvage and other recoveries	83,200	89,800
Total income	225,400	371,000
Expenses	2019	2020
Loss and claims expenses	(3,387,600)	(2,214,200)
Administrative expenses	94,400	190,500
Total expenses	(3,293,200)	(2,023,700)
Net income (loss)	\$3,518,600	2,394,700

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	\$18,289,000
Recoveries, net of expenses	548,559,100
Distributions	(563,559,900)
Monetary assets available for distribution	\$3,288,200

Superior National Insurance Companies In Liquidation (SNICIL)

(California Compensation Insurance Company, Combined Benefits Insurance Company, Commercial Compensation Casualty Company, Superior National Insurance Company, and Superior Pacific Casualty Company)

Conservation Order: March 6, 2000

Liquidation Order: September 26, 2000

2020 Report

On March 6, 2000, the Los Angeles County Superior Court (the Court) ordered and appointed the Insurance Commissioner to serve as Conservator of four workers' compensation insurance companies: Superior National Insurance Company, Superior Pacific Casualty Company, California Compensation Insurance Company and Combined Benefits Insurance Company. On June 9, 2000, the Court ordered and appointed the Commissioner to serve as conservator of a fifth workers' compensation insurance company named Commercial Compensation Casualty Company. In his capacity as Conservator, the Insurance Commissioner obtained title to and possession of all the property and assets of the five estates, collectively identified as Superior National Insurance Companies in Liquidation (Superior National Estates).

In September 26, 2000, the Court ordered the liquidation of each of the five Superior National Estates, Superior National Insurance Company, Superior Pacific Casualty Company, California Compensation Insurance Company, Commercial Compensation Casualty Company, and Combined Benefits Insurance Company based on insolvency. The Court appointed the Commissioner to serve as Liquidator of the insurers. All five of the estates were primarily workers' compensation estates, and most of the losses were transferred per statute to various Insurance Guaranty Funds to administer and resolve.

The estate obtained a Court sanctioned final claims cut-off date as of June 30, 2019, and has been actively addressing various closure activities throughout 2020. The estate has essentially finalized all claims from the Guaranty Funds with the exception of a couple still to be documented in final form. Counsel for the estate has commenced drafting a Motion for a final distribution scheduled to be filed in early 2021. Collectively, the five estates have already distributed approximately \$1.5 billion dollars in early access distributions to state Guaranty Funds since 2001. Other than a very small claim from the Federal Government, all non-Guaranty Fund claims are resolved. The Superior National Estates will complete pending commutations with three remaining reinsurers with modest amounts of recovery dollars at issue and the estates are scheduled to release a final distribution in 2021.

California Compensation Ins Co

ASSETS AND LIABILITIES

As of Decemeber 31, 2019 and December 31, 2020

Assets	12/31/2019	12/31/2020
Cash and investments	\$16,120,400	\$16,167,700
Recoverable from reinsurers	619,400	619,400
Total assets	16,739,800	16,787,100
Liabilities		
Secured claims and accrued expenses	231,200	231,200
Claims against policies, before distributions	1,942,215,900	1,723,180,600
Less distributions to policyholders	(922,059,100)	(912,811,500)
All other claims	119,228,500	119,107,300
Total liabilities	1,139,616,500	929,707,600
Net assets (deficiency)	(\$1,122,876,700)	(\$912,920,500)

INCOME AND EXPENSES

For Year Ended December 31, 2019 and 2020

Income	2019	2020
Investment income	\$535,700	\$574,100
Salvage and other recoveries	3,279,800	435,900
Total income	3,815,500	1,010,000
Expenses		
Loss and claims expenses	(56,280,700)	(218,605,100)
Administrative expenses	535,600	517,300
Total expenses	(55,745,100)	(218,087,800)
Net income (loss)	\$59,560,600	\$219,097,800

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	\$165,879,200
Recoveries, net of expenses	763,100,000
Distributions	(912,811,500)
Monetary assets available for distribution	\$16,167,700

Combined Benefits Ins Co

ASSETS AND LIABILITIES

As of Decemeber 31, 2019 and December 31, 2020

Assets	12/31/2019	12/31/2020
Cash and investments	\$7,391,300	\$7,837,100
Total assets	7,391,300	7,837,100
Liabilities		
Liabilities	12/31/2019	12/31/2020
Secured claims and accrued expenses	600	600
Claims against policies, before distributions	30,981,600	26,428,500
Less distributions to policyholders	(28,078,300)	(26,450,800)
All other claims	6,157,400	6,756,600
Total liabilities	9,061,300	6,734,900
Net assets (deficiency)	(\$1,670,000)	1,102,200

INCOME AND EXPENSES

For Year Ended December 31, 2019 and 2020

Income	2019	2020
Investment income	\$247,200	\$258,200
Salvage and other recoveries	292,000	24,700
Total income	539,200	282,900
Expenses		
Expenses	2019	2020
Loss and claims expenses	(2,594,000)	(3,849,200)
Administrative expenses	73,500	80,100
Total expenses	(2,520,500)	(3,769,100)
Net income (loss)	\$3,059,700	\$4,052,000

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	\$11,115,400
Recoveries, net of expenses	23,172,500
Distributions	(26,450,800)
Monetary assets available for distribution	\$7,837,100

Superior National Ins Co

ASSETS AND LIABILITIES

As of Decemeber 31, 2019 and December 31, 2020

Assets	12/31/2019	12/31/2020
Cash and investments	\$24,405,200	\$36,557,600
Recoverable from reinsurers	326,600	326,700
Total assets	24,731,800	36,884,300
Liabilities	12/31/2019	12/31/2020
Secured claims and accrued expenses	77,500	77,500
Claims against policies, before distributions	807,408,000	738,270,300
Less distributions to policyholders	(423,517,700)	(348,548,000)
All other claims	28,722,700	28,803,000
Total liabilities	413,040,300	418,602,800
Net assets (deficiency)	(\$388,308,500)	(\$381,718,500)

INCOME AND EXPENSES

For Year Ended December 31, 2019 and 2020

Income	2019	2020
Investment income	\$840,200	\$1,433,400
Salvage and other recoveries	469,500	1,131,000
Total income	1,309,700	2,564,400
Expenses	2019	2020
Loss and claims expenses	(22,897,900)	(67,987,600)
Administrative expenses	233,400	223,200
Total expenses	(22,664,500)	(67,764,400)
Net income (loss)	\$23,974,200	\$70,328,800

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	\$68,622,300
Recoveries, net of expenses	316,483,300
Distributions	(348,548,000)
Monetary assets available for distribution	\$36,557,600

Superior Pacific Casualty Co

ASSETS AND LIABILITIES

As of Decemeber 31, 2019 and December 31, 2020

Assets	12/31/2019	12/31/2020
Cash and investments	\$14,271,200	\$14,759,900
Recoverable from reinsurers	2,090,300	2,072,000
Total assets	16,361,500	16,831,900
Liabilities	12/31/2019	12/31/2020
Secured claims and accrued expenses	400	400
Claims against policies, before distributions	194,518,400	155,041,300
Less distributions to policyholders	(56,969,700)	(54,901,400)
All other claims	62,365,700	62,365,700
Total liabilities	199,914,800	162,506,000
Net assets (deficiency)	(\$183,553,300)	(\$145,674,100)

INCOME AND EXPENSES

For Year Ended December 31, 2019 and 2020

Income	2019	2020
Investment income	\$406,600	\$521,700
Salvage and other recoveries	26,000	5,700
Total income	432,600	527,400
Expenses	2019	2020
Loss and claims expenses	(18,483,600)	(39,476,400)
Administrative expenses	151,000	147,000
Total expenses	(18,332,600)	(39,329,400)
Net income (loss)	\$18,765,200	39,856,800

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	\$58,666,300
Recoveries, net of expenses	10,995,000
Distributions	(54,901,400)
Monetary assets available for distribution	\$14,759,900

Commercial Compensation Casualty Co

ASSETS AND LIABILITIES

As of Decemeber 31, 2019 and December 31, 2020

Assets	12/31/2019	12/31/2020
Cash and investments	\$23,286,600	\$13,163,500
Total assets	23,286,600	13,163,500
<hr/>		
Liabilities	12/31/2019	12/31/2020
Secured claims and accrued expenses	682,600	682,600
Claims against policies, before distributions	142,875,900	130,948,800
Less distributions to policyholders	(100,028,800)	(99,841,200)
All other claims	13,918,500	13,918,500
Total liabilities	57,448,200	45,708,700
Net assets (deficiency)	(\$34,161,600)	(\$32,545,200)

INCOME AND EXPENSES

For Year Ended December 31, 2019 and 2020

Income	2019	2020
Investment income	\$389,500	\$428,500
Salvage and other recoveries	81,600	12,100
Total income	471,100	440,600
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Expenses	2019	2020
Loss and claims expenses	2,302,700	(11,927,100)
Administrative expenses	83,100	100,300
Total expenses	2,385,800	(11,826,800)
Net income (loss)	(\$1,914,700)	\$12,267,400

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	\$6,420,700
Recoveries, net of expenses	106,584,000
Distributions	(99,841,200)
Monetary assets available for distribution	\$13,163,500

Western Employers Insurance Company

Conservation Order: April 2, 1991
Liquidation Order: April 19, 1991

2020 Report

Western Employers Insurance Company (WEIC) was licensed in 38 states plus D.C. and wrote primarily workers' compensation and commercial multi-peril insurance. WEIC went into voluntary run-off in 1987 and then was formally liquidated on April 19, 1991.

WEIC underwrote commercial liability policies on both a primary and excess basis, and many of those policies involved claims that had EPA toxic tort exposures. The estate has devoted the past several years resolving complex and elusive EPA-related claims with the Federal Government.

By obtaining a court-sanctioned final claims cut-off date in 2017, the estate was able to resolve all outstanding claims existing as of that time. All approved claims were paid at 100% of their approved claim amount plus interest paid through the final distribution date in October, 2019. Complicating and extending matters the Federal Government submitted a late claim well after the Superior Court claims cut-off date, arguing that the state court does not have the authority to bar the claim. Counsel for the Estate has negotiated the settlement of the pending Federal Government claim and will work through the ratification process in early 2021. Both Federal and State courts/regulators must approve the final settlement. At this time all claims other than the pending late filed Federal Government claim have been paid in full. The estate expects to release a final payment to the Federal Government and thereafter remit any remaining estate assets to the current equity holder of the WEIC stock in 2021.

Western Employers Ins Co

ASSETS AND LIABILITIES

As of Decemeber 31, 2019 and December 31, 2020

Assets	12/31/2019	12/31/2020
Cash and investments	\$41,436,300	\$42,502,900
Total assets	41,436,300	42,502,900
Liabilities		
Secured claims and accrued expenses	193,400	195,300
Claims against policies, before distributions	176,034,100	176,034,100
Less distributions to policyholders	(174,034,100)	(174,034,100)
All other claims	-	-
Total liabilities	2,193,400	2,195,300
Net assets (deficiency)	39,242,900	40,307,600

INCOME AND EXPENSES

For Year Ended December 31, 2019 and 2020

Income	2019	2020
Investment income	\$3,251,300	\$1,508,700
Salvage and other recoveries	1,100	86,500
Total income	3,252,400	1,595,200
Expenses		
Loss and claims expenses	19,718,100	-
Federal Income Tax Expense	757,000	236,000
Administrative expenses	623,800	294,500
Total expenses	21,098,900	530,500
Net income (loss)	(\$17,846,500)	\$1,064,700

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	\$74,867,900
Recoveries, net of expenses	150,703,100
Distributions	(183,068,100)
Monetary assets available for distribution	\$42,502,900

SECTION THREE – CROSS REFERENCES TO CALIFORNIA INSURANCE CODE (CIC)

CIC Section 1035 – Deputy Commissioners, clerks, and assistants, and executive officers; chief executive officer of Conservation and Liquidation Office

- (a) In any proceeding under this article, the commissioner may appoint and employ under his or her hand and official seal, special deputy commissioners, as his or her agents, and to employ clerks and assistants and to give to each of them those powers that he or she deems necessary. Upon appointing or employing special deputy commissioners or executive officers, the commissioner shall notify the Chair of the Joint Legislative Budget Committee, by letter, of the action. The costs of employing special deputy commissioners, clerks, and assistants appointed to carry out this article, and all expenses of taking possession of, conserving, conducting, liquidating, disposing of, or otherwise dealing with the business and property of that person under this article, shall be fixed by the commissioner, subject to the approval of the court, and shall be paid out of the assets of that person to the department. In the event the property of that person does not contain cash or liquid assets sufficient to defray the cost of the services required to be performed under the terms of this article, the commissioner may at any time or from time to time pay the cost of those services out of the appropriation for the maintenance of the department, but not out of the assets of other estates. Any amounts so paid shall be deemed expenses of administration and shall be repaid to the fund out of the first available moneys in the estate.

CIC Section 1060 - The Commissioner shall transmit all of the following to the Governor, the Legislature, and to the committees of the Senate and Assembly having jurisdiction over insurance in the annual report submitted pursuant to Section 12922:

	Page
(a) The names of the persons proceeded against under this article.....	192
(b) Whether such persons have resumed business or have been liquidated or have been mutualized.....	192
(c) Such other facts on the operations of the Conservation & Liquidation Office as will acquaint the Governor, the policyholders, creditors, shareholders and the public with his or her proceedings under this article, including, but not limited to:	
(1) An itemization of the number of staff, total salaries of staff, a description of the compensation methodology, and an organizational flowchart.....	177, 183-186
(2) Annual operating goals and results.	178-179

(3) A summary of all Conservation and Liquidation Office costs, including an itemization of internal and external costs, and a description of the methodology used to allocate those costs among insurer estates.	181-186
(4) A list of all current insolvencies not closed within ten years of a court ordered liquidation, and a narrative explaining why each insolvency remains open.	186-189
(5) An accounting of total claims by estate.....	189
(6) A list of current year and cumulative distributions by class of creditor for each estate..	192
(7) For each proceeding, the net value of the estate at the time of conservation or liquidation and the net value at the end of the preceding calendar year.	194-221
(d) Other facts on the operations of the individual estates as will acquaint the Governor, Legislature, policyholders, creditors, shareholders, and the public with his or her proceedings under this article, including, but not limited to:	
(1) The annual operating goals and results.....	185-221
(2) The status of the conservation and liquidation process.....	185-221
(3) Financial statements, including current and cumulative distributions, comparing current calendar year to prior year.	185-221