

**STATE OF CALIFORNIA
FRAUD ASSESSMENT COMMISSION**

**Summary Meeting Minutes
Sacramento, California
June 20, 2018**

In attendance: Don Marshall, Chairperson; and Commission Members John Riggs, Joel Sherman, Dr. Karla Rhay, Dante Robinson, and Lilia Garcia-Brower.

Others present: George Mueller, Deputy Commissioner (DC), Enforcement Branch (EB), California Department of Insurance (CDI); Eric Charlick, Assistant Chief (AC), Enforcement Branch (EB); Patricia Hein, Senior Staff Counsel, CDI Legal Division.

Opening Remarks

Chairperson Marshall opened the meeting at 10:40 a.m. and asked the Commissioners if they wished to make any opening comments. Commissioner Robinson commented that he attended the Review Panel meeting and it was great to hear county comments and the panel's allocations. Commissioner Rhay thanked the Panel for their efforts.

Chairperson Marshall then proceeded with the approval of the summary minutes from the January 10, 2018, meeting.

Motion

Commissioner Robinson made a motion to accept the January 10, 2018, summary minutes as submitted. Commissioner Riggs seconded the motion.

Action

The summary minutes were unanimously accepted.

Chairperson Marshall moved to the next agenda item and turned the meeting over to DC Mueller of the Enforcement Branch.

Enforcement Branch Report

DC Mueller began by recognizing the Enforcement Branch, Local Assistance Unit staff for all of the work they put into the Workers' Compensation Application Review Process.

DC Mueller stated that, per the California Code of Regulations, the Insurance Commissioner convenes a Review Panel. This year's panel convened on June 6, 2018, and the review panelists were: Don Marshall, Fraud Assessment Commission (FAC) Chair; Joel Sherman, FAC Commissioner; Mi Kim, designee for the Director of the Department of Industrial Relations; Lieutenant Chris Sexton of the CHP, an expert in consumer crimes designated by the Insurance Commissioner; and AC Charlick representing the Department of Insurance. The Review Panel's funding recommendations were presented to the Insurance Commissioner for his determination on the most effective distribution of funds.

DC Mueller noted that on September 7, 2016, the FAC determined a funding level of \$39,635,377 to be available for distribution to District Attorneys for Fiscal-Year 2018-19. This year the Department received 37 applications representing 46 counties, requesting \$45,885,108, which is approximately \$6,249,731 more than the available funding.

DC Mueller then asked the FAC members of the Review Panel for their comments.

Chairperson Marshall commented that the process was developed in 1990 and is outdated. Reviewers can make a fair assessment but he wants the update of the application to move forward and requested that CDI meet with the FAC sub-committee to discuss changes. He further commented that he could see that county efforts are being directed at cost-drivers and the impact of the change is being seen and acknowledged by the industry.

Commissioner Sherman agreed that revisions are needed. He suggested limiting the length of the application, some exceed 300 pages. The Review Panel seems to arrive at the same funding recommendation conclusion but it is painful to read and review.

The Commissioners then had a discussion of the roles of the District Attorneys (DAs), FAC Sub-Committee, and CDI in the efforts to update the application and process.

DC Mueller then continued with the overview of the Funding Recommendation Process. On June 13, 2018, DC Mueller and AC Charlick met with the Insurance Commissioner to review the funding recommendations submitted by the Review Panel. The Insurance Commissioner reviewed the Panel's recommendations and the advice from the Fraud Division. The Insurance Commissioner takes this responsibility very seriously and many questions were asked and answered. As a result, he made five (5) modifications to the Review Panel's Recommendations:

Alameda County	decreased from	\$1,804,643	to	\$1,757,271;
Contra Costa County	decreased from	\$ 999,291	to	\$ 986,163;
Los Angeles County	increased from	\$7,522,460	to	\$7,632,960;
Riverside County	decrease from	\$2,523,829	to	\$2,498,829;
San Bernardino County	decreased from	\$2,090,850	to	\$2,065,850;

The letter from the Insurance Commissioner was submitted to the FAC for advice and consent. Copies of this letter and the funding award chart were handed out to the audience. DC Mueller then read a section of the letter in which the Insurance Commissioner expressed his sincere appreciation for the contributions made by the District Attorneys in the battle against Workers' Compensation fraud.

Chairperson Marshall then asked DC Mueller about the meeting with the Insurance Commissioner and the rationale for the change. AC Charlick responded to the questions. Chairperson Marshall then asked the Commissioners if they had any comments or questions and there were none.

DC Mueller then moved to the next agenda item which had been continued from the January 10, 2018, meeting at the Commission's request. The Commissioners provided comments and asked questions with regards to the content of the CDI Annual Report, the relevance of the information, and the sample charts provided by CDI at the January meeting.

DC Mueller then provided an update on CDI's hiring, recruiting, and outreach efforts. He noted that there are 3 candidates in Academy, 11 in Psych/Medical review, and the possibility of 44 positions to be filled in the near future.

At this point the meeting returned to a previous agenda item and Commissioner Riggs commented on performance information he noted in the applications for funding regarding wage theft and premium fraud. Chairperson Marshall and Commissioners Sherman and Garcia-Brower also provided comments on the investigation and prosecution of wage theft and premium fraud.

DC Mueller then continued the Administrative Update by informing the Commissioners that the Insurance Commissioner's review Panel would reconvene on August 22, 2018, to make a recommendation for the distribution of Fiscal Year 2017-18 funds determined to be available at the year-end. The Insurance Commissioner will make his determination and it will be presented to the FAC at the September meeting. At the September meeting the FAC will decide whether to use the funds to offset or augment.

Chairperson Marshall asked Ms. Hein to do a legal review on the possibility of allocating a portion of the funds for a special prosecution expense fund.

Chairperson Marshall opened the floor for public comments and there were none.

Advice and Consent

Chairperson Marshall asked the Commissioners if they had any comments and there were none.

Motion

Commissioner Sherman made a motion to accept the Insurance Commissioner's funding recommendations. Commissioner Robinson seconded the motion.

Action

The Commission voted unanimously to approve the funding recommendations.

Chairperson Marshall opened the floor for public comments and there were none.

Other Business

Chairperson Marshall moved to the next item on the agenda, the next scheduled meeting which is September 5, 2018, at 10:30 am.

Chairperson Marshall then asked CDI to respond to the FAC request to consider alternate locations for the meetings to include a Southern California location. After a discussion of the logistics involved with the September agenda item, Workers' Compensation Program Overview, it was agreed that the September meeting will be in Sacramento and the January meeting will be in Southern California.

Chairperson Marshall opened the floor for public comments and there were none.

Closing Remarks

Chairperson Marshall asked the Commissioners if they had any closing remarks.

Commissioner Robinson had none.

Commissioner Garcia-Brower commented on the importance and impact that media releases and outreach have. She further commented on the need to expand focus to other industries.

Commissioner Rhay also commented on outreach creating awareness and the opportunity to partner with schools and JPAs.

Commissioner Sherman suggested the update to the applications consider the need to recognize and measure the effectiveness of task forces.

Commissioner Riggs commented on outreach being an effective way to bring information to employers.

Chairperson Marshall commented on the need for media coverage on arrests and convictions so other professionals realize it could happen to them. He then directed his comments to DC Mueller and indicated that each of the FAC Commissioners could provide training on the side of the industry they represent.

Chairperson Marshall called for any further comments; with none he asked for a motion to adjourn the meeting.

Motion

Commissioner Garcia-Brower made a motion to adjourn. Commissioner Rhay seconded the motion.

Action

The FAC unanimously approved and the meeting was adjourned at 11:45 a.m.