



CALIFORNIA DEPARTMENT OF INSURANCE
2012 ANNUAL REPORT
of the COMMISSIONER



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DEPARTMENT OF INSURANCE

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August 1, 2013

The Honorable Edmund G. Brown, Jr.
Governor
State of California
State Capitol, Suite 1173
Sacramento, CA 95814

Dear Governor Brown:

I am pleased to provide to you the *2012 Annual Report of the Insurance Commissioner* as required by California Insurance Code ("CIC") section 12922. The Report describes in detail the work of the California Department of Insurance (CDI) during the 2012 calendar year. The Department's core function, as the regulator of the state's insurance industry with more than \$123 billion in annual revenue, is vital to the health and well-being of Californians and California's economy. In order to ensure a healthy and fair insurance market we continue to work at improving all of CDI's processes while also introducing new initiatives to protect consumers. My administration has made considerable progress on an ambitious consumer and business protection agenda. As of publication, following are highlights of what we have accomplished since taking office on January 3, 2011:

Health Care Reform

- Issued and enforced regulations prohibiting health insurers from denying health insurance to children with pre-existing conditions.
- Issued regulations to implement and enforce the federal Affordable Care Act, including individual and small group market reforms.
- Assisted Covered California establish California's health benefits exchange.
- Reviewed and submitted comments on more than six major federal Affordable Care Act regulations. The Department's comments assisted the federal government in issuing final regulations for the implementation of the Affordable Care Act reflecting California's strong consumer protection interest and experience.
- Received and managed \$2.1 million in federal grant money to expand health insurance rate review to evaluate whether filed rates are unreasonable.
- Secured federal funding to enhance consumer assistance pertaining to the ACA. The Department is using these funds, in part, to enhance our consumer call center and to develop a mobile application which will allow consumers greater ease in accessing information about the ACA.
- Saved consumers \$73.9 million by issuing and enforcing Medical Loss Ratio regulations that require insurers to spend more of their collected premiums on actual medical care rather than administrative expenses.
- Reviewed more than 150 health insurance policy forms for compliance with new requirements, benefits and consumer protections under the Affordable Care Act.
- Required health insurers to provide treatment for autism, including behavioral treatment.

Premium Savings

- Reviewed 114 health insurance rate filings in the individual and small group health insurance markets and obtained reductions in proposed rates, resulting in \$285 million annually in premium savings for individuals and small businesses. The Department, however, continues to lack the authority to reject excessive rate hikes and health insurers continue to implement excessive and unreasonable rate increases.

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- Processed over 2,119 property and casualty insurance rate filings under Proposition 103 during our first 30 months. The Department reduced the overall amount of requested rate increases by \$382 million and approved over \$968 million in rate reductions, totaling over \$1.350 billion in savings to California consumers and businesses. This total additional includes approximately \$531 million in rate reductions for personal auto coverage and \$258 million in rate reductions for personal homeowners coverage.
 - Lowered medical malpractice insurance rates, saving doctors, dentists and other medical providers \$54 million in premiums.
 - Assisted financially distressed homeowners by requiring insurers who sell "forced placed homeowners insurance" to reduce their rates for a total of \$64 million annually in premium savings.
 - Approved changes to residential California Earthquake Authority (CEA) earthquake insurance policies to make them more affordable and beneficial. Changes resulted in an average rate reduction of 12.5 percent and provided personal property coverage for the first time.

Insurance Fraud

- The Department oversaw five distinct local assistance grant programs which award grants to district attorneys for the investigation and prosecution of insurance fraud and insurance related crimes. During FY 11/12, we reviewed application requests and awarded grants totaling approximately \$57 million in funding to district attorneys. These programs resulted in 2,425 arrests and 2,015 convictions during FY 11/12.
- Successfully sponsored legislative amendments to the Insurance Code during 2012 including granting funding for local district attorneys to investigate and prosecute healthcare fraud. To ensure effective use of new resources the Department developed and hosted a forum for DAs and CDI personnel on insurance fraud by medical professionals in all lines of insurance. Healthcare Fraud 202 is in the development stages.
- The Department joined forces with its Joint Enforcement Strike Force (JESF) partners to conduct a statewide sweep of contractors operating in California's Underground Economy. The Department partnered with the Contractors State Licensing Board (CSLB), the Employment Development Department (EDD), and local district attorney's office in eleven counties. This sweep resulted in 104 enforcement actions including for failure to carry workers' compensation insurance and under-reporting payroll.

Regulations and Legislation

- CDI sponsored nine strong consumer protection bills that were signed into law during the 2011 legislative session. These include bills that will protect seniors from fraudulent activities while purchasing annuities, ensure that agents and brokers do not engage in predatory practices in the selling of reverse mortgages, give life insurance beneficiaries the option to receive payments via a retained asset account, and require disclosure in workers' compensation policies in order to save businesses from spending on unexpected costs.
- CDI sponsored five bills that were signed into law in 2012. These include bills that will: 1) reinstate specified conduct standards and requirements for all bail fugitive recovery persons (bounty hunters); 2) increase funding available to District Attorneys and to CDI to investigate and prosecute health and disability fraud; 3) ensure CDI has the regulatory authority to protect consumers in response to changes brought by the globalization of the insurance business and insurer use of reinsurance; and 4) improve the predictability of Long Term Care insurance rates.
- The Department managed 25 rulemaking projects, reviewed and evaluated 17 potential rulemaking projects and issued eight regulations including the following significant matters:
 - Preventing discrimination by health insurance companies on the basis of gender identity.
 - Extending the medical loss ratio (MLR) requirements to include large group policies.
 - Establishing standards for automobile repairs and the use of aftermarket parts, by increasing the consumer protections regarding insurer estimates and replacement parts used in vehicle repairs.
 - Enforcing the Mental Health Parity Act to protect insurance coverage for autism.
- The Department undertook additional initiatives including:
 - Iran Divestment Initiative. Requested all insurers to divest from the military, energy and nuclear sectors of the Iranian economy due to the risk associated with investments in Iran. As a result of the Commissioner's Iran Divestment initiative, the number of insurers investing in companies doing business with Iran has fallen 98 percent, from 341 insurers to just seven.

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- Climate Change Initiative. The Department surveyed major insurers with regard to what, if anything, insurers are doing to respond to climate change. The Commissioner sought and obtained five other Commissioners' participation in administering the survey and expanded the survey to 72% of the entire United States market. The survey results are made public to help insurers, investors, regulators and members of the public better understand the extent to which the insurance industry is responding to climate change.
 - Reformed the Workers Compensation "Pure Premium Benchmark" process and provided workers' compensation market stakeholders with expert actuarial reviews of workers' compensation cost structure changes.

Enforcement

- Leading a national investigation ("Death Master File Investigation") of life insurers' failure to pay billions of dollars in death benefits. Obtained successful enforcement settlement agreements with seven major life insurers representing over 45 percent of the market requiring them to pay hundreds of millions of unpaid benefits. Insurers paid nearly \$10 million in penalties to California while agreeing to reform practices relating to use of the Social Security Administration's deceased persons database so that the companies would properly identify potential beneficiaries of life insurance policies.
- Successfully settled an enforcement action against the Travelers insurance companies resulting in \$10.5 million in premium refunds to policyholders who were overcharged as well as a \$1.5 million fine. The settlement resolved insurance code violations discovered in a market conduct examination of the companies.
- Successfully settled an enforcement action against New Hampshire Insurance Company, providing \$10.8 million in increased consumer recoveries.

Insolvency Recovery

- Performed successful early intervention with a failing \$300 million domestic property and casualty insurer, resulting in 100% protection of injured workers' claims and the transfer of policies and claims to a healthy third party insurer.
- Collected \$226.1 million of reinsurance recoveries, reinsurance commutations and litigation recoveries of failed insurance companies to repay policyholders and creditors.
- Distributed \$495.1 million to injured policyholders and guaranty associations from failed insurance companies.

Consumer Protections

- Recovered over \$64 million for consumers as a result of investigations of consumer complaints received by the Department and through market conduct examinations of 215 insurance companies by the Department.
- Handled approximately 170,000 consumer calls to our Consumer Hotline.
- Created a unit of dedicated health insurance consumer service officers to better service consumers and assist them in navigating through new healthcare reform laws.
- Obtained successful settlements with major insurers to cover Behavioral Health Therapy to treat autism and eliminate visit limits on speech and occupational therapy.
- Created Elder Financial Abuse Interagency Roundtable (EFAIR) and launched the inter-agency "Senior Gateway" Internet portal.

Community Programs

- Increased insurer investments in underserved communities in California through the department's COIN (California Organized Investment Network) Program from \$1.65 million in 2010 to nearly \$1.35 billion in 2012.
- Insurance Diversity Initiative. Surveyed and encouraged insurers to diversify their procurement, governing boards and employment. Established the Insurance Diversity Task Force and convened the first ever Insurance Diversity Summit, bringing together more than 200 insurance executives and diverse business owners to identify best practices.

-
- The Department attended over 250 public outreach events throughout California to increase consumer education about consumer protections.
 - Strengthened and continued to expand the California Low Cost Auto Program by creating a consumer-friendly website that closely links customers to insurance agents, resulting in more than 9,000 policies in force by the end of 2012.

Licensing

- Issued and renewed 430,093 insurance agent and broker licenses.
- Restricted or suspended the licenses of 986 agents and brokers.
- Opened 15 new testing centers throughout California in 2011 and 2012, including Anaheim, Bakersfield, Carson, Fresno, Santa Clara and Redding. With these new sites and three additional sites that opened in 2013, license applicants now have 21 sites throughout California to take their examination.
- Changed the licensing application process to a more efficient “exam first” method. Applicants can now avoid the higher application fee until after passing a qualifying examination.

Funding for Other State Agency Operations

- Collected \$2.4 billion in premium taxes for the state's General Fund for fiscal year 2011-12.
- Contributed \$39.4 million in fines and penalties to the state's General Fund since taking office, through the Department's vigorous enforcement activities.

Administration

- The Department earned the Bronze Agency award at the 13th annual State Agency Recognition Awards for its outstanding achievements in contracting with California's Small Business and Disabled Veteran Business Enterprise programs.

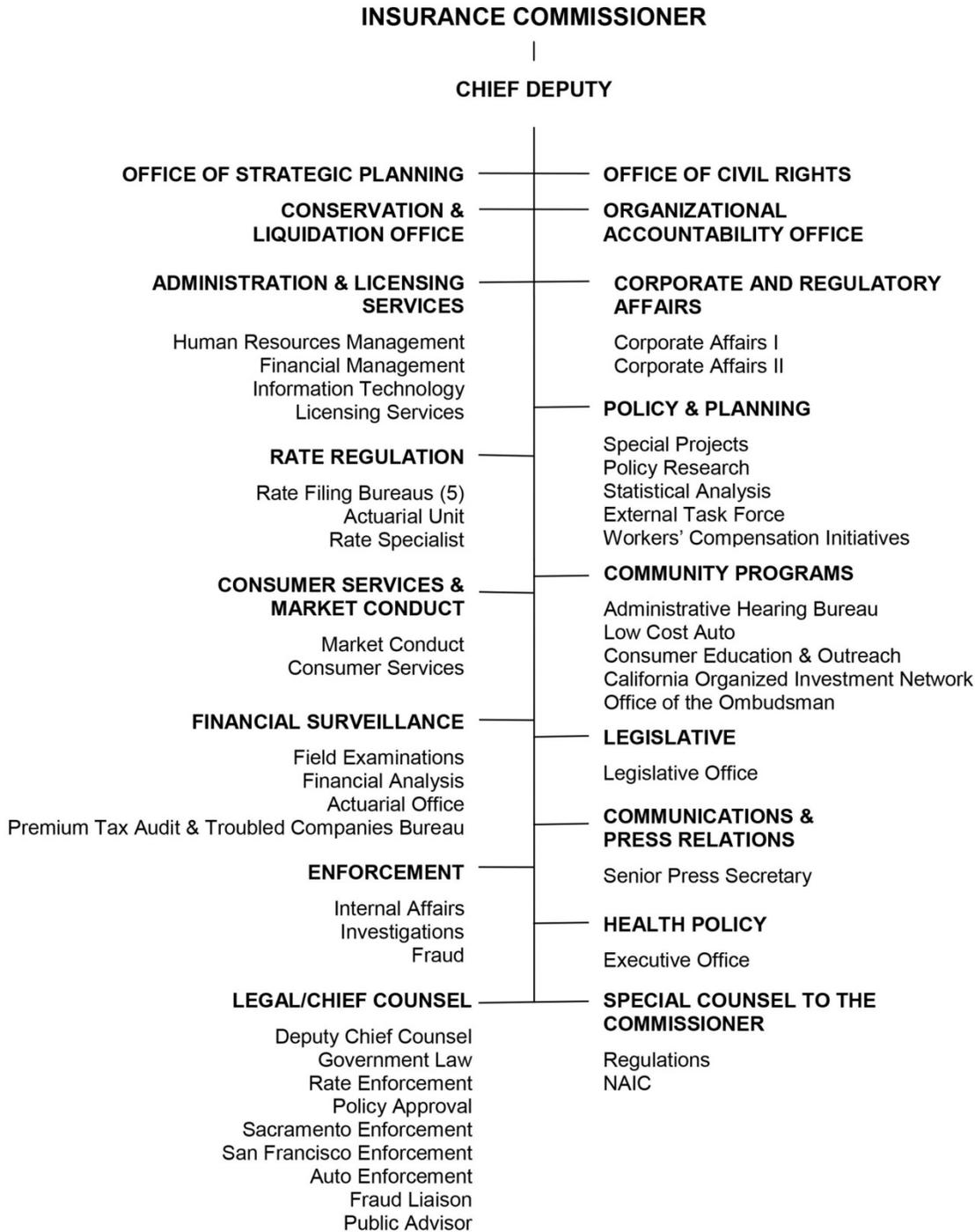
The California Department of Insurance will continue to aggressively pursue our mission “to ensure vibrant markets where insurers keep their promises and the health and economic security of individuals, families, and businesses are protected.”

Sincerely,

DAVE JONES
Insurance Commissioner

cc: Ron Calderon, Chairperson, Insurance Committee, California State Senate
Henry Perea, Chairperson, Insurance Committee, California State Assembly
E. Dotson Wilson, Chief Clerk, California State Assembly
Diane F. Boyer-Vine, Legislative Counsel
Gregory Schmidt, Secretary of the Senate

California Department of Insurance
2012 Organizational Chart (Graphical Version)



California Department of Insurance 2012 Organizational Chart (Accessible Text Version)

INSURANCE COMMISSIONER

- CHIEF DEPUTY
 - OFFICE OF CIVIL RIGHTS
 - CONSERVATION & LIQUIDATION OFFICE
 - OFFICE OF STRATEGIC PLANNING
 - ORGANIZATIONAL ACCOUNTABILITY OFFICE

ADMINISTRATION & LICENSING SERVICES

- Human Resources Management
- Financial Management
- Information Technology
- Licensing Services

RATE REGULATION

- Rate Filing Bureaus (5)
- Actuarial Unit
- Rate Specialist

CONSUMER SERVICES & MARKET CONDUCT

- Market Conduct
- Consumer Services

FINANCIAL SURVEILLANCE

- Field Examinations
- Financial Analysis
- Actuarial Office
- Premium Tax Audit & Troubled Companies Bureau

ENFORCEMENT

- Internal Affairs
- Investigations
- Fraud

LEGAL/GENERAL COUNSEL

- Deputy Chief Counsel

- Auto Enforcement Bureau
- Enforcement Bureau - Sacramento
- Enforcement Bureau -San Francisco
- Fraud Liaison Bureau
- Government Law Bureau
- Policy Approval Bureau
- Rate Enforcement Bureau

CORPORATE AND REGULATORY AFFAIRS

- Corporate Affairs I
- Corporate Affairs II

POLICY & PLANNING

- Special Projects
- Statistical Analysis

COMMUNITY RELATIONS

- Administrative Hearing Bureau
- Low Cost Auto
- Consumer Education & Outreach
- California Organized Investment Network (COIN)
- Office of the Ombudsman

LEGISLATIVE

- Legislative Office

COMMUNICATIONS & PRESS RELATIONS

- Senior Press Secretary

HEALTH POLICY

- Executive Office

SPECIAL COUNSEL TO THE COMMISSIONER

- Regulation
- NAIC

2012 ANNUAL REPORT

**Consumer Services *and* Market Conduct
Branch**

Consumer Services & Market Conduct Branch

The Consumer Services and Market Conduct Branch (CSMCB) focuses on consumer 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 and 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)

Table A: CSMCB 2012 Calendar Year Results

| | |
|--|----------------------|
| Consumer Telephone Calls Received (automated call-center calls) | 169,775 |
| Complaint Cases Opened | 34,554 |
| Complaint Cases Closed | 33,643 |
| Total Consumer Dollars Recovered | \$55,069,451 |
| Number of Market Conduct Exams Adopted by the Commissioner | 215 |
| Total Claims Dollars Recovered or Premium Returned to Consumers from Market Conduct Exams | \$ 9,782,895 |
| CSMCB Grand Total Amount (Consumer Dollars Recovered, Claims Dollars Recovered or Premium Returned to Consumers.) | \$ 64,852,346 |

CONSUMER SERVICES DIVISION

The Consumer Services Division (CSD) mission is to protect California insurance consumers through enforcement of the California Insurance Code and related laws and regulations.

CSD is responsible for responding to consumer inquiries and complaints regarding insurance company or agent or broker activities. The CSD maintains separate bureaus to handle telephone inquiries and provide education to the public, to respond to consumer complaints on claims handling practices, and to respond to consumer complaints concerning rating and underwriting practices.

Specifically, The CSD is responsible for administering the program described in California Insurance Code (CIC) Section 12921.1(a), to investigate complaints, respond to consumer inquiries and bring enforcement actions against insurers and production agencies.

This report fulfills the requirements of California Insurance Code (CIC) Section 12921.1(a)(10), to describe the operation of complaint handling processes, to list civil, criminal, and administrative actions taken pursuant to complaints received, and to report the percentage of the Department's personnel years devoted to the handling and resolution of complaints. The section also directs CDI to suggest where appropriate legislation that will improve the complaint handling apparatus and increase enforcement action.

Complaints and inquiries are handled by four bureaus within the division: the Consumer Communication Bureau (CCB), the Claims Services Bureau (CSB), the Health Claims Bureau (HCB), and the Rating & Underwriting Services Bureau (RUSB). Consumers may file complaints via telephone, internet or in written correspondence. In 2012, 109 fulltime staff were devoted to the complaint handling operation. This represents 8 percent of the 1,336 total authorized positions in the Department.

- The CCB Hotline staff responds to general insurance inquiries and answers questions on insurance claims and underwriting practices, administers the CDI Residential, Earthquake and Automobile Mediation Programs, and handles time sensitive complaints.
- CSB is responsible for investigating, evaluating, and resolving consumer complaints involving claims issues for all lines of insurance except health insurance (handled by HCB) and Workers' Compensation, which is regulated by the California Department of Industrial Relations.
- HCB is responsible for investigating, evaluating, and resolving consumer complaints involving health claims issues and administers the Department's Independent Medical Review Program mandated by CIC §10169.
- RUSB is responsible for investigating, evaluating, and resolving consumer complaints involving rating and underwriting issues for all lines of insurance, including Workers' Compensation.

The review and initiation of the investigation of complaints occurs within three days of receipt, and the CDI contacts the appropriate licensees (insurers or producers). The time needed to resolve a complaint varies in accordance with the type of case and the complexity of the issues to be evaluated and resolved. The average time among all cases is about 45 days from open to close. Complex cases requiring analysis of conflicting facts and applicable laws may require more lengthy investigation. Conversely, cases involving less complex issues may be resolved within hours, days, or a few weeks. Consumers are informed about the final resolution of complaints as quickly as possible, but no later than 30 days after the final action.

Disaster Response: In addition to handling complaints, the CSD also coordinates the Department’s response to natural and other disasters that impact the insurance needs of consumers and businesses in California. This response includes administration of the Emergency Damage Assessment function described in CIC Section 16000.

The CSD monitored approximately 34 disaster events in 2012 as follows: 3 Earthquake, 1 tornado, and 30 wildfires. The Division deployed 3 officers from CSD to assist CalEMA at Local Assistance Centers in Tehama and Shasta Counties for the Ponderosa Fire, Imperial County for the Brawley Earthquake and San Diego County for the Shockey Fire.

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

Table B: Trends in Percentage of Complaints by Lines of Coverage

| Coverage Type | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|
| Accident & Health | 25.91% | 30.42% | 31.76% | 31.29% | 37.00% | 35.11% | 34.18% |
| Automobile | 40.13% | 37.77% | 34.43% | 33.76% | 31.01% | 33.08% | 33.81% |
| Misc./Other | 13.93% | 13.12% | 12.90% | 13.66% | 12.34% | 12.11% | 12.39% |
| Homeowners | 7.41% | 7.16% | 8.80% | 8.48% | 8.29% | 8.40% | 8.06% |
| Life & Annuity | 7.23% | 6.80% | 7.23% | 7.49% | 6.52% | 6.59% | 6.90% |
| Liability | 2.82% | 2.34% | 2.43% | 2.54% | 2.09% | 1.96% | 2.23% |
| Fire, Allied Lines & CMP | 1.90% | 1.61% | 1.82% | 2.05% | 2.09% | 2.47% | 2.16% |
| Earthquake | 0.27% | 0.28% | 0.36% | 0.43% | 0.38% | 0.28% | 0.28% |

Table C: Top Ten Types of Complaint Reasons (2007-2012)

| # | Types of Complaint Reasons | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----|---------------------------------|------|------|------|------|------|------|
| 1 | Denial of Claim | 24% | 25% | 26% | 26% | 26% | 26% |
| 2 | Unsatisfactory Settlement Offer | 15% | 12% | 13% | 13% | 13% | 13% |
| 3 | Claim Handling Delay | 15% | 13% | 13% | 13% | 11% | 11% |
| 4 | Premium & Rating / Misquotes | 5% | 6% | 5% | 8% | 7% | 6% |
| 5 | Other - Claim Handling | 5% | 6% | 6% | 6% | 4% | 4% |
| 6 | Premium Refund | 5% | 5% | 4% | 4% | 4% | 4% |
| 7 | Premium Notice/Billing Problem | 3% | 3% | 2% | 3% | 3% | 3% |
| 8 | Coverage Question | 4% | 4% | 3% | 3% | 3% | 3% |
| 9 | Cancellation | 3% | 3% | 3% | 3% | 3% | 3% |
| 10 | Agent Handling | 3% | 3% | 3% | 3% | 3% | 3% |
| | All Other Reasons | 18% | 21% | 22% | 18% | 23% | 24% |

Consumer Communications Bureau

The Consumer Communications Bureau (CCB) Consumer Hotline is often referred to as the Commissioner's "eyes & ears" on the issues and concerns that affect California's insurance consumers. CCB officers respond to phone calls received through the California Department of Insurance's (CDI) statewide toll-free Consumer Hotline, 800-927-HELP (4357). These officers provide callers with immediate access to constantly updated information on insurance related issues.

The Hotline is staffed by knowledgeable insurance professionals whose years of expertise, combined with their dedication to consumers, enables them to provide immediate assistance on time sensitive issues. CCB also responds to inquiries received through the Consumer "Contact Us" website; coordinates responses to inquiries addressed to the Commissioner through its Commissioner's Correspondence Unit; responds to "walk-in" inquiries at the Department's Los Angeles public counter; leads the CSD Health Triage Team; organizes the CSD Inter-Agency Health Team; analyzes and provides input on proposed legislation; manages the Division's Disaster Response Program, and leads or participates in various task forces.

Health insurance arguably is the most significant issue currently facing California consumers. To respond to the implementation of federal health care reform in California, the Consumer Communications Bureau created dedicated health skill groups, charged with handling health inquiries.

Residential Property, Earthquake, and Automobile Physical Damage Mediation Program

CCB 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 resulting 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. Since the program's inception in 1996 through December 31, 2012, the Mediation Program has recovered \$17,936,547 for consumers. Fortunately, California did not experience a significant number of disasters in 2012. As a result, there were no residential or earthquake related claims that were eligible for the mediation program. In accordance with CIC §10089.83, the following is a report of the results of the program for the calendar year 2012.

Table D: 2012 Residential Property, Earthquake, and Automobile Mediation Program Results

| | Residential | Earthquake | Automobile | Totals |
|--|-------------|------------|-------------|-------------|
| Number of mediation cases eligible | 0 | 0 | 6 | 6 |
| Number settled within 28 day settlement period | 0 | 0 | 1 | 1 |
| Number sent to mediation | 0 | 0 | 5 | 5 |
| Number of cases rejected by insurer | 0 | 0 | 0 | 0 |
| Number accepted by insurer | 0 | 0 | 5 | 5 |
| Number of settlements rejected within 3 day waiting period | 0 | 0 | 0 | 0 |
| Amount initially claimed | 0 | 0 | \$70,767.77 | \$70,767.77 |
| Amount of settlements | \$0 | \$0 | \$37,502.00 | \$37,502.00 |

Claims Services Bureau

The Claims Services Bureau (CSB) investigates consumer allegations of improper claims handling by insurers. These written requests for assistance include, but are not limited to, wrongful denial of claims, payments less than amounts claimed, and delays in claims handling. If its investigation discovers a violation of an insurance law or regulation CSB pursues payment by insurers of those claims that were improperly denied or delayed.

Health Claims Bureau

The Health Claims Bureau (HCB) investigates consumer and health care provider allegations of improper handling of health insurance claims by insurers. These requests for assistance include, but are not limited to, wrongful denial of claims, payments of less

than amounts claimed and delays in claims handling. HCB works with the complainant to clarify issues and reach a resolution with the insurer. If the investigation shows that an insurance code or regulation has been violated or the policy contract has not been honored, HCB will enforce the code, regulation or policy contract which often results in a favorable outcome for the consumer.

The Health Claims Bureau also administers the Independent Medical Review (IMR) program. Pursuant to this program Independent reviewers determine when denial of treatment, based on insurer determinations that such treatment is experimental, investigational or not medically necessary, should stand or be overturned. HCBs responsibilities in administering the program include determining which complaints qualify, 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 determinations which are available to consumers on the Department's public website.

Health Care Provider Bill of Rights Report

In accordance with California Insurance Code Section 10133.65, the Department reports that no complaints involving this section of the insurance code were received for calendar year 2012.

Rating and Underwriting Services Bureau

The Rating and Underwriting Services Bureau (RUSB) investigates consumer complaints of improper or inequitable rating and underwriting transactions performed by insurance companies and agents/brokers. RUSB works with the affected parties to clarify and resolve disputed issues. When RUSB's investigation shows that an insurance violation or a policy breach has occurred the Bureau requires reinstatement of coverage and refund of premiums and broker fees, when applicable.

In addition to assisting consumers with a variety of issues involving all lines of insurance, RUSB also participates on the Senior Issues Working Group and the Disability Advisory Committee, and assists people impacted by wildfires and other catastrophic events at local assistance centers and workshops. RUSB produces detailed trend and hot topics reports on insurance company and agent/broker violations identified from its review of consumer complaint files which CSMCB and others within the Department find valuable in identifying and monitoring non-compliant activity by licensees.

(CIC) Section 1858.35 Report

In accordance with California Insurance Code (CIC) Section 1858.35, the Department is reporting 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.

Table E: (CIC) Section 1858.35 Complaints by Type/Reason 2012

| Rank | Complaint Type/Reason | # of Complaints |
|-------------|---|------------------------|
| 1 | Premium & Rating Misquotes | 728 |
| 2 | Coverage Question | 493 |
| 3 | Surcharge | 432 |
| 4 | Premium Notice/Billing Problem | 416 |
| 5 | Unsatisfactory Refund of Premium | 411 |
| 6 | Cancellation | 348 |
| 7 | Nonrenewal | 281 |
| 8 | Agent Handling | 276 |
| 9 | Escrow Handling | 86 |
| 10 | Information Requested | 79 |
| 11 | Underwriting Delays | 65 |
| 12 | Other – Policyholder Service | 47 |
| 13 | Policyholder Service Delays No Response | 43 |
| 14 | Other – Underwriting | 43 |
| 15 | Misrepresentation | 40 |
| | All Other Reasons | 251 |
| | *Total Number of Complaint Type/Reason | 4,039 |
| | *Total Number of Complaints | 3,095 |

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

Table F: (CIC) Section 1858.35 Complaints by Final Disposition 2012

| Rank | Final Disposition | # of Complaints | Recovery Amount |
|------|------------------------------------|-----------------|----------------------|
| 1 | Company Position Substantiated | 1,721 | \$ 17,176.00 |
| 2 | Advised Complainant | 600 | \$ 10,397.00 |
| 3 | Recovery | 499 | \$ 100,701.00 |
| 4 | Refund | 335 | \$ 118,436.00 |
| 5 | Information Furnished/Expanded | 253 | \$ 464.00 |
| 6 | Company In Compliance | 205 | \$ 2,935.00 |
| 7 | Premium Problem Resolved | 120 | \$ 13,272.00 |
| 8 | Question of Fact | 116 | \$ 15,241.00 |
| 9 | Other | 111 | \$ 738.00 |
| 10 | Cancellation Upheld | 99 | \$ 26.00 |
| 11 | Nonrenewal Upheld | 96 | \$ - |
| 12 | Policy Issued/Restored | 62 | \$ 22,512.00 |
| 13 | Compromise Settlement/Resolution | 60 | \$ 21,976.00 |
| 14 | Delay Resolved | 59 | \$ 2,703.00 |
| 15 | Rating Problem Resolved | 54 | \$ 13,921.00 |
| | All Other Disposition Codes | 346 | \$ 339,053.00 |
| | Total Number of Disposition | 4,736 | \$ 679,551.00 |
| | Total Number of Complaints | 3095 | |

Note: Many of the complaints we receive involve more than one issue. The final disposition column describes the various outcomes of the complaint investigation.

California Insurance Code (CIC) § 1707.7 (d) Report

In accordance with California Insurance Code Section 1707.7(d), the Department reports that there were 692 justified complaints against licensees outlined in 1707.7(b) for the year 2008, 660 justified complaints for 2009, 870 justified complaints for 2010, 887 justified complaints for 2011 and 994 for 2012. For the five year period covering 2008 through 2012, the total number of justified complaints is 4103.

Market Conduct Division

The Market Conduct Division (MCD) examines insurance company practices regarding compliance with rules and regulations governing insurance company conduct in the market place. These examinations are generally based on a fixed schedule of examinations, scheduled re-examinations and targeted examinations due to special circumstances or the results of market analysis of consumer complaints and other data. Depending upon their size, complexity, and nature, exams are either conducted in the insurers' offices or in-house at the CDI's offices, with insurers shipping materials and files to our staff.

MCD maintains separate bureaus to conduct claims handling practices exams and rating and underwriting exams, a reflection of a division of operations in the insurance industry and in the laws regulating them. The MCD Market Analysis Unit evaluates consumer complaints, enforcement actions, exam activity, and other data on a national basis to identify issues that may be of regulatory concern to California. The goal of the market conduct examination is to evaluate compliance with statutes and regulations relative to the business of insurance and to initiate corrective or enforcement actions when necessary.

The following is a summary of MCD's accomplishments for the year 2012. The list covers different areas of accomplishment, including exams completed, dollars returned to consumers, and legal actions taken.

Table G: Market Conduct Division Results for 2012

| Examination Results Category | FCB* | FRUB** | DIV. OFFICE*** | MCD Totals |
|---|-------------|---------------|-----------------------|-------------------|
| Number of Exams Adopted by the Commissioner | 96 | 119 | -- | 215 |
| Amount of Claims Dollars Recovered or Premium Returned to Consumers in Examinations | \$2,302,273 | \$7,480,622 | -- | \$9,782,895 |
| Number of Enforcement Actions Completed on Examinations | 0 | 2 | 8 | 10 |
| Penalties Assessed in Enforcement Actions Completed | -- | \$1,595,000 | \$31,358,680 | \$32,953,680 |

* **FCB:** Field Claims Bureau

** **FRUB:** Field Rating & Underwriting Bureau

*** **Div OFFICE:** MCD Division Office staff. Figures reported in this column represent multistate exam work and enforcement activity done in cooperation with other states. This activity is completed directly by the Division Office staff rather than being assigned to a bureau.

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 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 California Insurance Code 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 thousands of remedial claim

actions from insurers each year 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 2012, Field Claims Bureau staff examined 10,067 claim files and cited 2,715 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. Each year, as a result of the examinations it conducts, FRUB obtains remedial actions from insurers 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 2012, Field Rating and Underwriting Bureau staff examined 5,931 policy files resulting in the identification of 463 illegal practices for correction in the reports it filed.

California Insurance Code (CIC) § 12921.4(b)

In accordance with California Insurance Code (CIC) § 12921.4(b), the Market Analysis Unit reviewed the complaint data of each insurance carrier that was authorized to transact business in the State of California during the year 2012. The analysis of complaint data focused on the following areas: insurer, insurance line of business, and type of violation.

Complaint totals by insurer is one of the primary criteria for determining the Market Conduct Division's examination schedule. The ten insurers with the most closed complaints in 2012 (ranging from 605 for the bottom company to 2,320 for the company at the top) have all been examined within in the last 3 years or are scheduled to be examined in the next 2 years (3 in progress, 7 on schedule). Additionally, several of the insurers identified with high complaint totals have been examined more than once during the 5 year timeframe. Four of the ten companies with the most closed complaints have been the subject of enforcement actions within the last 3 years.

Complaints by line of business continue to be an important area for focusing Market Conduct Division examination resources. The top five lines of business which generated the most complaints were the following: private passenger auto (13,407), group accident and health (4,760), individual accident and health (3,472), homeowners (1,979), and individual life (1,471). These lines of business were among the most frequently examined by both the Field Claims Bureau and the Field Rating and Underwriting Bureau during 2012. Within each line of business, the Market Conduct Division 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 3 years or are scheduled to be examined in the next two years. Thus, the lines of business most impacted by complaints, and the insurers that generated the most complaints within those lines of business, are prioritized for examination by the Market Conduct Division.

An analysis of complaints sorted by the type of violation is completed for each examination initiated for the Market Conduct Division. The results of this analysis allow the examiners in charge to identify areas of their review that they should scrutinize 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 2012. 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 2013.

2012 ANNUAL REPORT
**HEALTH POLICY *and* REFORM
BRANCH**

Health Policy and Reform Branch

Background

The Patient Protection and Affordable Care Act (ACA), otherwise known as federal healthcare reform, was passed by Congress and signed into law by President Obama on March 23, 2010. As the regulator of the health insurance industry, the California Department of Insurance (CDI), plays a significant role in ACA implementation and is working with state and federal agencies to ensure that reforms both expand health care coverage and protect consumers.

This federal law presents the opportunity to bring health insurance coverage to millions of Californians, which is a top priority for the CDI. Starting in 2011, the Commissioner tasked the Department with working towards fully implementing the ACA in California. Many significant provisions of this federal law have already come into effect – others come into effect by January 1, 2014. The California State Legislature has enacted a number of laws that both mirror and exceed the requirements of the federal law, making California a national leader in ensuring more accessible and affordable health care coverage for all.

Implementing the Affordable Care Act

The ACA created a multitude of changes, both to the health insurance marketplace in California as well as direct regulatory requirements on CDI. Beginning in 2011 and continuing to the present, CDI has adapted its regulation of the California health insurance industry to accommodate these marketplace changes. Many of the federal ACA changes were incorporated into state legislation passed during the 2011-2012 Legislative Session.

With the passage of the ACA, there are many reforms that the Department must implement and enforce. The significant and structural changes that have taken effect in 2011-12, as well as future reforms that will take effect in upcoming years, have required a more robust framework of legal and policy support within the CDI. This extra support has helped the department effectively work towards implementation of the federal reform requirements, integrate federal and state changes to the marketplace, increase coordination across state agencies, and actively represent California insurance consumers with the federal government and the National Association of Insurance Commissioners (NAIC), which has been delegated the responsibility by the federal government to assist states with ACA implementation and guidance.

Accomplishments

Commented on Federal and State Regulations affecting California

The Health Policy and Reform Branch reviewed and commented on regulations relating to the ACA. These include regulations on Multi-State Plan Programs, Application Counselors, Essential Health Benefits, Actuarial Value and Accreditation, Geographic Rating Regions, Market Rules for Rate Review and Payment Parameters. The regulations provide clarity and direction for

implementing the health reform law and are an important part of providing protection to consumers.

Conducted ACA trainings for CDI staff

The Health Policy and Reform Branch provided trainings to CDI staff (policy reviewers, consumer hotline, market conduct, and field examiners) regarding both federal and state healthcare reform efforts. Given the ongoing and technical nature of health care reform, the branch's ACA team will continue to conduct more trainings through 2014.

Saved consumers money through rate review

In 2011 and 2012, the Health Actuarial Office reviewed 122 major medical rate filings. California's continued lack of legal authority to reject excessive health insurance and HMO rate increases continues to cost California's consumers and businesses hundreds of millions of dollars in excess premiums. However, the process of reviewing rates and discussing concerns with insurance carriers who voluntarily agree to reduce rates has resulted in an estimated combined total of \$209 million in savings for California consumers in 2011 and 2012.

Secured federal funding for rate review functions

CDI received \$2.1 million in federal grant money to implement parts of the Affordable Care Act related to health insurance rate review. This funding was used by CDI staff to facilitate the expansion of rate review. California received this funding as part of the Cycle II Rate Review Grant awards.

While the federal grant funding is important, California's continued lack of legal authority to reject excessive health insurance and HMO rate increases continues to cost California's consumers and businesses hundreds of millions of dollars in excess premiums. Thirty-four other states have the authority to reject excessive health insurance and HMO rate hikes. Commissioner Jones authored three bills while in the State Legislature and sponsored a fourth bill, AB 52 (Feuer) as Insurance Commissioner, which would authorize rejection of excessive health insurance and HMO rate hikes. The lack of authority to reject excessive health insurance rate hikes is a major missing piece of federal and state healthcare reform.

Secured federal funding to improve consumer assistance

CDI successfully applied for and was awarded two rounds of funding from the federal government, in conjunction with DMHC, to increase our capacity to provide consumer assistance around the Affordable Care Act. Funds were awarded, in turn, to five community organizations to provide locally-based consumer assistance and advocacy. In addition, CDI is using some of the funds to help consumers by improving our call center function to make warm transfers to other agencies when the consumer is calling about a product not regulated by the Department of Insurance. Additionally, we are developing a mobile app that will give consumers new ways of accessing the services of our Consumer Services Branch with health insurance issues.

Promulgated regulations on gender non-discrimination

CDI promulgated regulations to clarify the protections provided by law to transgender policyholders. The regulations were the first of their kind in the nation and also produced the first actuarial and economic analysis of the cost of such services. The study is being used widely by other organizations to advocate for similar protections in other states and localities.

Enforced the Medical Loss Ratio

The Department has enforced the emergency regulation issued by Commissioner Jones, ensuring that a larger share of the premiums collected by health insurers pay for actual medical care. This resulted in a savings to consumers of \$73.9 million. The Department audits health insurers to ensure compliance with the law.

Approved Health Insurance Policies

The Department reviewed more than 150 health insurance policy forms for compliance with new benefit design and cost sharing requirements, such as the elimination of lifetime limits on benefits and the elimination of co-payments and co-insurance requirements for preventative services.

Represented CDI and the Commissioner to the NAIC

The ACA team actively participated in weekly NAIC meetings and conference calls, providing feedback from California's perspective and reviewing information essential to the implementation of the ACA in California. CDI staff chaired the Healthcare Reform Actuarial Working Group.



2012 ANNUAL REPORT
RATE REGULATION BRANCH

Rate Regulation Branch

The passage of Proposition 103 in 1988 required the Department of Insurance to begin reviewing rates for most property and casualty lines of business before those rates could be used in the market. This process, mandated by the California Insurance Code (CIC) Section 1861.05, requires the Rate Regulation Branch (RRB) to ensure that the rates contained in an insurer's filing are not excessive, inadequate or unfairly discriminatory prior to those rates being approved for use by the insurer.

The RRB analyzes filings seeking changes in rates, or related rating plans and classifications submitted by property and casualty insurers and other insurance organizations under California's prior approval statutes for most property and casualty lines of business. In addition, the RRB analyzes filings submitted by property and casualty insurers and other insurance organizations under California's file and use statutes for a limited number of property and casualty lines of business.

Under the authority granted to the Commissioner by Proposition 103, the Department processed close to 8,000 property-casualty rate, rule and form filings during 2012 and reduced requested rate increases by \$174 million while also approving rate reductions totaling over \$208 million. This includes \$142 million in reduced rate increases and over \$11 million in approved rate decreases for personal auto coverage.

Commissioner Jones directed RRB to focus increased attention on rates charged for force-placed property coverage in 2012 among its other responsibilities. Force-placed insurance is insurance required by a business transaction that is procured by a contracting party other than the consumer who ultimately pays for it. The most common form is insurance required at a real estate closing to protect property. Commissioner Jones required four of the largest lender placed coverage insurance companies in California to submit rate filings to the Department of Insurance to justify their current rates. After careful review of those filings, RRB determined the rates were excessive and required all four companies to substantially lower their homeowners insurance rates for a total annual savings to homeowners of nearly \$64.4 million.

Rate Filing Bureaus

The Rate Regulation Branch has five (5) filing bureaus (two in San Francisco and three in Los Angeles) that receive and review rate filings from over seven hundred fifty (750) property and casualty companies licensed in California. The Intake Unit in the San Francisco office is responsible for processing all applications for all insurance lines, except for Workers' Compensation and Title insurance. This intake unit is also responsible for making all filings available to the Public Viewing Rooms maintained in San Francisco and Los Angeles.

RRB is served by an Actuarial unit and a Rate Specialist Bureau (RSB). RSB provides technical advice and support with regard to underwriting, rating, data collection, statistical analysis, profitability, and rate-of-return issues for all lines of insurance.

In conjunction with the National Association of Insurance Commissioners (NAIC), RRB is actively promoting its participation in the System for Electronic Rate and Form Filings (SERFF) project. This system is designed to enable companies to send and states to receive, comment on, approve or reject insurance industry rate and form filings electronically. This project continues to increase efficiency and facilitate communication between the Rate Filing Bureaus and insurers. The percentage of

filings received via SERFF continues to increase each year, and during 2012, reached 90%.

In addition to prior approval applications, the Rate Filing Bureaus must review:

Private Passenger Auto Class Plans – California Department of Insurance regulations require all insurance companies writing private passenger automobile insurance to submit a Classification Plan (Class Plan). Class Plans provide the Department with the rating methodology each company will adopt in order to comply with the provisions of Proposition 103 that mandate the use of specific rating factors.

Advisory Organizations – California Insurance Code Section 1855.5 requires that all policy or bond forms, and manuals, intended for use by members of an advisory organization must first be filed with the Commissioner for review and approval prior to being used by member insurance companies.

Workers' Compensation – In 1993 and 1994, the workers' compensation minimum rate law was replaced with a competitive rating system which took effect in 1995. Under the competitive rating law, codified in California Insurance Code Section 11735, insurers are free to develop their own rates based on advisory pure premiums (loss costs) and company-developed loss cost multipliers. However, all company rates, rating plans, and rating rules must be filed with the Rate Regulation Branch prior to use. In 2012, five hundred and seventy eight (578) workers' compensation rate filings were reviewed.

Title Insurance – California Insurance Code Section 12401.1 requires title insurers and underwritten title companies to file their title and escrow rates with the Department prior to their use. In 2012, one hundred and four (104) title insurance rate filings were reviewed.

| Types of Filings Received During 2011 | 2011 | 2012 |
|---------------------------------------|-------|-------|
| Private Passenger Automobile | 644 | 434 |
| Homeowners | 209 | 247 |
| Other Personal Lines Products | 340 | 321 |
| Title | 76 | 104 |
| Workers' Compensation | 491 | 578 |
| Medical Malpractice | 72 | 81 |
| Other Commercial Lines Products | 6,092 | 5,761 |
| Total | 7,924 | 7,526 |

RATE SPECIALIST BUREAU (RSB)

The Rate Specialist Bureau (RSB) provides advice and support to the Insurance Commissioner, executive staff, other CDI Branch Managers, and the insurance industry/consumers with regard to underwriting, rating, data collection, statistical analysis, profitability, and rate-of-return issues. RSB's duties and responsibilities continue to include all lines of insurance. The following is a list of projects and duties handled by RSB in 2012:

1. Published the "[California Earthquake Zoning and Probable Maximum Loss Evaluation Program](#)" Report for years 2002 to 2010. An abridged hard copy was printed for public distribution.
2. The Bureau Chief was a panel discussion speaker in the "Global Climate and Catastrophic Risk Forum" held on October 17, 2012. The Forum was sponsored by the Center of Insurance Studies (part of Cal State University Fullerton) and the Risk & Insurance Management Society/Los Angeles Chapter (LA RIMS).
3. Conducted analysis on topics including: Efficiency Standards; Leverage Factors by line; Reserve Ratios; Industry Rates-of-Return; Projected Yields; Investment Income; CPI Index for expense trend factors; the Federal Income Tax rate on investment income; California and Countrywide Profitability; and Risk Based Capital.

Bond Yields information is collected on a daily basis and information is compiled from various sources to calculate risk free rates, investment yield rates, and projected yields. This information is published monthly in the CDI website for use by regulated companies to use in rate filings.

4. Conducted the Survey of Marketing System Information to collect data used to update the calculation of efficiency standards under prior approval regulations.
5. Compiled [California Market Share Reports for Property & Casualty](#) insurance, for Life & Annuity insurance, for Title and for Home Warranty.

Also compiled for CDI internal use are: Directory of all California licensed insurers and their Annual Statement state page data; summaries of the Investment Schedules for California licensed P&C insurers; and the Supplemental Executive Compensation Exhibits data.

6. Compiled data for the Excessive Rate Project for Rate Regulation's Deputy Commissioner and the Rate Filing Bureaus.
7. Compiled the filed workers' compensation classifications' rate information and compiled the [Workers' Compensation Insurance Rate Comparison](#) for CDI's website.
8. Completed various projects in relation to workers' compensation insurance, such as preparing market share reports and historical premium, loss & dividend comparisons.
9. Promulgated the Proposition 103 Administration Fees for property & casualty companies, and the workers' compensation filing fee charges for the Accounting Division.
10. Collected, compiled, and analyzed data as required by various sections of the California Insurance Code (i.e. child care liability for 2011). RSB also continued to

collect Calendar Year 2011 loss and experience data of credit property and credit unemployment insurance pursuant to (CIC §779.36, amended by Statute 199, Chapter 413, §1). The due date for the Child Care Liability Report was May 1; due date for the Legal/Medical Professional Liability Reports and the Credit reports was July 1. At the Commissioner's discretion, as permitted by amendments to the relevant code sections, the collection of the child care liability and the medical/legal professional liability data for 2012 was suspended.

11. Continued to collect and compile earthquake probable maximum loss (PML) data via the annual data calls which are due by June 30 from primary carriers and August 31 from reinsurers. RSB also collected and compiled the annual [Earthquake Premium & Policy Count](#) data call.
12. Acted as liaison to the California FAIR Plan Association. RSB's staff participated in the California FAIR Plan's rating and underwriting appeals proceedings, while the Bureau Chief attended its Governing Committee meetings.

RSB is also responsible for reporting data under the following California Insurance Code (CIC) Sections:

- | | |
|---------------------|--|
| CIC §674.5 & 674.6: | Companies ceasing to offer a particular line of coverage |
| CIC §1857.9: | Special data call on classes of insurance designated by the Insurance Commissioner as unavailable or unaffordable. |
| CIC §1864: | Child Care Liability Insurance |
| CIC §11555.2: | Malpractice Insurance – Dental, Medical, and Legal |

**CIC §674.5 & §674.6:
COMPANIES CEASING TO OFFER A PARTICULAR LINE OF COVERAGE**

Under CIC §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 §674.6, an insurer offering policies of commercial liability and most types of property/casualty 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 the Department received is shown below.

| COMPANIES FILING WITHDRAWALS, CEASE WRITINGS, ETC.: 2012 | | | | | |
|--|--------------------------|------------------------|--------------|----------------|---|
| NAIC # | Company Name | Group Name | Request Date | Effective Date | Proposed Action by Company |
| 42307 | Navigators Insurance Co. | Navigators Group, Inc. | 1/18/2012 | | Intent to non-renew general liability policies to small artisan contractors administered by Builders & Tradesmen's Insurance Services, Inc (BTIS). BTIS intends to migrate the existing policyholders to a subsidiary of AmTrust. |
| 20370 | AXIS Reinsurance Co. | AXIS Capital Group | 6/5/2012 | | Intent to substantially withdraw from the Personal Earthquake line of coverage. |
| 16535 | Zurich American Ins. Co. | Zurich Ins. Group | 11/19/2012 | | Intent to discontinue offering several types of pollution liability insurance policies including, but not limited to, Commercial Storage Tank and Dealer & Repair shops policies. |
| 21873 | Fireman's Fund Ins. Co. | Allianz Ins. Group | 12/21/2012 | | Intent to reduce writing Admitted Management Asset Protection Coverage. |

CIC §1857.9: SPECIAL DATA CALL ON CLASSES OF INSURANCE DESIGNATED BY THE COMMISSIONER AS UNAVAILABLE OR UNAFFORDABLE IN CALIFORNIA

The Insurance Commissioner did not designate any unavailable or unaffordable classes of insurance in 2012.

CIC §1864: CHILD CARE LIABILITY INSURANCE

Section 1864 was added to the Insurance Code as of January 1, 1986. This section originally required that on or before May 1 of each year, each insurer engaged in writing child care liability insurance in California submits a report of its child care liability premium and loss experience for the preceding calendar year.

Per AB 2303 (Ch. 786) signed by the Governor on September 29, 2012, CIC §1864 was amended from an "annual" data call to "as requested by the Commissioner." CIC §12962 was also amended to remove the requirement to include Child Care Liability Insurance data [CIC §1864] in this Annual Report. Therefore, we are no longer including the report. The Department has suspended collecting this data as of 2013, unless further requested by the Commissioner.

CIC §11555.2: MALPRACTICE INSURANCE -- DENTAL, MEDICAL, and LEGAL

Under CIC §11555.2, insurers transacting insurance covering liability for malpractice of any person licensed under the Dental Practice Act, the Medical Practice Act, or the State Bar Act, shall report specified statistics to the commissioner, by profession and by medical specialty, upon request of the commissioner.

On March 3, 2010, AB 2782 (Ch. 400) was signed by the Governor and among its many provisions, it amended CIC §12962 by removing the requirement to include the Legal and Medical Professional Liability Insurance data [§11555.2] in this Annual Report. Therefore, we are no longer including such data. The Department has stopped collecting this data as of 2012, unless further requested by the Commissioner.

2012 ANNUAL REPORT
ENFORCEMENT BRANCH

ENFORCEMENT BRANCH

INSURANCE CODE SECTIONS 1872.9, 1872.96, 1874.8

Pursuant to Sections 1872.9, 1872.96 and 1874.8 of the California Insurance Code and consistent with reporting protocols of the California Department of Insurance, the Enforcement Branch provides information relating to the specific duties of each of its divisions, program oversight and expenditures, and specific activities for Fiscal Year 2011-12.

Section One: Enforcement Branch Overview

Section Two: Investigation Division

Section Three: Fraud Division

Section Four: Workers' Compensation Insurance Fraud Program

Section Five: Appendices

SECTION ONE: BRANCH OVERVIEW

The mission of 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.

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. Fraud Division administers four of the five grant programs: Automobile Insurance Fraud, Urban Automobile Fraud Activity Interdiction; Disability and Healthcare Fraud, and Worker’s Compensation Insurance Fraud. Investigation Division administers the Life and Annuity Consumer Protection Program.

The Branch also pursues outreach and is a liaison to public agencies involved in combating fraud.

The Enforcement Branch is composed of two divisions: Fraud and Investigation.

BRANCH ORGANIZATION

Branch Management – The Enforcement Branch Management consists of the Deputy Commissioner, two Division Chiefs, (Investigation and Fraud Divisions), two Bureau Chiefs (Fraud Division), a Captain, (Supervising Fraud Investigator II), one Headquarters Chief, (Staff Services Manager III), and an Executive Assistant.

Branch Headquarters – The Headquarters 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 Human Resources Management Division, Budget and Revenue Management Bureau, Accounting Services Bureau, Information Technology Division, and Business Management Bureau. The Headquarters Chief reports to the Deputy Commissioner.

Six units within Enforcement Branch Headquarters perform the following activities in support of the Regional Offices:

- Human Resources and Training
- Local Assistance
- Management Reporting and Intake
- Fraud Grant Audit Unit
- Special Investigative Unit – Compliance Review Office
- Budgets, Property Control and Special Projects

Professional Standards Unit/Backgrounds – The Captain coordinates all internal affairs investigations and supervises a team of retired annuitants who perform all pre-employment background investigations for the Branch. This position conducts special projects when needed. The Professional Standards Unit/Backgrounds Captain reports to the Deputy Commissioner.

Professional Standards Unit/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 Professional Standards Unit/Backgrounds Captain.

Professional Standards Unit/Enforcement Tactics and Training Unit (ETTU) – A Detective Sergeant (Supervising Fraud Investigator I), coordinates the tasks of training, weapons management, and range masters in the Enforcement Tactics and Training Unit to all sworn staff. The ETTU Detective Sergeant reports to the Professional Standards Unit/Backgrounds Captain

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 the outreach activities:

Internet

The CDI Internet public website addresses several topics including: “What is Insurance Fraud?” and “Where to Report Insurance Fraud”; the website provides Insurance Fraud Reporting Forms, identifies Fraud Division Regional Offices and reports; Workers’ Compensation Insurance Fraud Convictions. Relevant press releases are posted as arrests and convictions occur.

Consistent with the requirements of California Insurance Code Section 1871.9, the Department posts fraud convictions on its website 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 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 workers' compensation arrests, prosecutions, and convictions throughout the State. With this in mind, significant cases are taken to the media, in partnership with other law enforcement agencies, to educate the public about the Division's activities in order to promote deterrence.

Industry Liaison

The Enforcement Branch maintains ongoing liaison with the insurance industry by interacting with a variety of organizations, including 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 Officers 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, and 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; Advisory Committee on Automobile Insurance Fraud; Department of Corrections and Rehabilitation; Department of Alcoholic Beverage Control; and Regional Auto Theft Task Forces.

Grant Workshops for County District Attorney's Offices

The Local Assistance Unit, Fraud Grant Audit Unit, and regional offices of the Fraud Division jointly hold training workshops for district attorney personnel who participate in the Insurance Fraud Grant Programs. The workshops are designed for staff responsible for complying with the data collection and reporting requirements associated with the programs. The workshops cover the administration of the grant programs, audit of grant programs, the components of a successful joint plan, and a discussion regarding the procedures to deal with fraud complaints and referrals that are received by both the Fraud Division and the district attorney. The workshops have been given statewide.

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 helps to safeguard consumers and insurers from economic loss and eliminate unethical conduct and criminal abuse in the insurance industry.

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

The Insurance Commissioner’s priorities emphasize investigation and prosecution of premium theft, senior citizen abuses, 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 and illegal bail practices.

BUDGET AND STAFFING

During the Fiscal Year 2011-12, the Investigation Division’s expenditures totaled \$8,957,410.65 in support of an authorized staff of 99 positions.

INVESTIGATION DIVISION (ADMINISTRATION AND OPERATIONS)

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

Branch Headquarters – The Enforcement Branch Headquarters is responsible for administering statewide programs such as the Life and Annuity Consumer Protection Program and provides administrative services to the Investigation Division regional chief investigators and their staff.

Management Reporting and Intake Unit – As part of the Branch Headquarters, this unit receives and reviews information from the public, governmental agencies, the insurance industry, law enforcement, and other units within the Department. All reports of suspected violations are entered into the Investigation Division database for tracking and intelligence purposes. Reports of suspected violations are assigned to regional offices to investigate. The unit further processes all Division inquiries and requests from consumers, other CDI branches and from other governmental agencies.

Investigation Division Regional Offices – Seven regional offices located throughout California are each managed by a Chief Investigator assisted by first-line supervisors, investigators, and support staff. Each regional office is responsible for investigating reports of suspected violations within their jurisdiction. ***Criminal Operations Point of Sale Unit (COPS)*** – The Criminal Operations Point of Sale Unit (COPS) is a team of

sworn peace officers within the Division, whose primary objective is to protect the public by conducting efficient and effective criminal investigations, effect arrests, execute search warrants, serve as liaison with allied law enforcement and advance the Department's continuing goal of protecting consumers using its full peace officers powers as set forth in Penal Code 830.3.

Additionally, Investigation Division Special Investigators are empowered by Penal Code § 830.11 to arrest suspects and to serve warrants.

Violations

1. The Investigation Division pursues the following violations: Premium Theft - The theft of insurance premiums is the most prevalent type of misconduct in the insurer producer area. Instances ranging from single theft to multi-million dollar scams victimize the insurance industry and competitive businesses.
2. Senior Citizen Abuse - Certain segments of the insurance industry target their marketing efforts toward senior citizens. Some agents and insurers abuse elderly customers by churning and twisting existing policies or by selling them new, unsuitable insurance products. At times, the misconduct is criminal, involving theft, false documents, Ponzi schemes and confidence games.
3. 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.
4. 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.
5. 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.
6. Title Company Rebates and Kick-Backs – Kick-backs and commercial bribery are among the anti-competitive practices used to gain business from realtors.
7. 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 types of violations, the Division investigates other complaints and alleged violations of laws relating to the transaction of insurance by individuals and entities conducting business within the State as provided in the California Insurance Code, California Business and Professions Code, California Code of Regulations, California Penal Code, and Title 18 of the United States Code.

**DIVISION WIDE INVESTIGATIONS
Fiscal Year 2011-12**

| | |
|--|-------------|
| Complaints and General Correspondence Received..... | 1,596 |
| Opened | 967 |
| Additional Complaints - Consolidated with Existing Cases | 313 |
| Completed | 937 |
| In Progress as of June 30, 2012: | |
| Criminal Cases | 493 |
| Regulatory/Administrative Cases..... | 396 |
| Total | 889 |
| Reports of Suspected Violation ¹ as of June 30, 2012: | |
| Criminal Cases | 93 |
| Regulatory/Administrative Cases..... | 238 |
| Total | 331 |
| Chargeable Fraud | \$9,740,390 |
| Ordered Restitution..... | \$2,833,143 |
| Investigative Cost Recoveries..... | \$97,672 |
| Fines and Penalties | \$3,232,055 |

¹ 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.

**CRIMINAL PROSECUTION CASES:
Fiscal Year 2011-12**

| | |
|--------------------------------|----|
| Referral to Prosecutors | 73 |
| Case Filed by Prosecutors..... | 39 |
| Search Warrants Obtained | 36 |
| Arrest Warrants Obtained | 32 |
| Arrested | 54 |
| Convictions | 50 |

**REGULATORY PROSECUTION CASES:
Fiscal Year 2011-12**

| | |
|--|-----|
| Cases referred for regulatory prosecution..... | 120 |
|--|-----|

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 investigations related to Life and Annuity Consumer Protection Programs are 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 fee of 30 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.

**AUTO INSURANCE INVESTIGATIONS²
Fiscal Year 2011-12**

| | |
|--|-----|
| Opened | 140 |
| Completed | 180 |
| In progress as of June 30, 2012 | 188 |
| Reports of Suspected Violation as of June 30, 2012 | 44 |

INVESTIGATIONS RELATED TO LIFE INSURANCE AND ANNUITY PRODUCTS

Effective January 1, 2005, Assembly Bill 2316, (Chapter 835, Statutes of 2004), created the Life and Annuity Consumer Protection Fund (CIC §10127.17). Monies from this fund are dedicated to protecting 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 sixth year of grant funding, the Life and Annuity Consumer Protection Program provided \$1,500,000 in grant funds to 16 counties. As a result of this collaborative

² This data is included in the overall Division case information shown on the previous sections of this report.

effort, numerous licensed agents were prosecuted and convicted of theft, financial elder abuse, forgery, and identity theft in the transaction of life insurance and annuities with California consumers.

LIFE INSURANCE AND ANNUITY PRODUCTS INVESTIGATIONS³
Fiscal Year 2011-12

| | |
|--|-----|
| Opened | 212 |
| Completed | 192 |
| In progress as of of June 30, 2012..... | 203 |
| Reports of Suspected Violation as of June 30, 2012 | 94 |

LIFE INSURANCE AND ANNUITY CONSUMER PROTECTION PRODUCTS DATA

Assembly Bill 76 (Chapter 75, Statutes of 2009) amended Section 10127.17 of the Insurance Code, relating to life insurance and annuity products. The bill extended the operation of the Life and Annuity Consumer Protection Fund to January 1, 2015. The bill also required the Insurance Commissioner to annually publish a report to include the following information:

Calendar Year 2012

| | |
|---|-------|
| Opened Consumer Complaints..... | 1,980 |
| Opened Investigations | 216 |
| Investigations referred to/reported by prosecuting agencies | 25 |
| Administrative or regulatory cases referred to the Department’s Legal Division | 28 |
| Administrative or regulatory enforcement actions taken..... | 16 |

Senior citizens are often the targets of life and annuity financial abuse. The Department participated in 44 senior events in 2012, educating seniors in various aspects of life insurance and annuity products. Topics included purchasing products, scams committed against seniors, using insurance and annuity products, claim filing, and dispute resolution.

CDIs Investigation Division participates in educational with: Department of Aging, Los Angeles Department of Consumer Affairs, Senior Scam Stoppers, California Public Utilities Commission, Senior Citizen Centers, Smarter Senior Forums, senior living centers and senior health fairs.

The Department distributed informational brochures concerning insurance topics to the public during various outreach events. During 2012, the division distributed the following brochures and DVDs to seniors:

³ This data is included in the overall Division case information shown on the previous sections of this report.

- *What Seniors Need to Know About Annuities* – 3,000 copies
- *Senior Insurance Bill of Rights* - 1,000 copies
- *Informing Seniors – Tips for Dealing with Insurance* – 2,700 copies
- *Annuities – It's Your Choice* DVD – 1,600 copies

The Department developed and conducted an advertising campaign to inform consumers of the existence of the California Department of Insurance and how the Department could assist with any complaints relating to life and annuity issues. The publications used during 2012 were: Grace Communications, Southland Publishing, Capital City Media, Golden Rain Foundation, AARP, California Association of Area Agencies on Aging, Southland California Senior Resources, Bay Area News Group, Life After 50, Mid-Valley Publishing, Orange County Register, Senior Spectrum, and Today's Senior Magazine.

INITIATIVES TO REDUCE PRODUCER FRAUD

In order to reduce incidents involving producer fraud, the Investigation Division has implemented the following:

1. Established quality control measures at the regional level to ensure compliance of Division policies designed to improve efficiency and increase productivity.
2. Established the Investigation Division 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.
3. In conjunction with CDI's Legal Enforcement Bureau, developed 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.
4. Improved 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.
5. Provided Life and Annuity Consumer Protection Program (LACPP) training to county prosecutors, local law enforcement agencies and consumer groups.
6. Ongoing development of legislative proposals to strengthen laws governing the transaction of insurance and the enforcement of those laws.
7. Ongoing outreach to industry associations, consumer groups and allied law enforcement agencies.

**California Department of Insurance
Enforcement Branch Headquarters**

9342 Tech Center Drive, Suite 100
Sacramento, CA 95826
Phone: (916) 854-5760

Investigation Division Regional Offices

| Office | Location | Counties Served |
|----------------------|---|---|
| Benicia | 1100 Rose Drive, Suite 100 Benicia, CA 94510 Phone: (707) 751-2000 | Alameda, Contra Costa, Del Norte, Humboldt, Lake, Marin, Mendocino, Monterey, Napa, San Benito, San Francisco, San Mateo, Santa Clara, Santa Cruz, Sonoma, and Solano |
| Inland Empire | 9674 Archibald Ave., Suite 100 Rancho Cucamonga, CA 91730 Phone: (909) 919-2200 | Inyo, Riverside and San Bernardino |
| Los Angeles | 300 South Spring St., 10th Floor Los Angeles, CA 90013 Phone: (213) 346-6006 | Central and Southern Los Angeles County |
| Orange | 333 S. Anita Drive, Suite 450 Orange, CA 92868 Phone: (714) 712-7600 | Orange |
| Sacramento | 9342 Tech Center Drive, Suite 500 Sacramento, CA 95826 Phone: (916) 854-5700 | Alpine, Amador, Butte, Calaveras, Colusa, El Dorado, Glenn, Lassen, Modoc, Mono, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Stanislaus, Sutter, Tehama, Trinity, Tuolumne, Yolo, and Yuba |
| San Diego | 10021 Willow Creek Rd., Suite 100 San Diego, CA 92131 Phone: (858) 693-7100 | Imperial and San Diego |
| Valencia | 27200 Tourney Road, Suite 375 Valencia, CA 91355 Phone: (661) 253-7500 | Fresno, Kern, Kings, Madera, Mariposa, Merced, Northern Los Angeles, San Luis Obispo, Santa Barbara, Tulare, and Ventura |

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’s 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.

BUDGET AND STAFFING

Fiscal Year 2011-12 Fraud Division Budgeted/Revenue/Expenditures by Program and Fiscal Year Staffing level:

| | |
|--|--------------|
| Fraud Auto Revenues ⁴ | \$38,323,588 |
| Insurance Fraud Assessment, Auto | |
| Budgeted Levels: | \$42,991,000 |
| District Attorneys’ Auto Distribution:..... | \$21,951,000 |
| State Operations Auto Expenditures:..... | \$18,307,000 |
| Insurance Fraud Assessment, Workers’ Compensation | |
| Budgeted Levels: | \$51,133,000 |
| District Attorneys’ Workers’ Compensation Distribution:..... | \$31,865,000 |
| State Operations Workers’ Compensation Expenditures:.... | \$18,883,000 |
| Insurance Fraud Assessment, Disability and Healthcare | |
| Budgeted Levels: | \$3,517,000 |
| District Attorneys’ Disability and Healthcare Distribution:..... | \$1,712,000 |
| State Operations Disability and Healthcare Expenditures:..... | \$2,396,000 |
| Insurance Fraud Assessment, General | |
| Budgeted Levels: | \$2,329,000 |
| State Operations General Assessment Expenditures:..... | \$2,359,000 |
| Fiscal Year 2011-12 Fraud Division Positions ⁵ | 296 |

FRAUD DIVISION (ADMINISTRATION AND OPERATIONS)

The Fraud Division’s nine regional offices service all 58 counties in California. The Enforcement Branch Headquarters office administratively supports all Fraud Division regional office operations, including those activities related to the management of the statewide grant programs. Headquarters provides centralized support for investigations in the Automobile, Organized Automobile Fraud Interdiction Program, Workers’ Compensation, Disability and Healthcare, and Property and Casualty Fraud Programs.

⁴ Auto revenues exclude the \$0.30 assessment per SB 940 which is not used for Fraud Division programs.

⁵ Includes all authorized program 20 positions.

Division Chief – Under the general direction of the Enforcement Branch Deputy Commissioner, and working closely with the southern and northern Fraud Division Bureau Chiefs, 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 attorney, 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 the CDI management regarding proposed anti-fraud legislation and regulations.

Bureau Chiefs - Under the general direction of the Fraud Division Chief, Bureau Chiefs generally carry-out, and coordinate the work of multiple offices engaged in the investigation of violations of insurance and related penal statutes.

The Bureau Chief responsible for the northern region oversees the Sacramento, Benicia, Silicon Valley, and Fresno regional offices and has program oversight responsibility for the Workers' Compensation and Disability and Healthcare Fraud Programs.

The Bureau Chief responsible for the southern region oversees the Inland Empire, Orange, Valencia, Southern Los Angeles County and San Diego regional offices and has program oversight responsibility for Fraud Division's two Automobile Fraud Programs – (Regular) Automobile Insurance Fraud and Organized Automobile Fraud Activity Interdiction – and the Property and Casualty Fraud Program.

Fraud Grant Audit Unit – The primary responsibility of the Enforcement Branch, Fraud Grant Audit Unit (FGAU), is to conduct fiscal audits of the Workers' Compensation, Automobile, Organized Automobile Fraud Activity Interdiction, Disability and Healthcare, and Life and Annuity Consumer Protection Program insurance fraud grants 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 enhanced investigation and prosecution of specific types of insurance fraud in accordance with applicable statutes and regulations. If a district attorney's office participates in more than one insurance fraud program, the programs are audited concurrently to maximize efficiency. The audit findings may impact future grant funding.

California Insurance Code Sections 1872.8(b)(1)(D) and 1874.8(d) require the California Department of Insurance (CDI) to conduct fiscal audits of the Automobile and Organized Automobile Insurance Fraud Grant Programs at least once every three years. California Code of Regulations Sections 2698.67(h), 2698.77(e)(1) and 2698.98.1(h) require the CDI to conduct fiscal audits of the Automobile, Organized Automobile Fraud Activity Interdiction, and Disability and Healthcare Fraud Grant 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 2011-12, the FGAU completed fiscal audits of 20 district attorneys' offices; a total of 134 grants were audited:

| | |
|---------------------------------|----|
| Workers' Compensation | 52 |
| Automobile..... | 51 |
| Organized Automobile | 11 |
| Disability and Healthcare | 8 |
| Life and Annuity..... | 12 |

The most common findings are indicated below:

- Independent Auditor's Report not submitted within the required timeframe.
- Expenditure Report not submitted within the required timeframe.
- Annual Program Report not submitted within the required timeframe.

After the FGAU completes its analysis, a preliminary report is issued to the district attorney's office, and they have 30 days to respond and provide additional information for consideration. A final report is issued to the district attorney, CDI Enforcement Branch Deputy Commissioner, Division Chief, Bureau Chief, Regional Office Captain, Enforcement Branch Headquarters Chief, Program Manager, and the Legal Division, as appropriate.

In Fiscal Year 2011-12, the FGAU, in partnership with the Local Assistance Unit and CDI Fraud Division regional offices, conducted training workshops for district attorneys' office personnel that participated in the insurance fraud grant programs. The workshops were held at four (4) locations statewide and focused on CDI's administration of the grant programs, audit process and operational issues.

AUTOMOBILE INSURANCE FRAUD PROGRAM

The Fraud Division is the primary law enforcement agency responsible for investigating automobile insurance fraud crimes. The Fraud Division coordinates enforcement operations statewide with municipal, state and federal enforcement agencies. Completed investigations are filed with the local district attorney or the United States Attorney General's Office.

Fraud Division detectives primarily 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 have and continue to use these types of schemes.

During Fiscal Year 2011-12, the Fraud Division received 17,259 suspected fraudulent claims (SFCs), assigned 669 new cases, arrested 249 suspects and referred 260 submissions to prosecuting authorities. The potential loss amounted to \$145,356,588.

District Attorneys' Automobile Insurance Fraud Program

During Fiscal Year 2011-12, 35 counties received funding totaling \$15,259,000 through the Department's Auto Insurance Grant Program. The amount of financial support provided to each county is derived from three components: 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 2011-12, California district attorneys initiated 2,756 investigations and made 1,351 arrests, culminating in 1,036 convictions. This number includes the Fraud Division's enforcement actions, and local law enforcement investigations.

Chargeable fraud amounted to \$16,580,537, with \$4,092,863 in restitution ordered by the courts.

ORGANIZED AUTOMOBILE FRAUD ACTIVITY INTERDICTION

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 results in artificially higher insurance premiums for core urban areas and low-income areas of the State than for other areas of California. Only a focused, coordinated effort by all appropriate agencies and organizations can effectively deal with this problem.

Assembly Bill 1050, chaptered October 10, 1999, created the Organized Automobile Fraud Activity Interdiction ("Urban Grant") Program in Fiscal Year 2000-01. The California Insurance Code Section 1874.8 mandates 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 directed at the organized criminal activity that occurs in urban areas and which often involves the staging of automobile accidents and the filing of fraudulent automobile accident or damage claims.

Traditionally, 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 2011-12, the Fraud Division assigned 179 new cases and made 208 arrests and 256 referrals to prosecuting authorities. Potential loss amounted to \$6,959,639.

District Attorneys' Organized Automobile Fraud Activity Interdiction Program

During Fiscal Year 2011-12, 10 counties were awarded grant funding totaling \$6,692,000. The grant awarded to district attorneys reported 207 arrests, which included many of the Fraud Division arrests. District attorneys prosecuted 191 cases involving 429 defendants with chargeable fraud totaling \$10,032,387. District attorney prosecution resulted in 228 convictions.

DISABILITY AND HEALTHCARE FRAUD PROGRAM

According to Section 1871(h) of the California Insurance Code, health insurance fraud is a particular problem for health insurance policyholders. Health care fraud causes losses in premium dollars and increases health care costs unnecessarily.

As mandated by California Insurance Code Section 1872.85(a), funding for the Disability and Healthcare Fraud Program is derived from an assessment not to exceed ten cents annually for each insured under an individual or group insurance policy issued in the State. These funds are distributed evenly between the Fraud Division of the Department of Insurance and local district attorneys to conduct statewide criminal investigations and the prosecution of disability and healthcare insurance fraud cases.

This program targets Suspected Fraudulent Claims (SFCs) 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 2011-12, the Fraud Division identified and reported 369 SFCs, assigned 53 new cases, and made 10 arrests and nine referrals to prosecuting authorities. Potential loss totaled \$9,480,471.

District Attorneys' Disability and Healthcare Program

In Fiscal Year 2011-12, five counties received funding totaling \$1,712,000 through the Department's Disability and Healthcare Insurance Fraud Grant Program. The district attorneys reported 124 investigations, 48 arrests, and 43 convictions, which also included a majority of Fraud Division arrests. Chargeable fraud amounted to \$210,691,543 with \$2,456,180 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 portion lost wages resulting from injury. Fraudulent workers' compensation claims can be an enticing target for criminals.

Workers' compensation insurance fraud occurs in simple to complex schemes that often require difficult and lengthy investigations. For example, an employee either inflates the extent of his/her injuries, or simply fabricates injuries altogether. At the other end of the spectrum, white-collar criminals, including doctors and lawyers, entice, pay, and conspire with other individuals to defraud the system and 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 through the passage of Senate Bill 1218 (Chapter 116). The law made workers' compensation fraud a felony, required insurers to report suspected fraud, and established a

mechanism for funding enforcement and prosecution activities. Senate Bill 1218 also established the Fraud Assessment Commission to determine the level of assessments to fund investigation and prosecution of workers' compensation insurance fraud.

The funding comes from California employers who are legally required to be insured or self-insured. The total aggregate assessment for Fiscal Year 2011-12 is \$53,445,000.

During Fiscal Year 2011-12, the Fraud Division identified and reported 5,207 SFCs, assigned 556 new cases, made 132 arrests and referred 168 submissions to prosecuting authorities. Potential loss amounted to \$361,962,663

District Attorneys' Workers' Compensation Program

In Fiscal Year 2011-12, the district attorneys reported a total of 819 arrests, which also included the majority of Fraud Division arrests. During the same timeframe, district attorneys prosecuted 1,332 cases with 1,565 suspects, resulting in 708 convictions. Restitution of \$53,006,082 was ordered in connection with these convictions and \$5,943,570 was collected during Fiscal Year 2011-12. The total chargeable fraud was \$341,084,553, representing only a small portion of actual fraud since many fraudulent activities had not been identified or investigated.

PROPERTY, LIFE AND CASUALTY FRAUD PROGRAM

The Property, Life and Casualty Fraud 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 and 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.

This program accounts approximately for 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; however, they are for Fraud Division use only, as there is no local assistance component in this program area.

During Fiscal Year 2011-12, the Fraud Division identified and reported 5,306 SFCs, assigned 83 new cases, made 49 arrests and referred 33 submissions to prosecuting authorities. Potential loss amounted to \$241,557,224

SPECIAL INVESTIGATIVE UNIT COMPLIANCE REVIEW OFFICE

The primary responsibility of the Special Investigative Unit (SIU) Compliance Review Office is to inspect insurance companies and evaluate regulatory compliance regarding the establishment, staffing, training, and operation of the insurer's SIU. In addition, the SIU

Compliance Review Office is responsible for issuing, tracking, and analyzing the SIU annual compliance reports filed by over 1,100 insurance companies each year.

The majority of California licensed insurers are required by California Insurance Code Sections 1875.20-24 and California Code of Regulations, Title 10, Sections 2698.30-.43 to establish and maintain Special Investigative Units that identify and refer suspected insurance fraud to CDI (and the county district attorney's office for workers' compensation only). The regulations also require each insurance company to submit a SIU annual compliance report to CDI which provides important information regarding the insurer's anti-fraud operations, policies and procedures, and anti-fraud training. The SIU Compliance Review Program analyzes and evaluates the content, accuracy, completeness, and timeliness of the report. Various criteria provided by the reports are used to conduct a risk assessment which determines which insurers should be selected for SIU compliance review. Risk criteria includes, but is not limited to:

- Prior SIU compliance review findings, as well as follow up on recommended corrective action;
- Discrepancies and/or non-compliance issues identified by analyzing the SIU annual compliance reports;
- Quantity and/or quality of suspected insurance fraud referrals to CDI (FD-1 or eFD-1 forms), and district attorney's offices for workers' compensation only;
- Line of insurance that are relatively risky and susceptible to fraud;
- Nature and/or quantity of complaints received for a particular insurance company;
- Market share of the insurance carrier; and
- CDI executive directive.

During Fiscal Year 2011-12, the SIU Compliance Review Office conducted 10 on-site audits of primary insurance companies, which included 17 subsidiary companies for a total of 27 insurance companies; of the 27 companies, 10 were authorized to write workers' compensation insurance in California. Out of the 10 primary companies reviewed, six were located out-of-state and four were in California. In addition, five audits begun in prior fiscal years were completed.

SUSPECTED FRAUDULENT CLAIMS REPORTING

The source of leads for investigations initiated by the Fraud Division is the Suspected Fraudulent Claim (SFC), also known as an FD1 or eFD-1. 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 codified by a number of statutes within the Insurance Code and range from when the carrier "believes" or has "reason to believe" to "has reason to suspect" that insurance fraud has occurred. Due to the various referral standards and the different interpretations of those standards, SFCs often fail to rise to the level necessary to result in a 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 Fraud Integrated Data Base (FIDB). 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 if the case was 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 ability of the FD-1 form to be electronically submitted through the internet;
- Current SIU regulations 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.

During Fiscal Year 2011-12, the Fraud Division received the following number of Suspected Fraudulent Claims (SFCs) by program:

| | |
|--------------------------------------|---------------|
| Auto and Urban Auto..... | 17,259 |
| Property Casualty ⁶ | 5,306 |
| Workers' Compensation | 5,207 |
| Health..... | 369 |
| Total..... | 28,141 |

THE NUMBER OF CASES REJECTED BY THE FRAUD DIVISION DUE TO INSUFFICIENT EVIDENCE OR OTHER REASONS these headings are too large

| | |
|--|--------|
| SFCs unassigned due to insufficient evidence:..... | 18,059 |
| SFCs unassigned due to other reasons: | 812 |

⁶ Includes Health and Disability referrals not submitted under the Health program.

THE NUMBER AND TYPES OF CASES PROSECUTED AS A RESULT OF FUNDING RECEIVED UNDER INSURANCE CODE §1872.86

Insurance Code Section 1872.86 assesses funding for use in property/casualty fraud, which can include false and bogus death claims in order to receive life insurance policy payouts, murder for profit in order to obtain life insurance benefits, arson, inflated/faked homeowner claims, false boat claims, arson for profit, and so forth.

| | |
|--|-----|
| Caseload (open and newly assigned) | 204 |
| Arrests..... | 43 |
| Suspect submissions to district attorneys..... | 33 |

An estimate of the economic value of insurance fraud by type of insurance fraud

The following reflects the total amount of fraud reported to the Fraud Division and extracted from the Fraud Integrated Data Base (FIDB) System.

| Type of Insurance Fraud | Amount Paid ¹ | Suspected Fraudulent Loss ² | Potential Loss ³ |
|--|--------------------------|--|-----------------------------|
| Automobile | \$19,065,634 | \$52,477,562 | \$145,356,588 |
| Organized Automobile Fraud Activity Interdiction | \$1,773,154 | \$2,896,193 | \$6,959,639 |
| Health | \$50,995,543 | \$8,456,450 | \$9,480,471 |
| Property Casualty | \$39,229,613 | \$50,936,652 | \$241,281,636 |
| Workers' Compensation | \$125,178,978 | \$126,380,883 | \$361,962,663 |
| TOTALS | \$236,242,922 | \$241,147,740 | \$765,040,997 |

1. Amount paid on claim to date.
2. Amount paid that is suspected as being fraudulently claimed.
3. Amount of loss/exposure if fraud had gone undiscovered.

RECOMMENDATIONS ON WAYS INSURANCE FRAUD MAY BE REDUCED

The goal of the Fraud Division is to produce quality, cost-effective investigations which result in successful enforcement actions. The Fraud Division, in partnership with local district attorneys, selects those cases which will have the most significant impact on the insurance fraud problem in their area of expertise. All open case assignments are coordinated in a joint effort between the Fraud Division and local district attorneys, particularly those receiving grant funding.

Four critical elements have been identified to achieve successful outcomes: an aggressive outreach program, partnership with key stakeholders, effective trend analysis, and a balanced caseload. To that end, the Fraud Division continues to implement performance measures to gauge productivity and efficiency. This is done to measure the overall return on investment and to maximize the impact on insurance fraud. Successful outcomes that can have a positive impact on insurance fraud have been measured by three methods of enforcement actions:

- **Criminal** - A completed investigation and aggressive prosecution resulting in convictions, restitution, jail/prison, penalties and fines. This type of enforcement produces the best results, including deterrence of further criminal activity.
- **Civil** - The successful disruption and termination of a criminal enterprise or activity, whether it is a single suspect or an organized ring, have been accomplished by civil actions. A single victim, a collective group of individuals or an insurance carrier has followed up with civil actions resulting in termination of the criminal enterprise and stipulating civil fines and restitution. Additionally, the Fraud Division has worked closely with district attorneys involving unfair business practices and related actions.
- **Investigative Inquiry** – Potential fraud activity or abuse have been stopped and deterred by initial contact from the Fraud Division or district attorney’s office. The preliminary investigative steps taken in these cases often halt or deter activity that does not rise to the level of a full criminal investigation.

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, 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 that Fraud Division has access to the NICB database as well as the Insurance Service Organization database, which has been used 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.

A SUMMARY OF THE FRAUD DIVISION’S ACTIVITIES WITH RESPECT TO THE TOTAL AMOUNT OF COURT-ORDERED RESTITUTION AND THE AMOUNT OF RESTITUTION COLLECTED PURSUANT TO INSURANCE CODE §1872.86(b)(7)

| Fraud Area | Restitution Ordered | Restitution Collected |
|--|---------------------|-----------------------|
| Automobile | \$4,092,863 | \$651,768 |
| Organized Automobile Fraud Activity Interdiction | \$2,701,800 | \$2,061,921 |
| Health | \$2,456,180 | \$624,651 |
| Workers' Compensation | \$53,006,082 | \$5,943,570 |

**California Department of Insurance
Enforcement Branch Headquarters**

9342 Tech Center Drive, Suite 100
Sacramento, CA 95826
Phone: (916) 854-5760

Fraud Division Regional Offices

| Office | Address | Counties Served |
|------------------------------------|---|---|
| Benicia | 1100 Rose Drive, Suite 100 Benicia, CA 94510 (707) 751-2000 | Alameda, Contra Costa, Del Norte, Humboldt, Lake, Marin, Mendocino, Napa, San Francisco, Solano, and Sonoma |
| Fresno | 1780 East Bullard, Suite 101 Fresno, CA 93710 (559) 440-5900 | Fresno, Inyo, Kern, Kings, Madera, Mariposa, Merced, San Luis Obispo, and Tulare |
| Inland Empire | 9674 Archibald Ave., Suite 100 Rancho Cucamonga, CA 91730 Phone: (909) 919-2200 | Riverside and San Bernardino |
| Orange | 333 South Anita Drive, Suite 450 Orange, CA 92868 Phone: (714) 712-7600 | Orange |
| Sacramento | 9342 Tech Center Drive, Suite 500 Sacramento, CA 95826 Phone: (916) 854-5700 | Alpine, Amador, Butte, Calaveras, Colusa, El Dorado, Glenn, Lassen, Modoc, Mono, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Stanislaus, Sutter, Tehama, Trinity, Tuolumne, Yolo, and Yuba |
| San Diego | 10021 Willow Creek Rd., Suite 100 San Diego, CA 92131 Phone: (858) 693-7100 | Imperial and San Diego |
| Silicon Valley | 18425 Technology Drive Morgan Hill, CA 95037 Phone: (408) 201-8800 | Monterey, San Benito, San Mateo, Santa Clara, and Santa Cruz |
| Southern Los Angeles County | 5999 East Slauson Avenue City of Commerce, CA 90040 Phone: (323) 278-5000 | Southern Los Angeles County |
| Valencia | 27200 Tourney Road, Suite 375 Valencia, CA 91355 Phone: (661) 253-7400 | Northern Los Angeles County, Santa Barbara, and Ventura |

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 investigative arm of the Fraud Division.

Distribution of Workers' Compensation Program Hours

For Fiscal Year 2011-12, investigative staff spent 79.8 percent of program hours on case and direct/program support; of the remaining 20.2 percent, 6.6 percent was indirect time and 13.6 percent was time off.

The Fraud Division spent 46 percent of its time directly on the Workers' Compensation Program, while the remaining 54 percent 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;
- District attorney grant 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 X-Mod evasion. Enforcement efforts continue to focus on high impact fraud cases such as medical/legal provider, premium fraud, and the willfully uninsured.

Workers' Compensation Caseload - Fiscal Year 2011-12

| FRAUD ACTIVITY TYPE | TOTAL CASELOAD |
|------------------------------|----------------|
| CLAIMANT FRAUD | 595 |
| INSIDER FRAUD | 11 |
| EMPLOYER DEFRAUDING EMPLOYEE | 43 |
| LEGAL PROVIDER | 5 |
| MEDICAL PROVIDER | 68 |
| MISCLASSIFICATION | 35 |
| OTHER WORKERS' COMP | 71 |
| PHARMACY | 7 |
| UNDERREPORTED WAGES | 244 |
| UNINSURED EMPLOYER | 177 |
| X-MOD EVASION | 11 |
| GRAND TOTAL | 1,267 |

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.

A March 2011 report, *Addressing California's Tax Gap*, prepared by the Franchise Tax Board, estimates California's tax gap to be \$6.5 billion annually. Reports on the underground economy indicate it imposes significant burdens on: (1) the State of California, (2) businesses that comply with the law and (3) workers who lose benefits and other protections provided by state law when the businesses they work for operate in the underground economy.

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. These types of employers then 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 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 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.

The 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. The 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 the Employment Development Department, the other Strike Force members include Department of Consumer Affairs, Department of Industrial Relations, Department of Insurance, Franchise Tax Board, Board of Equalization, and Department of Justice.

The JESF obtains information through a number of sources, which indicate that a business may be operating illegally. These sources include hotline referrals, complaints from legitimate businesses, and information sharing through collaborating agencies' databases. The JESF conducts joint on-site business investigations to identify employers operating in the underground economy. The goal is to identify and bring into compliance those individuals and businesses participating in the underground economy that are in violation of payroll, tax, labor, licensing, and workers' compensation insurance premium laws.

Operation Underground

DD Note: June 20 and 21 (see below). In a proactive approach to impact the underground economy, the Fraud Division joined forces with the Contractors State Licensing Board (CSLB), the Employment Development Department (EDD), and various district attorney offices to conduct targeted inspections at construction sites to enforce workers' compensation insurance, CSLB violations, and tax withholding requirements. The targets for this operation were identified using a system of data sharing between partners, internet searches, and surveillance. Information obtained by CSLB was cross referenced with payroll information obtained from EDD as well as premium information from State Fund. The focus was to detect any discrepancies in the data to identify roofing contractors who were potentially committing premium fraud, EDD tax, and/or EDD violations. Once contractors were identified, it became necessary for personnel to conduct several surveillances to verify they were, in fact, in business and, more importantly, that contractors were working on active job sites. This phase allowed our enforcement teams to personally contact and interview contractors and employees on the job site.

During the two-day enforcement operation, more than 100 personnel participated which, in part, focused on identifying construction employers who were misclassifying employees, under-reporting payroll, and the willfully uninsured employers. Simultaneous targeted sweeps were conducted in 11 counties throughout the State. Approximately 133 contractors were investigated resulting in 104 enforcement actions by the Fraud Division and its partners. Based upon the work in Operation Underground, the Fraud Division has generated approximately 11 premium fraud investigations and 12 uninsured employer cases.

Uninsured Employers Compliance Sweeps

CDI continues to be proactive in seeking out potential premium fraud investigations while participating in enforcement of Labor Code 3700.5 cases with the CSLB, the Division of Labor Standards Enforcement (DLSE) and local district attorneys statewide. These sweeps include the investigation of uninsured contractors who were taking out permits with various county and city building permit departments. The undercover operations involve law enforcement officers posing as a homeowner and accepting bids from unlicensed contractors. These unlicensed contractors skirt state laws and regulations by hiring individuals without proper certifications, not training employees, under reporting payroll and not obtaining adequate workers' compensation insurance.

State Operations Budget

Fraud Division Workers' Compensation anti-fraud activities are funded by fee assessment against the industry. In Fiscal Year 2011-12, the Department was funded \$18 million and applied as follows:

| | |
|---|----------------------------|
| Personal Services | \$10,718,199 |
| Operating Expenses & Equipment (OE&E) | \$4,255,126 |
| CDI Administrative Support | \$3,909,604 |
| Total..... | <u>\$18,882,929</u> |

Unfunded Contributions

In addition to the applying the funding provided by the Workers Compensation Fraud Program assessments, the Department continually provides funding for the workers' compensation anti-fraud efforts in areas that are not funded by the workers' compensation fraud grant. The Department 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 the Department.

In addition to the investigation of cases involving brokers and agents, the computer forensics team (CFT) members from the Investigation Division routinely assist the Fraud Division during search warrants. Some of the most knowledgeable and experienced CFT members within the Enforcement Branch are Investigation Division investigators. They are often called upon to assist with the acquisition of computer related evidence. These CFT members later assist in extracting information from the acquired evidence. The cost of funding these positions is also derived from fees and licensing.

Program Support

- Insurance Commissioner's Office;
- Statewide Pro Rata (e.g., Governor's Office, Legislature, etc.);
- Legal Branch;
- Budget and Revenue Management Bureau;
- Human Resources Management Division;
- Accounting Services Bureau;
- Communications & Press Relations;
- Information Technology Division;
- Business Management Bureau.

Staffing

- In Fiscal Year 2011-12, the Fraud Division expended 120 workers' compensation personnel years.

SECTION FIVE: WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM APPENDICES

1. Workers' Compensation Insurance Fraud Program - Insurance
Commissioner's Funding Recommendation - Fiscal Year 2011-12
2. Workers' Compensation Insurance Fraud - Reported Suspected Fraudulent
Claims for 2010, 2011 and 2012
3. Workers Compensation Insurance Fraud Program - District Attorney
Convictions -Fiscal Year 2011-12

Appendix 1
Workers' Compensation Insurance Fraud Program
Insurance Commissioner's Funding Recommendation - Fiscal Year 2011-12

| County | 2010-11 Funding for Counties | Funding Requested for 2011-12 | Insurance Commissioner's Funding Recommendation 2011-12 |
|---------------------|-------------------------------------|--------------------------------------|--|
| Alameda | \$1,273,874 | \$1,631,104 | \$1,400,000 |
| Amador | \$425,000 | \$467,843 | \$431,569 |
| Butte | \$200,000 | \$200,000 | \$200,000 |
| Contra Costa | \$625,000 | \$815,880 | \$575,000 |
| El Dorado | \$275,000 | \$621,018 | \$330,000 |
| Fresno | \$1,180,000 | \$1,539,524 | \$1,240,529 |
| Humboldt | \$235,000 | \$249,331 | \$175,000 |
| Imperial | \$45,000 | \$58,667 | \$51,200 |
| Kern | \$687,065 | \$970,952 | \$760,000 |
| Kings | \$282,673 | \$275,297 | \$275,297 |
| Los Angeles | \$5,000,000 | \$6,519,729 | \$5,700,000 |
| Madera | \$42,000 | \$0 | \$0 |
| Marin | \$200,000 | \$441,608 | \$238,000 |
| Mendocino | \$46,653 | \$0 | \$0 |
| Merced | \$140,000 | \$146,443 | \$140,000 |
| Monterey | \$520,000 | \$584,398 | \$520,000 |
| Napa | \$85,000 | \$171,231 | \$119,000 |
| Orange | \$3,190,000 | \$3,653,814 | \$3,500,000 |
| Plumas | (Note) | \$7,411 | \$6,000 |

Note: Plumas County did not apply for grant funding for Fiscal Year 2010-11.

Appendix 1 (continued)

**Workers' Compensation Insurance Fraud Program
Insurance Commissioner's Funding Recommendation - Fiscal Year 2011-12**

| County | 2010-11 Funding for Counties | Funding Requested for 2011-12 | Insurance Commissioner's Funding Recommendation 2011-12 |
|------------------------|---|--|--|
| Riverside | \$1,225,000 | \$1,690,362 | \$1,463,732 |
| Sacramento | \$900,000 | \$1,157,047 | \$900,000 |
| San Bernardino | \$2,173,413 | \$2,306,266 | \$2,173,413 |
| San Diego | \$4,825,000 | \$4,931,474 | \$4,861,584 |
| San Francisco | \$800,000 | \$739,200 | \$739,200 |
| San Joaquin | \$580,000 | \$634,038 | \$608,808 |
| San Luis Obispo | \$0 | \$215,066 | \$65,000 |
| San Mateo | \$525,000 | \$833,146 | \$650,000 |
| Santa Barbara | \$290,000 | \$320,000 | \$290,000 |
| Santa Clara | \$2,153,365 | \$2,488,450 | \$2,321,853 |
| Santa Cruz | \$120,000 | \$244,160 | \$120,000 |
| Shasta | \$150,000 | \$277,507 | \$175,000 |
| Siskiyou | \$26,170 | \$44,985 | \$37,428 |
| Solano | \$175,000 | \$176,648 | \$175,000 |
| Sonoma | \$98,735 | \$106,691 | \$98,735 |
| Tehama | \$65,000 | \$117,900 | \$88,950 |
| Tulare | \$313,937 | \$362,221 | \$362,221 |
| Ventura | \$724,615 | \$753,168 | \$735,913 |
| Yolo | \$230,000 | \$269,800 | \$245,960 |
| TOTAL | \$29,827,500 | \$36,022,379 | \$31,774,392 |

Appendix 2

**Workers' Compensation Insurance Fraud - Reported Suspected Fraudulent
Claims for 2010, 2011 and 2012**

| County | 2010 SFC's | 2011 SFC's | 2012 SFC's |
|---------------|-------------------|-------------------|-------------------|
| Alameda | 207 | 191 | 215 |
| Alpine | 1 | 1 | 0 |
| Amador | 3 | 1 | 1 |
| Butte | 24 | 25 | 10 |
| Calaveras | 0 | 4 | 3 |
| Colusa | 2 | 2 | 2 |
| Contra Costa | 109 | 109 | 68 |
| Del Norte | 3 | 4 | 6 |
| El Dorado | 14 | 19 | 12 |
| Fresno | 134 | 158 | 130 |
| Glenn | 2 | 3 | 3 |
| Humboldt | 12 | 10 | 7 |
| Imperial | 24 | 27 | 16 |
| Inyo | 1 | 2 | 1 |
| Kern | 101 | 123 | 111 |
| Kings | 21 | 23 | 17 |
| Lake | 6 | 6 | 5 |
| Lassen | 8 | 8 | 10 |
| Los Angeles | 2,270 | 1,987 | 1,948 |
| Madera | 13 | 23 | 11 |
| Marin | 44 | 32 | 33 |
| Mariposa | 0 | 0 | 1 |
| Mendocino | 25 | 13 | 10 |
| Merced | 17 | 29 | 8 |
| Modoc | 0 | 1 | 0 |
| Mono | 0 | 0 | 0 |
| Monterey | 93 | 64 | 69 |
| Napa | 24 | 18 | 13 |
| Nevada | 16 | 13 | 5 |
| Orange | 445 | 480 | 527 |

Appendix 2 (continued)

**Workers' Compensation Insurance Fraud - Reported Suspected Fraudulent
Claims for 2010, 2011 and 2012**

| County | 2010 SFC's | 2011 SFC's | 2012 SFC's |
|--------------------|-------------------|-------------------|-------------------|
| Placer | 39 | 37 | 24 |
| Plumas | 0 | 3 | 1 |
| Riverside | 294 | 311 | 298 |
| Sacramento | 144 | 166 | 127 |
| San Benito | 7 | 1 | 8 |
| San Bernardino | 400 | 352 | 313 |
| San Diego | 378 | 333 | 334 |
| San Francisco | 78 | 102 | 87 |
| San Joaquin | 57 | 63 | 72 |
| San Luis Obispo | 20 | 29 | 21 |
| San Mateo | 92 | 76 | 64 |
| Santa Barbara | 40 | 60 | 41 |
| Santa Clara | 158 | 163 | 166 |
| Santa Cruz | 48 | 27 | 18 |
| Shasta | 24 | 38 | 17 |
| Sierra | 0 | 0 | 0 |
| Siskiyou | 4 | 3 | 2 |
| Solano | 40 | 33 | 28 |
| Sonoma | 52 | 53 | 20 |
| Stanislaus | 45 | 50 | 26 |
| Sutter | 8 | 7 | 3 |
| Tehama | 9 | 8 | 7 |
| Trinity | 0 | 1 | 0 |
| Tulare | 45 | 43 | 48 |
| Tuolumne | 7 | 3 | 4 |
| Ventura | 112 | 118 | 74 |
| Yolo | 19 | 27 | 23 |
| Yuba | 9 | 4 | 8 |
| Grand Total | 5,748 | 5,487 | 5,076 |

Alameda County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|-------------------------|--------------------|--|---------------|-------------|---------------|
| H51008 | Aponte, Luis | Claimant Fraud | 1 day(s) jail 60 month(s) probation | | \$10,004 | \$0 |
| 430485 | Carrillo, Lorenzo Pablo | Other | 8 day(s) jail 36 month(s) probation | | \$0 | \$0 |
| 434852 | Chapman, Troy | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$0 | \$1,000 |
| 435811 | Chavez, Antonio | Uninsured Employer | 27 day(s) jail 36 month(s) probation | | \$0 | \$1,000 |
| 438910 | Dawson, Doug | Claimant Fraud | 1 day(s) jail 36 month(s) probation | | \$16,587 | \$0 |
| 436946 | Dul, Mike | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$0 | \$1,000 |
| 439163 | Duran, Miquel | Uninsured Employer | 1 day(s) jail 24 month(s) probation 20 hour(s) community service | | \$0 | \$500 |
| 436945 | Eshaq, Sadiq | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$0 | \$1,000 |
| 132510 | Fisiiahi, Sione Tavake | Other | 120 day(s) jail 36 month(s) probation | | \$2,650 | \$1,000 |
| 132515B | Fisiiahi, Suli | Uninsured Employer | 23 day(s) jail 60 month(s) probation | | \$500 | \$0 |
| H51724 | Havea, Toutai Olepa | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$5,000 | \$0 |
| 436948 | Ho, Think | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$0 | \$1,000 |

Alameda County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--------------------------|--------------------|--|---------------|-------------|---------------|
| 430340 | Horowitz, Penny | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$61,344 | \$0 |
| 436944 | Huperz, Anita | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$0 | \$250 |
| 244180 | Huynh, Triet | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$0 | \$1,000 |
| 437744 | Jones, Kenneth | Uninsured Employer | 1 day(s) jail 36 month(s) probation 70 hour(s) community service | | \$0 | \$500 |
| 137466 | Lavaka, Sione | Uninsured Employer | 36 month(s) probation | | \$0 | \$1,000 |
| 437766 | Mahe, Tevita | Uninsured Employer | 30 day(s) jail 36 month(s) probation | | \$350 | \$1,000 |
| 435447B | Mason, Shana | Other | | | \$0 | \$100 |
| 430470B | Mathews-Pannell, Melissa | Other | | | \$0 | \$2,000 |
| 436546 | Mendoza, Jose | Uninsured Employer | 60 day(s) jail 36 month(s) probation | | \$0 | \$0 |
| 138119 | Miller, Rick | Claimant Fraud | | | \$0 | \$1,000 |
| 430486 | Navarro, Jaime | Other | 36 month(s) probation | | \$0 | \$1,000 |
| H52155 | Osorio, Jose | Claimant Fraud | 133 day(s) jail 36 month(s) probation | | \$0 | \$0 |
| 423047 | Pauley, Marcia | Claimant Fraud | 1 day(s) jail 6 month(s) probation 80 hour(s) community service | | \$4,500 | \$0 |

Alameda County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---------------------------|------------------------------|---|---------------|-------------|---------------|
| 437768 | Pereda-Vargas, Daniel | Uninsured Employer | | | \$0 | \$1,190 |
| 438636 | Perez, Benito | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$0 | \$500 |
| 244033 | Pham, Coung | Uninsured Employer | 2 day(s) jail 36 month(s) probation | | \$0 | \$1,190 |
| 433349 | Phan, Melinda | Single Entity Provider Fraud | 1 day(s) jail 36 month(s) probation 100 hour(s) community service | | \$638 | \$1,000 |
| 437770 | Ramirez, Jose | Uninsured Employer | 36 month(s) probation | | \$0 | \$1,000 |
| 137387 | Rosemond, Richard Raymond | Other | 90 day(s) jail 36 month(s) probation | | \$1,000 | \$1,000 |
| 437767 | Shababi, Bahman | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$0 | \$1,000 |
| 426677 | Souki, Nasig | Other | 1 day(s) jail 36 month(s) probation | | \$0 | \$1,000 |
| 572522 | Stevens, Nicholas | Uninsured Employer | 1 day(s) jail 36 month(s) probation 40 hour(s) community service | | \$0 | \$1,000 |
| 434249 | Swift, Kwanza | Claimant Fraud | | | \$500 | \$0 |
| 436947 | Sze, Sammy | Uninsured Employer | | | \$0 | \$1,000 |
| 431263A | Young, Mark | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$2,500 | \$3,000 |
| 243480 | Zheng, Chao | Uninsured Employer | 60 day(s) jail 36 month(s) probation | | \$1,790 | \$0 |

Amador County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|------------------------|--------------------|---|---------------|-------------|---------------|
| 62-102524 | Beattie, Nicholas | Uninsured Employer | 30 day(s) jail 12 month(s) probation | | \$1 | \$1,000 |
| 12CR15430 | Cooksey, Gary Lee | Uninsured Employer | 12 month(s) probation | | \$0 | \$0 |
| 62-108394 | Emerson, Thomas | Uninsured Employer | 6 month(s) probation | | \$0 | \$0 |
| 62-109534 | Everett, Mark Dale | Claimant Fraud | 15 day(s) jail 36 month(s) probation | | \$5,000 | \$0 |
| 12CR19143 | Gross, Brian | Other | 15 day(s) jail | | \$0 | \$2,000 |
| 62-107675 | Hudson, Richard | Claimant Fraud | 60 day(s) jail 36 month(s) probation | | \$12,087 | \$0 |
| 12CR19282 | Leyvamartinez, Luis | Uninsured Employer | 18 month(s) probation | | \$0 | \$2,500 |
| 62-108395 | Roelle, Joshua David | Uninsured Employer | 12 month(s) probation | | \$0 | \$2,500 |
| 10CR17306 | Uribe, Jonathan Jesus | Uninsured Employer | 6 month(s) probation | | \$0 | \$0 |
| 62-105993 | Vasquez, Daniel Steven | Uninsured Employer | | | \$0 | \$750 |
| 62-104578 | Yeaton, Blanche E | Claimant Fraud | 24 month(s) probation 180 hour(s) community service | | \$0 | \$0 |

Butte County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|-----------------|-------|-----------------------|---------------|-------------|---------------|
| SCR86309 | Atkins, Larry A | Other | 12 month(s) probation | | \$0 | \$0 |
| SCR86514 | Box, Thomas | Other | 12 month(s) probation | | \$0 | \$1,760 |

Butte County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|------------------------------|--------------------|--------------------------------------|---------------|-------------|---------------|
| SCR80409 | Chadwick, Thomas Christopher | Claimant Fraud | 90 day(s) jail 36 month(s) probation | | \$100 | \$950 |
| SCR86366 | Cunningham, Barry | Other | 12 month(s) probation | | \$0 | \$760 |
| SCR86386 | Davis, Jerry | Other | | | \$0 | \$1,140 |
| SCR86650 | Fowler, Bree M | Other | 12 month(s) probation | | \$0 | \$0 |
| SCR84538 | Garcia, Alvaro B | Other | 30 day(s) jail | | \$0 | \$500 |
| SCR86859 | Haynes, Jerry P | Other | 1 day(s) jail 12 month(s) probation | | \$0 | \$700 |
| SCR84450 | Kozak, Christian Stephen | Other | 10 day(s) jail 36 month(s) probation | | \$0 | \$500 |
| SCR86685 | Lavella, Thomas A | Other | 12 month(s) probation | | \$0 | \$0 |
| SCR87349 | Robbins, Dennis M | Uninsured Employer | 1 day(s) jail 12 month(s) probation | | \$0 | \$10,000 |
| SCR87439 | Rodriguez, Raul | Other | 1 day(s) jail 12 month(s) probation | | \$0 | \$0 |
| SCR87278 | Rodriguez, Raymund | Other | 12 month(s) probation | | \$0 | \$0 |
| SCR87437 | Ruvalcaba, Guadalupe | Other | 1 day(s) jail 12 month(s) probation | | \$0 | \$915 |
| SCR84500 | Sanchez, Ciro Alberto | Other | 10 day(s) jail 36 month(s) probation | | \$0 | \$0 |
| SCR86356 | Sanchez, Mayolo | Other | 10 day(s) jail 36 month(s) probation | | \$0 | \$0 |
| SCR84502 | Schmidt, Philip Damian | Claimant Fraud | 60 day(s) jail 36 month(s) probation | | \$0 | \$0 |
| SCR84501 | Schulte, Roger G | Other | 12 month(s) probation | | \$0 | \$950 |

Contra Costa County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|-------------------------|--------------------|--|---------------|-------------|---------------|
| 1-155649-7 | Avalos, Ester | Claimant Fraud | 36 month(s) probation 120 hour(s) community service | | \$12,080 | \$190 |
| 1-157006-8 | Beardsley, Kerry Lee | Uninsured Employer | 12 month(s) probation 20 hour(s) community service | | \$0 | \$190 |
| 1-157051-4 | Boots, James William | Uninsured Employer | 12 month(s) probation 20 hour(s) community service | | \$0 | \$190 |
| 1-148454-2 | Briggs, James | Uninsured Employer | 15 day(s) jail 24 month(s) probation 150 hour(s) community service | | \$1,500 | \$100 |
| 1-154848-6 | Castellanos, Jaime | Uninsured Employer | 12 month(s) probation 10 hour(s) community service | | \$0 | \$200 |
| 1-157008-4 | Fine, Viliami Vaati | Uninsured Employer | 24 month(s) probation 20 hour(s) community service | | \$0 | \$190 |
| 1-143078-4 | Gonzalez, David | Uninsured Employer | 15 day(s) jail 12 month(s) probation 20 hour(s) community service | | \$0 | \$190 |
| 1-155722-2 | Gonzalez-Uribe, Jose | Uninsured Employer | 12 month(s) probation 20 hour(s) community service | | \$0 | \$200 |
| 1-157180-1 | Hamilton, Miranda | Other | 31 day(s) jail 24 month(s) probation | | \$2,142 | \$190 |
| 1-147122-6 | Heffern, Warren Michael | Uninsured Employer | 90 day(s) jail 36 month(s) probation | | \$17,740 | \$190 |

Contra Costa County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|-----------------------|--------------------|---|---------------|-------------|---------------|
| 1-157272-6 | Hunt, Corey James | Claimant Fraud | 90 day(s) jail 60 month(s) probation | | \$10,437 | \$190 |
| 1-153223-3 | Kendall, Onnie Lee | Uninsured Employer | 12 month(s) probation | | \$5,250 | \$200 |
| 4-170182-0 | Lewis, Roy | Claimant Fraud | 12 month(s) probation 40 hour(s) community service | | \$2,200 | \$200 |
| 1-151002-0 | Mataele, Tavakeoma | Uninsured Employer | 30 day(s) jail 24 month(s) probation | | \$5,710 | \$240 |
| 1-155649-7 | McAllister, Kimberlee | Claimant Fraud | 36 month(s) probation 120 hour(s) community service | | \$12,080 | \$190 |
| 1-147678-7 | Mulinski, John | Uninsured Employer | 60 day(s) jail 36 month(s) probation | | \$10,940 | \$170 |
| 1-155901-2 | Nguyen, Tho Xuan | Uninsured Employer | 24 month(s) probation 20 hour(s) community service | | \$0 | \$240 |
| 1-150107-1 | Paredes, Isidro | Uninsured Employer | 12 month(s) probation 20 hour(s) community service | | \$0 | \$200 |
| 1-150109-7 | Perdomo, Juan Manuel | Uninsured Employer | 24 month(s) probation 40 hour(s) community service | | \$0 | \$170 |
| 1-150107-1 | Robin, Luiz | Uninsured Employer | 36 month(s) probation 20 hour(s) community service | | \$32,540 | \$170 |

Contra Costa County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|-------------------------|--------------------|---|---------------|-------------|---------------|
| 1-150956-1 | Rosas-Gonzalez, Armando | Uninsured Employer | 12 month(s) probation 20 hour(s) community service | | \$0 | \$200 |
| 1-152436-2 | Silva, Jenelle | Insider Fraud | 90 day(s) jail 36 month(s) probation | | \$85,460 | \$240 |
| 1-153767-9 | Sugishita, Robert | Uninsured Employer | 36 month(s) probation 120 hour(s) community service | | \$7,367 | \$170 |
| 1-155926-9 | Tan, Chao-Hsing | Uninsured Employer | 6 month(s) probation 20 hour(s) community service | | \$0 | \$200 |
| 1-154244-8 | Troung, Hanh | Uninsured Employer | 24 month(s) probation 25 hour(s) community service | | \$0 | \$240 |
| 1-156433-5 | Weber, Victor | Other | 90 day(s) jail | | \$0 | \$170 |
| 1-151776-2 | Westervelt, James | Insider Fraud | 24 month(s) probation 150 hour(s) community service | | \$6,890 | \$120 |
| 1-157750-1 | Whatley, Gary | Claimant Fraud | 12 month(s) probation 20 hour(s) community service | | \$1,269 | \$200 |

EI Dorado County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|---|---------------|-------------|---------------|
| P10CRM1446 | Aguilar, Seena Christine / Mr. Frogs Landscape Maintenance | Other | 12 month(s) probation | | \$0 | \$100 |
| P11CRM1446 | Baldomero, Lorenzo | Other | 30 day(s) jail 36 month(s) probation | | \$300 | \$3,773 |
| P10CRM1480 | Bethel, Jhon Lloyd / Tree Request | Uninsured Employer | 24 month(s) probation | | \$0 | \$1,200 |
| P11CRM0925 | Bethel, Robert Arthur | Other | 12 month(s) probation | | \$0 | \$500 |
| P11CRM1378 | Day, Roger Timothy / A Great Day's Handyman Service | Uninsured Employer | 24 month(s) probation | | \$0 | \$500 |
| P11CRM1377 | Fagan, John Joseph / John Fagan Home Maintenance | Other | 24 month(s) probation | | \$0 | \$946 |
| P11CRM1418 | Godinez-Garcia, Mario / Fence Work | Other | 2 day(s) jail 24 month(s) probation | | \$0 | \$976 |
| P11CRM1380 | Herman, Henry Fredrich / Old School Carpenter & Craftsman | Other | 24 month(s) probation | | \$0 | \$946 |
| P11CRM1382 | Larios, Juan Camarjo | Other | 24 month(s) probation | | \$0 | \$946 |
| P11CRM1381 | Loera, Jesus Hernandez / Loera Brothers Full Tree Service | Other | 24 month(s) probation | | \$0 | \$946 |
| P11CRM1419 | Marsh, William Eugene / Handyman Service | Other | 6 month(s) probation 12 hour(s) community service | | \$0 | \$0 |
| P11CRM0923 | Medina, David / Lake Tahoe Construction Company | Other | 36 month(s) probation | | \$0 | \$100 |

El Dorado County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|-----------------------|---|---------------|-------------|---------------|
| P11CRM0494 | Moretti, Scott Daniel / Moretti Roofing Services | Uninsured Employer | 6 month(s) probation | | \$300 | \$100 |
| P11CRM1417 | Pulliam, Richard Lance | Other | 24 month(s) probation | | \$0 | \$856 |
| P12CRF0017 | Quick, Douglas Wayne | Uninsured Employer | 60 day(s) jail 36 month(s) probation | | \$10,000 | \$120 |
| P11CRM0921 | Ramirez-Macias, Filberto | Other | 36 month(s) probation | | \$0 | \$100 |
| P11CRM0830 | Ramos, Humberto Garcia / Humberto Garcia Gardening | Other | 24 month(s) probation | | \$0 | \$480 |
| P11CRM1422 | Rios, Martinez Santos / Santos Rios Tree Service | Other | 24 month(s) probation | | \$0 | \$856 |
| 11-11-6061 | Rodriguez, Ramon | Other | 24 month(s) probation | | \$0 | \$100 |
| 11-11-6052 | Romero, Miguel Ereto | Other | 24 month(s) probation | | \$0 | \$956 |
| P11CRM0825 | Vargas-Monjaras, Noel / Noel's Garden Maintenance | Other | 3 day(s) jail 36 month(s) probation | | \$0 | \$887 |
| P11CRM1421 | Venegas, Pascacio Hernandez / Hernandez Gardening | Other | 36 month(s) probation | | \$0 | \$976 |
| P11CRM0922 | Woodard, Thomas Ray / Woodard Custom Painting | Other | 24 month(s) probation | | \$0 | \$836 |
| P11CRM0970 | Wrieden, William / Concrete Work & Handyman Services | Other | 24 month(s) probation | | \$0 | \$856 |

Fresno County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|------------------------------|--------------------|-------------------------------------|---------------|-------------|---------------|
| 11-37725 | Alcocer-Magana, Oscar Pedro | Other | 12 month(s) probation | | \$500 | \$0 |
| 10-15169 | Alsharabi, Akram Musaed | Uninsured Employer | 12 month(s) probation | | \$1,000 | \$0 |
| 11-17104 | Avalos, Sonia | Claimant Fraud | | | \$2,745 | \$0 |
| 11-17372 | Barker, Timothy | Uninsured Employer | 12 month(s) probation | | \$1,000 | \$0 |
| 12-10221 | Brar, Sukhpal Singh | Uninsured Employer | 12 month(s) probation | | \$500 | \$0 |
| 12-3758 | Bustos, Gilbert Joseph | Uninsured Employer | 12 month(s) probation | | \$1,500 | \$75 |
| 12-10211 | Calderon, Maurilio Caballero | Uninsured Employer | 12 month(s) probation | | \$1,500 | \$0 |
| 12-4228 | Canzio, Donato Joaquin | Other | 12 month(s) probation | | \$500 | \$0 |
| 11-37736 | Carrillo, Juan | Uninsured Employer | 12 month(s) probation | | \$1,000 | \$0 |
| 12-3248 | Carroll II, Rewine Thornten | Other | 12 month(s) probation | | \$500 | \$75 |
| 11-36536 | Castillo, Lamberto | Uninsured Employer | 12 month(s) probation | | \$500 | \$0 |
| 11-28880 | Claypool, Alden Keith | Other | 12 month(s) probation | | \$500 | \$75 |
| 12-3814 | Craighead, Brian Karl | Other | 12 month(s) probation | | \$500 | \$75 |
| 12-3372 | Cuevas, Sergio Abel | Other | 12 month(s) probation | | \$500 | \$0 |
| 11-26585 | Demelo, Paul Jorge | Uninsured Employer | 12 month(s) probation | | \$500 | \$0 |
| 11-28881 | Dewitt, James Clayton | Other | 12 month(s) probation | | \$500 | \$0 |
| 12-3252 | Dezubiria Jr., Alvaro | Other | 12 month(s) probation | | \$500 | \$0 |
| 12-4419 | Espinoza, Juventino | Other | 12 month(s) probation | | \$500 | \$50 |
| 11-9134 | Estrada, Betty | Claimant Fraud | 1 day(s) jail 24 month(s) probation | | \$1,885 | \$170 |

Fresno County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|-----------------------------|--------------------|---------------------------------------|---------------|-------------|---------------|
| 11-29515 | Evangelo, John David | Uninsured Employer | 12 month(s) probation | | \$1,500 | \$0 |
| 10-17830 | Fulton, Richard | Claimant Fraud | 1 day(s) jail 24 month(s) probation | | \$0 | \$270 |
| 11-23562 | Gallo, Jeanette | Claimant Fraud | 30 day(s) jail 36 month(s) probation | | \$2,639 | \$0 |
| 12-3836 | Garcia, Johnny Griego | Other | 12 month(s) probation | | \$500 | \$0 |
| 12-3764 | Garcia Jr., Johnny Guerrero | Uninsured Employer | 12 month(s) probation | | \$1,500 | \$0 |
| 12-16818 | Garcia Jr., Johnny Guerrero | Other | 6 month(s) probation | | \$3,500 | \$0 |
| 11-6315 | Garza, Conrad | Other | 24 month(s) probation | | \$500 | \$120 |
| 11-28877 | Gillaspy, Michael Anthony | Claimant Fraud | 12 month(s) probation | | \$500 | \$0 |
| 12-17483 | Gonzalez, Sergio Flores | Other | 6 month(s) probation | | \$500 | \$0 |
| 12-13993 | Grillo, Gino Francis | Other | 6 month(s) probation | | \$500 | \$0 |
| 12-3358 | Guizar-Reyes, Ricardo | Other | 12 month(s) probation | | \$500 | \$0 |
| 11-26565 | Gutierrez, Miguel Angel | Uninsured Employer | 12 month(s) probation | | \$1,500 | \$0 |
| 12-3750 | Hensley, Travis David | Uninsured Employer | 12 month(s) probation | | \$1,500 | \$0 |
| 12-10468 | Hernandez, Jorge Edgar | Other | 12 month(s) probation | | \$1,500 | \$0 |
| 10-26905 | Hill, Michael F | Claimant Fraud | 180 day(s) jail 36 month(s) probation | | \$4,700 | \$445 |
| 11-36355 | Jimenez, Albert | Uninsured Employer | 12 month(s) probation | | \$1,000 | \$0 |
| 12-3261 | Johnson Jr., Willie Ed | Other | 24 month(s) probation | | \$250 | \$0 |
| 09-42518 | Kukalis, Joshua Michael | Uninsured Employer | 12 month(s) probation | | \$250 | \$0 |

Fresno County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---------------------------|--------------------|---------------------------------------|---------------|-------------|---------------|
| 11-26604 | Larios Jr., Jose | Uninsured Employer | 12 month(s) probation | | \$1,000 | \$0 |
| 12-4210 | Leazer, Matthew Wayne | Other | 6 month(s) probation | | \$500 | \$75 |
| 12-3162 | Lemus, Antonio Arnaldo | Uninsured Employer | 6 month(s) probation | | \$1,500 | \$75 |
| 11-28884 | Limon, Jesus | Other | 12 month(s) probation | | \$500 | \$0 |
| 12-3242 | Luz-Gonzalez, Luis Miguel | Other | 12 month(s) probation | | \$1,500 | \$0 |
| 12-3201 | Madera, Manuel | Other | 12 month(s) probation | | \$500 | \$0 |
| 11-28892 | Maltos, Cristoval Josue | Other | 12 month(s) probation | | \$500 | \$0 |
| 11-28889 | Martinez, Mitchell L | Other | 12 month(s) probation | | \$500 | \$0 |
| 12-10499 | Navarro, Adolfo | Uninsured Employer | 12 month(s) probation | | \$1,500 | \$0 |
| 12-3804 | Ortiz, Hilario | Other | 6 month(s) probation | | \$500 | \$50 |
| 12-3210 | Perez, Jose Francisco | Other | 6 month(s) probation | | \$500 | \$75 |
| 12-10443 | Quiroz, Jaime | Uninsured Employer | 12 month(s) probation | | \$500 | \$0 |
| 10-16036 | Renteria, Richard Anthony | Other | 180 day(s) jail 36 month(s) probation | | \$500 | \$0 |
| 12-3224 | Romero, Anthony Michael | Other | 12 month(s) probation | | \$1,500 | \$0 |
| 11-37711 | Sanchez, Carlos Rene | Uninsured Employer | 12 month(s) probation | | \$1,500 | \$0 |
| 11-26609 | Sandoval, David Fernandez | Uninsured Employer | 12 month(s) probation | | \$1,500 | \$0 |
| 12-10213 | Southern, Jacob Daniel | Other | 12 month(s) probation | | \$500 | \$0 |
| 11-28899 | Tsyboulia, Aleksei | Other | 12 month(s) probation | | \$500 | \$0 |
| 11-28887 | Whitford, Frankin Russell | Other | 12 month(s) probation | | \$500 | \$0 |
| 12-10473 | Wolfe, Gerald Jay | Other | 12 month(s) probation | | \$500 | \$0 |
| 11-26600 | Zarate, Ruben | Uninsured Employer | 36 month(s) probation | | \$500 | \$0 |

Humboldt County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|----------------------------|---------------|-------------|---------------|
| CR1104131 | Anderson, Vernon Elliott | Uninsured Employer | Deferred Entry of Judgment | | \$0 | \$0 |
| CR1104125 | Bero, Stephen Deso / Bero Landscape | Uninsured Employer | Deferred Entry of Judgment | | \$0 | \$0 |
| DA12-0001 | Fleck, Kenneth George | Uninsured Employer | Deferred Entry of Judgment | | \$0 | \$0 |
| DA12-0002 | Grant, Jeremiah James | Uninsured Employer | Deferred Entry of Judgment | | \$0 | \$0 |
| CR1104124 | Hays, James Robert / Hays Construction | Premium Fraud | Deferred Entry of Judgment | | \$0 | \$0 |
| CR1104129 | Johnson, Vicki Ann | Claimant Fraud | Deferred Entry of Judgment | | \$0 | \$0 |
| DA12-0076 | Schwarz, Stewart Milton | Claimant Fraud | Deferred Entry of Judgment | | \$0 | \$0 |
| CR1104132 | Slionys, Robert / Sliony's Painting | Uninsured Employer | Deferred Entry of Judgment | | \$0 | \$0 |
| DA12-0077 | Spence, Shadrack Lee | Uninsured Employer | Deferred Entry of Judgment | | \$0 | \$0 |

Kern County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|----------------------------|--------------------|--|---------------|-------------|---------------|
| BM795182A | Aguilar, Francisco Carillo | Uninsured Employer | 36 month(s) probation 4,000 hour(s) community service | | \$0 | \$0 |
| BM780376A | Aguilar, Francisco Carillo | Uninsured Employer | 90 day(s) jail 36 month(s) probation 100 hour(s) community service | | \$0 | \$5,000 |
| BM800263A | Amezcuca, Yazmin Gutierrez | Uninsured Employer | 36 month(s) probation 320 hour(s) community service | | \$4,000 | \$0 |
| BM791395A | Barrios, George Manuel | Uninsured Employer | 36 month(s) probation | | \$100 | \$1,000 |

Kern County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|------------------------------|--------------------|---|---------------|-------------|---------------|
| BF132622A | Buffington, Jerry / Safehome | Premium Fraud | 365 day(s) jail | | \$600,000 | \$0 |
| BM970030A | Ceja, Arcadio Cuauhtemoc | Uninsured Employer | 10 day(s) jail 36 month(s) probation | | \$0 | \$915 |
| BM802320A | Centeno, Martin Antonio | Uninsured Employer | 36 month(s) probation 80 hour(s) community service | | \$0 | \$500 |
| BM754277A | Choi, Tai Shik | Other | 36 month(s) probation | | \$500 | \$435 |
| BM801224A | Edwards, Lonnie | Uninsured Employer | 36 month(s) probation | | \$0 | \$1,000 |
| BM795579A | Gallardo, Mario Granados | Uninsured Employer | 36 month(s) probation | | \$0 | \$215 |
| BM786505A | Gallardo, Mario Granados | Uninsured Employer | 45 day(s) jail 36 month(s) probation | | \$0 | \$700 |
| BM796366B | Garcia, Jose Santiago | Uninsured Employer | 36 month(s) probation | | \$0 | \$2,000 |
| BM797333A | Garza, Fernando Vega | Uninsured Employer | 36 month(s) probation 20 hour(s) community service | | \$0 | \$500 |
| DM083355A | Guevara, Manuel | Uninsured Employer | 36 month(s) probation | | \$0 | \$1,173 |
| RM036287A | Hernandez, Manuel Carapia | Uninsured Employer | 36 month(s) probation | | \$0 | \$1,000 |
| BM786209A | Hernandez, Rigoberto Acevedo | Uninsured Employer | 36 month(s) probation | | \$0 | \$1,500 |
| BM802318A | Hernandez, Rodolfo | Uninsured Employer | 36 month(s) probation 160 hour(s) community service | | \$0 | \$0 |
| BM802355A | Keefer, Mark Steven | Uninsured Employer | 36 month(s) probation | | \$0 | \$535 |
| RM036266A | Kirk, Christopher | Uninsured Employer | 36 month(s) probation | | \$0 | \$1,545 |

Kern County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|------------------------------|--------------------|---|---------------|-------------|---------------|
| MM073172A | Lopez, Miguel Angel Monarrez | Uninsured Employer | 36 month(s) probation 600 hour(s) community service | | \$0 | \$0 |
| BF135832A | Madrid, Beverly Diane | Claimant Fraud | 3 day(s) jail | | \$75,806 | \$0 |
| BM802317A | Mercado Jr., Anthony Martin | Uninsured Employer | 36 month(s) probation | | \$0 | \$500 |
| RM036264A | Nava, Francisco Javier | Uninsured Employer | 36 month(s) probation | | \$0 | \$1,545 |
| RM036262A | Pettigrew, Bill Ralph | Uninsured Employer | 36 month(s) probation | | \$0 | \$1,545 |
| BM794875A | Rangel, Jose Maria | Uninsured Employer | 36 month(s) probation | | \$0 | \$415 |
| BM802354A | Rodriguez, Jose Ascension | Uninsured Employer | 36 month(s) probation 80 hour(s) community service | | \$0 | \$0 |
| BM802316A | Rodriguez, Selvin | Uninsured Employer | 36 month(s) probation 240 hour(s) community service | | \$0 | \$0 |
| BF132622B | Russell, Cynthia / Safehome | Premium Fraud | 400 hour(s) community service | | \$0 | \$0 |
| RM036265A | Schank, Robert Thomas | Uninsured Employer | 36 month(s) probation | | \$0 | \$1,545 |
| BM794761A | Soares, Alberto Leonel | Uninsured Employer | 36 month(s) probation | | \$0 | \$435 |
| RM036289A | Swenson, Steven Edward | Uninsured Employer | 36 month(s) probation | | \$0 | \$1,545 |
| BM794876A | Velasco, Jose | Uninsured Employer | 36 month(s) probation 80 hour(s) community service | | \$0 | \$500 |
| BM794780A | Vergara, Abdon | Uninsured Employer | 36 month(s) probation | | \$0 | \$10,000 |
| BF136291A | Villapondo, Richard | Uninsured Employer | 730 day(s) jail | | \$116,894 | \$0 |

Kings County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---------------------|--------------------|-------------------------------------|---------------|-------------|---------------|
| 10-4331 | Abbott, Ricky | Premium Fraud | 36 month(s) probation | | \$37,514 | \$380 |
| 10-5051 | Alves, Louie | Claimant Fraud | 36 month(s) probation | | \$17,000 | \$0 |
| 10-3991 | Bowman, David | Claimant Fraud | 36 month(s) probation | | \$0 | \$827 |
| 12-403 | Gutierrez, Abelardo | Other | 1 day(s) jail 36 month(s) probation | | \$0 | \$1,272 |
| 11-801 | Kelly, Jeffrey | Claimant Fraud | 36 month(s) probation | | \$14,568 | \$0 |
| 09-3638 | Martinez, Horacio | Uninsured Employer | 36 month(s) probation | | \$0 | \$3,800 |
| 11-1537 | Torres, Victor | Uninsured Employer | 60 day(s) jail | | \$0 | \$390 |

Los Angeles County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|----------------------------------|---|---------------|-------------|---------------|
| 1WW05590 | Adinarayanappa, Rangnath / Family Dentistry | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 1GN03919 | Aghamalian, Arnou / Solar Optimum | Uninsured Employer | | | \$0 | \$4,000 |
| 1EA10036 | Ahdoot, David / Postal Annex and Service Center | Uninsured Employer | | | \$0 | \$4,000 |
| BA367122 | Aliakbarzadeh, Arash | Multiple Entities Provider Fraud | 60 month(s) probation | | \$474,651 | \$200 |
| 1AH03603 | Alvarez-Esparza, Alejandro / Construccion En General | Uninsured Employer | 36 month(s) probation | | \$0 | \$4,000 |
| BA395948 | Alvear, Thelma / In And Out Removal | Premium Fraud | 36 month(s) probation 100 hour(s) community service | | \$15,745 | \$250 |
| 1JB10072 | Amaya, Cesar Valenzuela / Villa Carino Mexican | Uninsured Employer | | | \$0 | \$4,000 |

Los Angeles County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|----------------------------------|--|---------------|-------------|---------------|
| BA380318 | Antonette, Richard / Volt Information Services | Claimant Fraud | 1 day(s) jail 36 month(s) probation 200 hour(s) community service | | \$0 | \$200 |
| 2WW01423 | Baez, Henry / Mart One's | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| BA379432 | Botello, Arturo / S & C Foods, Inc. | Claimant Fraud | 36 month(s) probation 100 hour(s) community service | | \$0 | \$200 |
| BA376217 | Boudreaux, Dominique Y. | Multiple Entities Provider Fraud | 57 day(s) jail 60 month(s) probation 100 hour(s) community service | | \$146,792 | \$200 |
| BA387616 | Briseno-Hernandez, Vicente | Claimant Fraud | 8 day(s) jail 36 month(s) probation | | \$20,030 | \$120 |
| 1AH03515 | Calvert, Randy Alan / R C Plumbing | Uninsured Employer | 12 month(s) probation | | \$0 | \$4,000 |
| BA386807 | Campbell, Donnalene / Long Beach Memorial Medical Center | Claimant Fraud | 18 month(s) probation 40 hour(s) community service | | \$4,300 | \$100 |
| BA377854 | Carbajal, Roberto / Millenium Roofing | Premium Fraud | 36 month(s) probation 240 hour(s) community service | | \$4,080 | \$100 |
| 1RI03598 | Carrillo, Jose Deiesus / Digital Satellite & Electronics | Uninsured Employer | | | \$0 | \$4,000 |
| BA382525 | Castaneda, Maria D. / Dirksen Transportation | Claimant Fraud | 1 day(s) jail 36 month(s) probation 100 hour(s) community service | | \$1,000 | \$200 |
| BA382077 | Castellanos, Ricardo / ABM Industries | Claimant Fraud | 4 day(s) jail 36 month(s) probation 100 hour(s) community service | | \$1,000 | \$200 |

Los Angeles County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|---|---------------|-------------|---------------|
| 1PK06376 | Cha, Myung Suk / Hills Cleaners | Uninsured Employer | 24 month(s) probation | | \$0 | \$2,000 |
| 1PK06127 | Chhu, Susan / World Donuts And Ice Cream | Uninsured Employer | | | \$0 | \$4,000 |
| BA391815 | Chi, Hsiao Peng / Kung Pao Bistro | Other | 3 day(s) jail 24 month(s) probation 100 hour(s) community service | | \$5,016 | \$120 |
| BA383110 | Clifton, Jacqueline Patricia / Cedars Sinai Medical Center | Claimant Fraud | 1 day(s) jail 60 month(s) probation 100 hour(s) community service | | \$18,239 | \$200 |
| 1JB09089 | Diaz, Eric / El Bukanas | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 1SY07047 | Dooley, Steven Raymond / Dooley Construction | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| BA390794 | Dubon, Guillermo / Designer Center Housing Services | Claimant Fraud | 2 day(s) jail 60 month(s) probation 200 hour(s) community service | | \$0 | \$0 |
| 2WW00398 | Duran, Abraham / Duran's Bakery | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| BA379121 | Dvir, Abraham / United Painting & Waterproofing | Premium Fraud | 2 day(s) jail 24 month(s) probation 20 hour(s) community service | | \$112,966 | \$0 |
| BA394321 | Flannigan, Patricia | Claimant Fraud | 1 day(s) jail 60 month(s) probation 200 hour(s) community service | | \$56,351 | \$240 |
| BA382414 | Flores, Manuel / Mac Casualty LTD-Tomra Pacific Zone | Claimant Fraud | 36 month(s) prison 3 day(s) jail 36 month(s) probation 40 hour(s) community service | | \$0 | \$200 |

Los Angeles County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|--------------------|---|---------------|-------------|---------------|
| BA389607 | Flowers, Estella / UCLA Medical Center | Claimant Fraud | 3 day(s) jail 60 month(s) probation 300 hour(s) community service | | \$94,478 | \$200 |
| 1PK06023 | Galvan, Angela / Super Nutritional Center | Uninsured Employer | | | \$0 | \$4,000 |
| BA379029 | Garcia, Alejandro / Rose Muffler & Brake | Claimant Fraud | 2 day(s) jail 60 month(s) probation 100 hour(s) community service | | \$6,061 | \$310 |
| 1WW05463 | Garcia, Francisco Javier / Kiko's Mexican Grill | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 1PK06578 | Garcia, Santiago / Garcia's Tires & Wheels | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 1JB09389 | Garcia, Santiago Aguilar / Garcia Construction | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| BA383047 | Gatatho, Waliga / Spring Time Fashion, Inc. | Premium Fraud | 24 month(s) probation | | \$6,750 | \$0 |
| BA388932 | Gevarges, David / Lockheed Martin | Claimant Fraud | 24 month(s) probation | | \$0 | \$0 |
| 1PK03985 | Gonzalez, Felix / Cal Electric | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| BA383168 | Gonzalez, Martin / Robar Enterprises | Claimant Fraud | 1 day(s) jail 36 month(s) probation | | \$1,000 | \$200 |
| 1JB09047 | Gugga, Baljinder / Homox Medical Equipment And Supplies | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 2EA01264 | Guthrie, Denton / Denton Guthrie CPA | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |

Los Angeles County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|---|---------------|-------------|---------------|
| BA386798 | Guzman, Araceli / Brentwood Originals | Claimant Fraud | 1 day(s) jail 24 month(s) probation 100 hour(s) community service | | \$0 | \$100 |
| 2EA01127 | Hernandez, Eduardo / Fruitland Fruits & Desserts | Uninsured Employer | 1 day(s) jail 36 month(s) probation 30 hour(s) community service | | \$4,000 | \$120 |
| BA388255 | Higgs, Rodney / Da'Lab Cleaning Services | Claimant Fraud | 22 day(s) jail 36 month(s) probation | | \$0 | \$0 |
| BA391697 | Hines, Tony / City Of Long Beach | Claimant Fraud | 1 day(s) jail 60 month(s) probation 100 hour(s) community service | | \$17,545 | \$500 |
| BA386642 | Hober-Hernandez, Lorena / Simi Valley Hospital | Claimant Fraud | 2 day(s) jail 36 month(s) probation 100 hour(s) community service | | \$8,767 | \$200 |
| 2EA02001 | Hong, Jay Jungki / Four Star Cleaners | Uninsured Employer | | | \$0 | \$4,000 |
| BA374292 | Inda, Jaime Rocha / U.S. Post Office | Claimant Fraud | 36 month(s) probation 100 hour(s) community service | | \$4,600 | \$0 |
| 2WW01285 | Jimenez, Juventino Escobar / El Super Taco | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 1RI03352 | Jin, Jane / Launderland Coin Laundry | Uninsured Employer | | | \$0 | \$4,000 |
| 1PK03986 | Katigbak, Magno Sarmiento / M S K Builders | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 2EA01098 | Keoshgerian, Grigor / Montebello Ranch Market | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 1RI03361 | La, Hung Gia / Popcorn Video | Uninsured Employer | | | \$0 | \$4,000 |

Los Angeles County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|------------------------------|--|---------------|-------------|---------------|
| 1NW01256 | Lam, Kai Cheung / Aupres Massage | Uninsured Employer | 24 month(s) probation | | \$0 | \$1,000 |
| BA361704 | Lawson, James / City Of Torrance | Claimant Fraud | 2 day(s) jail 24 month(s) probation | | \$10,000 | \$100 |
| 2EA01087 | Le, Hung Van / Le's 1 Hr Dry Cleaners | Uninsured Employer | | | \$4,000 | \$0 |
| 1PK06024 | Lee, Nam Tong / Angel's Beauty Supply | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 1SY07711 | Lee, Seung Boum / Primary Dental Ceramic | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 1PK06136 | Lim, Hyang Rahn / Rami Women's Acessories | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,120 |
| 1SY08462 | Lim, Mun Seob / Paran Poong Cha Bakery | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 1SY08462 | Lim, Mun Seob / Paran Poong Cha Bakery | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 1JB09165 | Lin, Yanping / Cindy's Cleaners | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| BA382393 | Lope, Luis Felipe / David Ellis Chrysler / Plymouth | Claimant Fraud | 6 day(s) jail 36 month(s) probation 48 hour(s) community service | | \$0 | \$0 |
| BA391065 | Lopez, Arturo / Trac Enterprise Insurance | Single Entity Provider Fraud | 24 month(s) prison | | \$1,356,000 | \$0 |
| 1RI04912 | Lopez, Blanca Leticia / 99 Cent Luna Discount | Uninsured Employer | | | \$0 | \$4,000 |
| 1AH05187 | Ma, Alex Hsiaopo | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |

Los Angeles County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|---|---------------|-------------|---------------|
| BA390683 | Martinez, Rafael A. | Premium Fraud | 1 day(s) jail 36 month(s) probation 100 hour(s) community service | | \$33,124 | \$0 |
| BA388929 | Medrano, Richard / NI Servicing, Inc. | Claimant Fraud | 1 day(s) jail 60 month(s) probation 200 hour(s) community service | | \$65,909 | \$240 |
| BA381428 | Metzinger, April M. / Hacienda La Puente USD | Claimant Fraud | 2 day(s) jail 24 month(s) probation | | \$5,000 | \$100 |
| 2EA01097 | Monroe, Michael Wayne / Broaster Kitchen | Uninsured Employer | | | \$4,000 | \$0 |
| 2EA01431 | Mouradi, Mohammed / Cal's Check Cashing Service | Uninsured Employer | | | \$0 | \$250 |
| 1GN03987 | Munoz, Rene Filadelfo / Rene's Electric | Uninsured Employer | | | \$0 | \$4,000 |
| 1RI03362 | Murillo, Maria F. / Daisy's Bakery and Mini Market | Uninsured Employer | | | \$0 | \$4,000 |
| 1WW05670 | Ochoa, Alejandro / Lupe's Tacos | Uninsured Employer | | | \$0 | \$4,000 |
| BA383398 | Ogata, Ruth / 99 Cents Only Store | Claimant Fraud | 1 day(s) jail 60 month(s) probation 300 hour(s) community service | | \$64,573 | \$200 |
| BA363003 | Oh, Judy / Stone Blue, Inc. | Premium Fraud | 60 day(s) jail 99 month(s) probation 60 hour(s) community service | | \$0 | \$0 |
| BA387004 | Palencia, Medardo / Farmers Market Patio Association | Claimant Fraud | 60 month(s) probation 200 hour(s) community service | | \$7,762 | \$0 |

Los Angeles County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|------------------------------|---|---------------|-------------|---------------|
| BA391065 | Pallan, Ruben David / Trac Enterprise Insurance | Single Entity Provider Fraud | 24 month(s) prison | | \$1,356,000 | \$0 |
| 1SY08463 | Park, Joong Won / Seoul Health Spa | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 1EA10035 | Pichinte, Romeo / R & K Market | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 1RI03353 | Pinedo, Celina / El Paisano Restaurant | Uninsured Employer | | | \$0 | \$4,000 |
| 1AH05188 | Ramirez, Juan / J.R. Waterproofing | Claimant Fraud | 24 month(s) probation | | \$0 | \$4,000 |
| BA362617 | Ramos, Pedro / P & J Hospital | Claimant Fraud | 9 day(s) jail 60 month(s) probation | | \$15,000 | \$200 |
| 1WW05461 | Raygoza, Valeriano / El Rancho Restaurant | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 1JB09166 | Razo, Alejandra / Carnaby Street Fish & Chip | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| BA382593 | Ristic, Dobrivoje / Bobari, Inc. | Claimant Fraud | 12 day(s) jail 36 month(s) probation | | \$3,326 | \$100 |
| BA388982 | Rodriguez, Jonathan / Southwest Airlines | Claimant Fraud | 60 month(s) probation 300 hour(s) community service | | \$22,616 | \$200 |
| 1PK06022 | Ruelas, Eduardo / Raspados Xpress | Uninsured Employer | | | \$0 | \$4,000 |
| BA391933 | Ruiz, Janet / Tri-State Staffing | Claimant Fraud | 1 day(s) jail 60 month(s) probation 300 hour(s) community service | | \$116,000 | \$210 |
| BA382486 | Ryan, Timothy T. / Tim Ryan Construction | Premium Fraud | 1 day(s) jail 24 month(s) probation | | \$55,000 | \$100 |

Los Angeles County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|--------------------|---|---------------|-------------|---------------|
| BA394259 | Saldivar, Steve / Clougherty Packing Co. | Claimant Fraud | 73 day(s) jail 36 month(s) probation | | \$10,000 | \$0 |
| 1SY06953 | Selvick, William Allen / Gate Way Fence Company | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 1EA01876 | Serrano-Roman, Maria / Las 3 BBB Market | Uninsured Employer | | | \$0 | \$3,000 |
| 1SY06735 | Shideh, Joshua Shahryar | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| BA363612 | Simonian, Elias / Boyd & Associates | Claimant Fraud | 1 day(s) jail 60 month(s) probation 600 hour(s) community service | | \$53,996 | \$200 |
| BA388555 | Sosa, Leobo / Leonards Molded Products | Claimant Fraud | 3 day(s) jail 36 month(s) probation 200 hour(s) community service | | \$0 | \$200 |
| LA067332 | Stenroos, Jeffery John / LAUSD | Other | 270 day(s) jail 60 month(s) probation | | \$309,041 | \$200 |
| BA387548 | Tellez, Jose A. / Level 9 Security Services | Premium Fraud | 1 day(s) jail 24 month(s) probation 300 hour(s) community service | | \$3,335 | \$120 |
| 1RI03363 | Tran, The Duu / Agua No. 1 | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 2NW01022 | Trauger, Christopher | Uninsured Employer | 24 month(s) probation | | \$120 | \$4,000 |
| 1AH03674 | Tzeng, Charles C. / CT Construction | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| BA376558 | Vach Jr., John X. / LAPD | Claimant Fraud | 1 day(s) jail 36 month(s) probation | | \$105,000 | \$170 |

Los Angeles County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|-------------------------------------|---------------|-------------|---------------|
| BA379921 | Watrín, Michael M. / City of Los Angeles | Claimant Fraud | 2 day(s) jail 36 month(s) probation | | \$1,130 | \$100 |
| 1AH03604 | Wu, Lin Yeung / Cal Electric | Uninsured Employer | 60 month(s) probation | | \$100 | \$4,000 |
| 1RI04913 | Yamada, Lois Hisako / Tabemono Multi Ethnic Food | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |
| 2WW00139 | Yang, Willie / Aqua Grande Water Store | Uninsured Employer | 24 month(s) probation | | \$0 | \$4,000 |

Marin County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|---------------------------------------|---------------|-------------|---------------|
| 248323 | Baten, Uriel | Uninsured Employer | | | \$0 | \$5,700 |
| 248276 | Bojorquez, Jose | Uninsured Employer | | | \$0 | \$5,800 |
| 247734 | Brisson, Claudia | Uninsured Employer | | | \$0 | \$10,352 |
| 248373 | Calder, Nicholas / Calder Custom | Uninsured Employer | | | \$0 | \$3,822 |
| 248322 | Cross, Evan R | Uninsured Employer | | | \$0 | \$3,750 |
| 248126 | Dominguez, Saul | Uninsured Employer | | | \$0 | \$5,760 |
| CR174943 | Franco, John Robert / Robert's Home Services, Robert's Handyman Services | Uninsured Employer | 180 day(s) jail 36 month(s) probation | | \$0 | \$23,145 |

Marin County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|--------------------|--|---------------|-------------|---------------|
| 248277 | Hashem Jr., Fouad | Uninsured Employer | | | \$0 | \$750 |
| 248128 | Herrera / Pat Trainor Drywall, Inc. | Uninsured Employer | | | \$0 | \$170 |
| SC178946 | Howard, Don Mark / New Almaden Plumbing | Uninsured Employer | 29 day(s) jail 36 month(s) probation 100 hour(s) community service | | \$0 | \$10,000 |
| 248272 | Koloamatangi, Sione | Uninsured Employer | | | \$0 | \$3,800 |
| 248129 | Rottmayer, Jim / Rottmayer Construction | Uninsured Employer | | | \$0 | \$350 |

Merced County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|----------------------------|--------------------|--|---------------|-------------|---------------|
| CRM021364 | Belasco, Ramaldo | Uninsured Employer | Referred to Community Accountability Program | | \$0 | \$0 |
| CRM020263 | Ellison, Brandon Alan | Uninsured Employer | | | \$5,000 | \$2,310 |
| CRM020612 | Esparanza, Jorge Castaneda | Uninsured Employer | | | \$1,000 | \$260 |
| CRM021393 | Galvin, Angello Ernest | Uninsured Employer | 36 month(s) probation | | \$1,000 | \$390 |
| CRM019208 | Garcia, Salvador | Uninsured Employer | | | \$1,000 | \$240 |
| CRM020282 | Gonzalez, Jose | Uninsured Employer | 36 month(s) probation | | \$810 | \$1,000 |
| CRM021398 | Hernandez, Jesse | Uninsured Employer | 36 month(s) probation | | \$1,000 | \$190 |

Merced County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|----------------------------|--------------------|-----------------------|---------------|-------------|---------------|
| CRM021396 | Hunstable, Shawn Parkman | Uninsured Employer | 36 month(s) probation | | \$1,000 | \$190 |
| CRM021397 | Katsounmakis, Gary William | Uninsured Employer | 36 month(s) probation | | \$1,000 | \$190 |
| CRM020252 | Kelly, Kenneth Randall | Uninsured Employer | | | \$0 | \$1,000 |
| CRM020281 | Murrietta, Salvador | Uninsured Employer | | | \$0 | \$1,000 |
| CRM023055 | Seibert, George Wayne | Uninsured Employer | | | \$1,000 | \$190 |

Monterey County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---------------------|--------------------|--------------------------------------|---------------|-------------|---------------|
| WCF11-0142 | Cremona, Ricky | Uninsured Employer | 5 day(s) jail 36 month(s) probation | | \$0 | \$10,170 |
| WCF11-0119 | Cruz, Jose | Uninsured Employer | 90 day(s) jail 36 month(s) probation | | \$6,054 | \$20,440 |
| WCF11-0097 | Fale, Lavaki | Claimant Fraud | 60 day(s) jail 60 month(s) probation | | \$20,000 | \$20,640 |
| WCF12-0028 | Fregoso, Pablo | Other | | | \$0 | \$15,380 |
| WCF12-0022 | Guereque, Art | Uninsured Employer | | | \$0 | \$10,070 |
| WCF09-0075 | Lopez, Manuel / GTO | Other | 1 day(s) jail 36 month(s) probation | | \$0 | \$10,170 |
| WCF11-0125 | Mendieta, Cesar | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$0 | \$10,070 |
| WCF12-0013 | Mendieta, Cesar | Uninsured Employer | 30 day(s) jail 36 month(s) probation | | \$0 | \$2,190 |

Monterey County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|-------------------------------------|------------------------------|--------------------------------------|---------------|-------------|---------------|
| WCF11-0073 | Meola, James / A Dunn Deal II, Inc. | Uninsured Employer | 10 day(s) jail 36 month(s) probation | | \$0 | \$3,070 |
| WCF09-0059 | Schreiner, Robert | Single Entity Provider Fraud | 30 day(s) jail 24 month(s) probation | | \$1,977 | \$8,010 |
| WCF12-0023 | Smith, James | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$0 | \$10,070 |
| WCF12-0021 | Torres, Juan Francisco | Claimant Fraud | 10 day(s) jail 36 month(s) probation | | \$0 | \$10,070 |
| WCF11-0057 | Valdez, Jose | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$0 | \$10,290 |
| WCF12-0011 | Valdez, Luis | Uninsured Employer | 60 day(s) jail 60 month(s) probation | | \$0 | \$10,200 |

Napa County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---------------------|----------------|--------------------------------------|---------------|-------------|---------------|
| 198701215- | Weaver, Randall Ray | Claimant Fraud | 30 day(s) jail 36 month(s) probation | | \$2,176 | \$1,150 |

Orange County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|-----------------------|---------------|--|---------------|-------------|---------------|
| 11CF2246 | Barber, Timothy David | Insider Fraud | 36 month(s) prison 240 day(s) jail 99 month(s) probation | | \$225,390 | \$200 |
| 11CF1636 | Busch, Michael Steven | Insider Fraud | 44 month(s) prison 180 day(s) jail 60 month(s) probation | | \$32,568 | \$200 |

Orange County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|--------------------|---|---------------|--------------|---------------|
| 11CF1321 | Fierro, Michelle Lynnette | Other | 180 day(s) jail 60 month(s) probation | | \$13,007 | \$200 |
| 07CF1161 | Figuroa, Robert Washington | Claimant Fraud | 60 day(s) jail 60 month(s) probation | | \$35,500 | \$200 |
| 08CF0483 | Holley, Michael Amzie / So Cal Roofing | Premium Fraud | 365 day(s) jail 99 month(s) probation | | \$510,884 | \$240 |
| 08ZF0025 | Keophimphone, Pancha | Other | 36 month(s) prison 360 day(s) jail 60 month(s) probation | | \$0 | \$200 |
| 09CF1067 | Kile, Devon Lynn / Petronella Roofing | Premium Fraud | 120 month(s) prison 365 day(s) jail 99 month(s) probation | | \$32,902,380 | \$200 |
| 11CF0662 | Klinger, Dorothy Louise / Modern Tree Service | Premium Fraud | 60 month(s) prison 180 day(s) jail 99 month(s) probation | | \$5,566,209 | \$200 |
| 11CF0662 | Klinger, James Joseph / Modern Tree Service | Premium Fraud | 60 month(s) prison 180 day(s) jail 99 month(s) probation | | \$0 | \$200 |
| 11CM12501 | Phillips, Ron Allan | Uninsured Employer | 36 month(s) probation 40 hour(s) community service | | \$0 | \$10,100 |
| 09CF1413 | Quiroz, Demetrio Rivera | Claimant Fraud | 218 day(s) jail 36 month(s) probation | | \$4,404 | \$100 |
| 12CF0807 | Ready, Anthony | Claimant Fraud | 36 month(s) prison | | \$164,502 | \$240 |
| 12CF0318 | Thompson, Michael | Claimant Fraud | 48 month(s) prison | | \$8,300 | \$200 |

Riverside County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|--------------------|---------------------------------------|---------------|-------------|---------------|
| RIM1202544 | Bacani, Angelito / Dimensional Metrology | Uninsured Employer | 36 month(s) probation | | \$210 | \$2,000 |
| RIM1116211 | Bacani, Angelito / Ivan's Automotive Machine Shop | Uninsured Employer | 36 month(s) probation | | \$210 | \$2,000 |
| RIF1000410 | Barragan, Ingrid Jeaneth | Claimant Fraud | 2 day(s) jail 36 month(s) probation | | \$34,554 | \$0 |
| SWM1200890 | Bugarin, Elias / Aztlan Tacos | Uninsured Employer | 36 month(s) probation | | \$210 | \$10,390 |
| 10000296 | Cambronero, Edwin | Claimant Fraud | 90 day(s) jail 60 month(s) probation | | \$0 | \$0 |
| RIM1201551 | Campos, Mario Arturo / Inpro Plastic Works | Uninsured Employer | 36 month(s) probation | | \$320 | \$2,000 |
| 1103828 | Cavins, Michael Allen | Claimant Fraud | 1 day(s) jail 36 month(s) probation | | \$8,075 | \$1,000 |
| 1102761 | Choi, Woong / Sakura Japanese Cuisine | Uninsured Employer | 36 month(s) probation | | \$210 | \$1,710 |
| RIF1100014 | Corbin, Dean | Claimant Fraud | 120 day(s) jail 36 month(s) probation | | \$354,348 | \$0 |
| 1110959 | Dastmalchian, Yahya | Uninsured Employer | | | \$10,000 | \$0 |
| RIF1100023 | Davis, Albert / So Cal Moving, Inc. | Premium Fraud | 120 day(s) jail 36 month(s) probation | | \$25,000 | \$0 |
| 1100023 | Davis, Annette / So Cal Moving, Inc. | Premium Fraud | 120 day(s) jail 36 month(s) probation | | \$25,000 | \$0 |
| RIM1202534 | Del Rio, Maria Teresa / Los Robles Bar & Grill | Uninsured Employer | 36 month(s) probation | | \$210 | \$2,000 |
| 1103827 | Escobar, Aaron Robert | Claimant Fraud | 1 day(s) jail 36 month(s) probation | | \$20,175 | \$0 |

Riverside County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|--------------------------------------|---------------|-------------|---------------|
| 1104911 | Feyzjou, Kiarash / Feyzjou Law Group | Uninsured Employer | | | \$210 | \$4,390 |
| 1116576 | Garcia, Flavia Contreras | Uninsured Employer | 36 month(s) probation | | \$210 | \$2,000 |
| SWF1101165 | Gonzalez, Carlos / Gonzo Construction | Premium Fraud | 2 day(s) jail 36 month(s) probation | | \$444,110 | \$65,712 |
| 1102760 | Gonzalez, Javier / CV Automotive | Uninsured Employer | 36 month(s) probation | | \$275 | \$1,710 |
| RIF1104063 | Hernandez, Sergio / So Cal Forklift | Uninsured Employer | 60 day(s) jail 36 month(s) probation | | \$3,725 | \$7,140 |
| 1102769 | Kim, Bruce / Shiatsu Massage | Uninsured Employer | 36 month(s) probation | | \$210 | \$4,210 |
| 1100014 | Krage, Robert / Corbin Custom Tile | Premium Fraud | 36 month(s) probation | | \$130,794 | \$0 |
| 1106523 | Mora, Eloisa / J's Automotive | Uninsured Employer | 36 month(s) probation | | \$210 | \$1,000 |
| RIF1104063 | Rivas, Gabriel / Riverside Forklift | Uninsured Employer | 45 day(s) jail 36 month(s) probation | | \$0 | \$0 |
| 1102904 | Roley, Dale Dwain | Claimant Fraud | 1 day(s) jail 36 month(s) probation | | \$0 | \$0 |
| 1102904 | Roley, Julie Ann | Claimant Fraud | 1 day(s) jail 36 month(s) probation | | \$2,100 | \$1,000 |
| RIM1201534 | Rosas, Yadira Maria / Toreros Restaurant | Uninsured Employer | 36 month(s) probation | | \$125 | \$1,000 |
| RIM1202532 | Rush, Rosemarie Natalia / South 40 | Uninsured Employer | 36 month(s) probation | | \$210 | \$2,000 |

Riverside County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|---------------------------------------|---------------|-------------|---------------|
| INM1102864 | Sanchez, Juan / Desert Tire Shop | Claimant Fraud | | | \$210 | \$1,110 |
| RIF1200179 | Serrano, Frankie | Claimant Fraud | 36 month(s) probation | | \$2,200 | \$0 |
| RIM1201546 | Steyer, Russell John / Centerless Repair | Uninsured Employer | 36 month(s) probation | | \$210 | \$2,000 |
| INF062585 | Sumpter, Charlene Louise | Claimant Fraud | 1 day(s) jail 36 month(s) probation | | \$14,829 | \$0 |
| RIM1105617 | Sweidans, Rafat F | Uninsured Employer | 365 day(s) jail 36 month(s) probation | | \$5,000 | \$46,000 |
| 1101110 | Wahl, Michael / Discount Tire | Claimant Fraud | 120 day(s) jail 36 month(s) probation | | \$0 | \$1,000 |
| 10008146 | Wang, Wen Jun / Palm Massage | Uninsured Employer | 36 month(s) probation | | \$210 | \$4,000 |
| RIF1103826 | Williams, Shawn / TC Comm, Inc. | Claimant Fraud | 1 day(s) jail 36 month(s) probation | | \$3,800 | \$1,000 |

Sacramento County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---------------------------------------|--------------------|---|---------------|-------------|---------------|
| 12M00012 | Bender, Ricky | Uninsured Employer | 36 month(s) probation | | \$0 | \$640 |
| 10F01816 | Biasi, Cynthia Ann | Claimant Fraud | Pending Sentencing | | \$0 | \$0 |
| 11F07254 | Bowen Jr., Marlon Thomas | Claimant Fraud | 36 month(s) probation 114 hour(s) community service | | \$3,203 | \$100 |
| 12M00024 | Bunse, Jim / Another Construction Co. | Uninsured Employer | 36 month(s) probation | | \$0 | \$966 |

Sacramento County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|--------------------|--|---------------|-------------|---------------|
| 11M02418 | Cabral, Candelario / Valley Tree Service | Uninsured Employer | 30 day(s) jail 36 month(s) probation | | \$0 | \$4,460 |
| 11M00218 | Canas, Carlos Mario / Carlos Tree Service | Uninsured Employer | 36 month(s) probation | | \$0 | \$370 |
| 12M00016 | Chand, Himanshu Ramesh / Himanshu Chand | Uninsured Employer | 36 month(s) probation | | \$0 | \$930 |
| 11F06724 | Else, Virginia Marie | Other | 36 month(s) probation 174 hour(s) community service | | \$0 | \$100 |
| 11M00216 | Gray, Christian / Gray & Gray Construction | Uninsured Employer | 10 day(s) jail 36 month(s) probation | | \$0 | \$1,234 |
| 11F02658 | Hall, Cynthia Diane | Claimant Fraud | 36 month(s) probation | | \$214 | \$100 |
| 11F03034 | Kumar, Anil / Sysco Fire Protection | Premium Fraud | | \$98,000 | \$0 | \$0 |
| 11M00212 | Lopez, Humberto | Uninsured Employer | 36 month(s) probation | | \$0 | \$640 |
| 11M02416 | Mains, William Dennis / Mains Construction | Uninsured Employer | 36 month(s) probation | | \$0 | \$100 |
| 07F06393 | Mullins, Mark Anthony | Claimant Fraud | 180 day(s) jail 36 month(s) probation | | \$0 | \$100 |
| 11M02446 | Nolen, David Daniel / Out Of The Rough Yard Maint & Landscaping | Uninsured Employer | 36 month(s) probation | | \$0 | \$990 |
| 11M00207 | Ortiz, Armando Jerry | Uninsured Employer | 10 day(s) jail 36 month(s) probation 114 hour(s) community service | | \$0 | \$200 |
| 11M00219 | Ozuna, Feliciano Llimones / FX Roofing | Uninsured Employer | 10 day(s) jail 36 month(s) probation 114 hour(s) community service | | \$0 | \$890 |

Sacramento County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|-----------------------|---|---------------|-------------|---------------|
| 11M02423 | Renteria, Federico Quezada / Fred's Landscape | Uninsured Employer | 36 month(s) probation | | \$0 | \$640 |
| 06F04911 | Sewell, Clyde Cephys / North Pointe Enterprises | Premium Fraud | Pending Sentencing | \$2,300,000 | \$1,375,000 | \$200 |
| 06F04911 | Sewell, Jackie Louise / North Pointe Enterprises | Premium Fraud | Pending Sentencing | | \$0 | \$0 |
| 10F01816 | Smiley, John Alfonzo | Claimant Fraud | Pending Sentencing | | \$0 | \$0 |
| 09F05660 | Stokan, Joseph Eugene | Claimant Fraud | 30 day(s) jail 36 month(s) probation | | \$0 | \$100 |
| 06F04911 | Studer, Toni Paige / North Pointe Enterprises | Premium Fraud | Pending Sentencing | | \$0 | \$0 |
| 11M02421 | Thennis, Douglas Lee / T & T Construction | Uninsured Employer | 18 month(s) probation | | \$0 | \$990 |
| 11F06747 | Thornton, Roy Wayne | Premium Fraud | 60 day(s) jail 36 month(s) probation | | \$2,367 | \$100 |
| 11M02415 | Vega, Roman | Uninsured Employer | 36 month(s) probation | | \$0 | \$890 |
| 11M02422 | Wachholtz, Mark Cornell | Uninsured Employer | 18 month(s) probation | | \$0 | \$890 |
| 06F00961 | Wilson, Russell Kent | Claimant Fraud | 30 day(s) jail 36 month(s) probation | | \$2,000 | \$100 |
| 11M02417 | Withington, Bradley Robert | Uninsured Employer | 10 day(s) jail 36 month(s) probation | | \$0 | \$990 |

San Bernardino County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|--------------------|--|---------------|-------------|---------------|
| MSB907040 | Aladdin Entertainment | Uninsured Employer | | | \$0 | \$10,180 |
| FSB1100345 | Aragon, Elaine | Claimant Fraud | 1 day(s) jail 40 hour(s) community service | | \$0 | \$180 |
| FSB1104242 | Bernal, Carlos | Claimant Fraud | 36 month(s) probation | | \$39,287 | \$200 |
| FSB038722 | Bonet, Janey / Steelmasters | Premium Fraud | 48 month(s) probation | | \$50,000 | \$200 |
| MSB1101981 | Castillo, Manuel / Iron Works | Uninsured Employer | | | \$0 | \$1,000 |
| FWV1100937 | Chandler, Heather | Claimant Fraud | 36 month(s) probation | | \$9,420 | \$202 |
| FSB1201351 | Davis, Sharie / Davis Enterprise | Premium Fraud | 1 day(s) jail 36 month(s) probation | | \$214,143 | \$380 |
| FSB1101655 | Furnas, Melinda | Claimant Fraud | 1 day(s) jail 36 month(s) probation | | \$0 | \$3,000 |
| MVA1001767 | Hankopyan, Garnik / West Coast Auto Transport | Uninsured Employer | Civil Compromise | | \$0 | \$8,000 |
| MVA803139 | Hankopyan, Garnik / West Coast Auto Transport | Uninsured Employer | Civil Compromise | | \$0 | \$0 |
| MCH1100477 | Hernandez, Sue / Venus Skin Care | Uninsured Employer | 36 month(s) prison | | \$0 | \$1,110 |
| MSB1102785 | Lima, Luis / Limas Wheel Alignment | Uninsured Employer | 12 month(s) probation | | \$0 | \$680 |
| FSB1104414 | McBride, Keith / Apple Dumplin Bakery | Claimant Fraud | 36 month(s) probation | | \$0 | \$432 |
| FWV1003092 | Mendoza, Pedro / Roofing Excellence | Premium Fraud | 270 day(s) jail 60 month(s) probation | | \$1,302,000 | \$725 |

San Bernardino County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|-------------------------------------|---------------|-------------|---------------|
| FWV1003092 | Moreno, Sergio / Roofing Excellence | Premium Fraud | 60 month(s) probation | | \$0 | \$180 |
| MVI1003308 | Munoz, Humberto / Hesperia Quality Meats | Uninsured Employer | 24 month(s) probation | | \$0 | \$1,680 |
| FWV1103254 | Palafox, Eriverto | Claimant Fraud | 36 month(s) probation | | \$0 | \$0 |
| FWV1102199 | Perry Roofing | Premium Fraud | | | \$15,670 | \$0 |
| FCH1100163 | Ramirez, Joe / Jacon Construction | Premium Fraud | 1 day(s) jail 36 month(s) probation | | \$27,066 | \$402 |
| FCH1100163 | Ramirez, Norma / Jacon Construction | Premium Fraud | 1 day(s) jail 36 month(s) probation | | \$0 | \$402 |
| FSB1201644 | Renshaw, Andrew | Other | 36 month(s) probation | | \$0 | \$202 |
| FWV1102600 | Rios, Ruben | Other | 34 day(s) jail | | \$0 | \$0 |
| FWV1003092 | Valtierra, Martha / Roofing Excellence | Premium Fraud | 60 month(s) probation | | \$0 | \$180 |
| FSB1104414 | Ventura, Lois / Apple Dumplin Bakery | Claimant Fraud | 36 month(s) probation | | \$2,000 | \$552 |
| FVA1100450 | Vidales, Abel | Claimant Fraud | 36 month(s) probation | | \$6,631 | \$180 |
| MSB1102081 | Vielmas, Cuahutemoc / Best Auto Repair | Uninsured Employer | 36 month(s) probation | | \$0 | \$2,180 |

San Diego County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|-------------------------------|--------------------|-----------------------|---------------|-------------|---------------|
| M094522 | Bradley Security Agency, Inc. | Uninsured Employer | 36 month(s) probation | | \$10,000 | \$0 |
| M094566 | Anderson, Melanie J | Uninsured Employer | 12 month(s) probation | | \$0 | \$250 |

San Diego County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|--|---------------|-------------|---------------|
| M094566 | Anderson, Terry | Uninsured Employer | 12 month(s) probation | | \$0 | \$250 |
| M094594 | Arango, Antonio E. | Uninsured Employer | 36 month(s) probation | | \$1,000 | \$425 |
| ADB889 | Arroyo, Salvador | Claimant Fraud | 90 day(s) jail 36 month(s) probation | | \$12,778 | \$0 |
| M094524 | Asuncion Flower Shop, Inc. | Uninsured Employer | 36 month(s) probation | | \$6,000 | \$0 |
| M094552 | Avanzato, Giuseppe | Uninsured Employer | | | \$500 | \$0 |
| M094526 | Bently, Lisa / Lisa Bently Enterprises | Uninsured Employer | | | \$1,500 | \$0 |
| M094587 | Bernard, Kenneth | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$5,000 | \$425 |
| ACX845 | Britt, Miranda B | Claimant Fraud | 1 day(s) jail 20 hour(s) community service | | \$0 | \$593 |
| ACY275 | Brown, Rhonda L | Claimant Fraud | 36 month(s) probation | | \$0 | \$0 |
| M094556 | Cal Vina, Pho | Uninsured Employer | 36 month(s) probation | | \$4,000 | \$100 |
| M094564 | Cazares, Alex | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$1,000 | \$425 |
| M094523 | Chavez Markets, Inc. | Uninsured Employer | 36 month(s) probation | | \$0 | \$0 |
| M094523 | Chavez, Sylvia | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$25,646 | \$479 |
| M094546 | Chi-Co, Inc. | Uninsured Employer | | | \$3,000 | \$0 |

San Diego County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---------------------------|--------------------|---|---------------|-------------|---------------|
| M094546 | Chiquete-Corral, Laura | Uninsured Employer | | | \$0 | \$235 |
| ACY032 | Conway, Kathleen J | Claimant Fraud | 121 day(s) jail 36 month(s) probation 240 hour(s) community service | | \$5,000 | \$425 |
| ACX627 | Corona, Edgar | Claimant Fraud | 2 day(s) jail 36 month(s) probation | | \$9,500 | \$0 |
| M094550 | Cortez, Alberto J | Uninsured Employer | 36 month(s) probation 120 hour(s) community service | | \$0 | \$130 |
| M094550 | Cortez, Elizabeth | Uninsured Employer | 36 month(s) probation | | \$0 | \$130 |
| M094550 | Cortez, Elvira | Uninsured Employer | 1 day(s) jail 36 month(s) probation 120 hour(s) community service | | \$28,000 | \$130 |
| M094553 | Creative Upholstery, Inc. | Uninsured Employer | 36 month(s) probation | | \$0 | \$0 |
| M094531 | Darman, Randall B | Uninsured Employer | 36 month(s) probation | | \$5,000 | \$239 |
| M094558 | Diaz Gonzalez, Luis | Uninsured Employer | 36 month(s) probation | | \$500 | \$100 |
| M094526 | Enterprises, Lisa Bentley | Uninsured Employer | | | \$0 | \$1,500 |
| M094595 | Flores, Ruben B | Uninsured Employer | 36 month(s) probation | | \$1,500 | \$425 |
| M094565 | Gaeta, Brian | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$5,000 | \$425 |
| ACX998 | Gladman, Leslie C | Premium Fraud | 1 day(s) jail | | \$836,000 | \$0 |
| ACY035 | Gracie, Clark R | Claimant Fraud | 36 month(s) probation | | \$10,223 | \$0 |

San Diego County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|--------------------|--|---------------|-------------|---------------|
| M094544 | Guerra, Juan M | Uninsured Employer | 12 month(s) probation | | \$500 | \$0 |
| M094591 | Hernandez, Daniel A | Uninsured Employer | 36 month(s) probation | | \$2,000 | \$0 |
| M094553 | Hernandez, Roberto | Uninsured Employer | 36 month(s) probation | | \$6,000 | \$250 |
| M094529 | Hesketh, Dean D / Hesketh Growers, Inc. | Uninsured Employer | 36 month(s) probation | | \$0 | \$0 |
| M094540 | Huerta, Daniel | Uninsured Employer | 36 month(s) probation | | \$6,500 | \$0 |
| M094503 | Ivicevic, Lisa | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$0 | \$479 |
| M094503 | Ivicevic, Richard | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$0 | \$479 |
| M094525 | Jo, Chang R | Uninsured Employer | 36 month(s) probation | | \$4,000 | \$0 |
| ACX807 | Kaufman, Mark A | Premium Fraud | 60 month(s) probation | | \$42,373 | \$0 |
| M094598 | Ledezma, Oscar | Uninsured Employer | 36 month(s) probation | | \$1,000 | \$425 |
| M094526 | Lisa Bently Enterprises | Uninsured Employer | | | \$0 | \$1,500 |
| M094555 | Lozier, Marshall T | Uninsured Employer | | | \$1,000 | \$125 |
| M094555 | Lozier, Sheryl | Uninsured Employer | | | \$0 | \$125 |
| ACX312 | Lucero, Jorje | Claimant Fraud | 2 day(s) jail 36 month(s) probation 40 hour(s) community service | | \$13,465 | \$170 |

San Diego County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|------------------------------------|--------------------|---|---------------|-------------|---------------|
| M094600 | Manzo, Esperanza G | Uninsured Employer | | | \$0 | \$150 |
| ACX998 | Miller, Vicki J | Premium Fraud | 1 day(s) jail 36 month(s) probation | | \$0 | \$350 |
| ACX174 | Miranda, Xenia A | Claimant Fraud | 2 day(s) jail 60 month(s) probation 320 hour(s) community service | | \$0 | \$0 |
| M094509 | Momentum Tutoring | Uninsured Employer | | | \$5,000 | \$0 |
| ACX814 | Montes, Armando V | Claimant Fraud | 1 day(s) jail 36 month(s) probation | | \$4,722 | \$0 |
| M094596 | Morales, Marco A | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$1,000 | \$425 |
| M094556 | Nguyen, Thu D | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$0 | \$100 |
| M094545 | Perez, Muncio C | Uninsured Employer | 36 month(s) probation | | \$4,000 | \$100 |
| M094560 | Proformance Apparel Group, LLC. | Uninsured Employer | 36 month(s) probation | | \$0 | \$100 |
| M094551 | Ramos, Maria R | Uninsured Employer | 36 month(s) probation | | \$1,000 | \$200 |
| M094537 | Rangel Flowers, Inc. | Uninsured Employer | 36 month(s) probation | | \$4,000 | \$100 |
| M094537 | Rangel, Angel | Uninsured Employer | 36 month(s) probation | | \$0 | \$200 |
| M094503 | San Marcos Wholesale Flowers, Inc. | Uninsured Employer | 36 month(s) probation | | \$4,000 | \$0 |
| M094560 | Sawyer, Richard L | Uninsured Employer | 36 month(s) probation | | \$0 | \$100 |

San Diego County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|-----------------------|--------------------|-------------------------------------|---------------|-------------|---------------|
| M094524 | Sebstian, Francisco J | Uninsured Employer | 2 day(s) jail 36 month(s) probation | | \$0 | \$100 |
| ACY282 | Smith, Billy E | Claimant Fraud | 1 day(s) jail 36 month(s) probation | | \$13,878 | \$800 |
| C310790 | Stevens, Robin L | Uninsured Employer | 36 month(s) probation | | \$500 | \$250 |
| M094540 | THX Transport, LLC. | Uninsured Employer | 36 month(s) probation | | \$0 | \$0 |
| ACY196 | Weyman, Robert | Premium Fraud | | | \$59,568 | \$0 |
| ACX851 | Windrem, Gary | Claimant Fraud | 1 day(s) jail 36 month(s) probation | | \$4,767 | \$254 |
| M094581 | Zeto, Samer | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$1,000 | \$425 |

San Francisco County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|-------------------|--------------------|---|---------------|-------------|---------------|
| 10016549 | Corral, Letty | Insider Fraud | 365 day(s) jail 36 month(s) probation | | \$65,180 | \$200 |
| 2392702 | Hijawi, Christina | Claimant Fraud | 2 day(s) jail 36 month(s) probation 150 hour(s) community service | | \$100,000 | \$0 |
| 11009485 | Ho, Danny Chi | Uninsured Employer | 365 day(s) jail 60 month(s) probation | | \$81,778 | \$0 |
| 2434958 | Thomas, Donnie | Premium Fraud | 36 month(s) prison | | \$169,000 | \$15,000 |

San Joaquin County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---------------------------------------|----------------|-----------------------|---------------|-------------|---------------|
| SF118736C | Kral, Steven / DHMS | Premium Fraud | 12 month(s) probation | | \$0 | \$120 |
| SF118559A | Mallari, Danilo / State Of California | Claimant Fraud | 36 month(s) probation | | \$2,000 | \$110 |
| SF118559B | Mallari, Dinna / State Of California | Premium Fraud | 36 month(s) probation | | \$2,000 | \$110 |
| SF118736A | Mehenni, Hamid / DHMS | Premium Fraud | 36 month(s) probation | | \$0 | \$1,120 |

San Luis Obispo County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|----------------------|----------------|-----------------------|---------------|-------------|---------------|
| 11-2417 | Guzman, Diana Garces | Claimant Fraud | 24 month(s) probation | | \$2,235 | \$500 |

San Mateo County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|-----------------------|---------------|-------------|---------------|
| NM401693 | Joe, Joe / Redwood CIYT | Uninsured Employer | 12 month(s) probation | | \$0 | \$10,180 |
| SM380026 | Morales, Pedro | Uninsured Employer | 18 month(s) probation | | \$0 | \$10,212 |
| NM401694 | Ramiro, Rodney | Uninsured Employer | 18 month(s) probation | | \$0 | \$10,000 |
| NM406213 | Tran, Calvin | Uninsured Employer | 18 month(s) probation | | \$0 | \$10,000 |
| SC072259A | Wysocki, Ronald / California Indemnity | Claimant Fraud | 48 month(s) probation | | \$0 | \$170 |

Santa Barbara County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|----------------|---------------------------------------|---------------|-------------|---------------|
| 1355328 | Christiansen, Robert | Claimant Fraud | 180 day(s) jail 60 month(s) probation | | \$188,919 | \$1,600 |
| 1366712 | Zarate, Jose Andres / Four Seanson's Santa Barbara | Claimant Fraud | 24 month(s) probation | | \$73,947 | \$265 |

Santa Clara County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|--------------------|-----------------------|---------------|-------------|---------------|
| C1120076 | Abdelfattah, Suliman O / Good Earth Landscaping | Claimant Fraud | 12 month(s) probation | | \$0 | \$100 |
| CC961952 | American Metal Group / American Metal & Iron | Premium Fraud | 6 month(s) probation | | \$320,000 | \$40,000 |
| C1116816 | Angeles, Rigoberto Espino | Uninsured Employer | 12 month(s) probation | | \$0 | \$110 |
| C1199560 | Angulo, Norma Gonzalez / Norma's Tree Service | Uninsured Employer | 12 month(s) probation | | \$0 | \$110 |
| CC961952 | Antique Salvage & Liquida / American Metal & Iron | Premium Fraud | 6 month(s) probation | | \$0 | \$40,000 |
| C1120152 | Barajas, Arturo Aceves / Barajas Construction | Uninsured Employer | 12 month(s) probation | | \$0 | \$232 |
| C1116806 | Barajas, Mario Gomez / V & M Iron Works | Uninsured Employer | 24 month(s) probation | | \$0 | \$132 |
| C1230812 | Baser, Orhan / ABC Remodel, Inc. | Other | 12 month(s) probation | | \$0 | \$100 |
| C1120153 | Cadet, Richard Philip / Tedac Construction | Uninsured Employer | 12 month(s) probation | | \$0 | \$50 |
| C1120097 | Carrillo, Enrique / Enrique Carrillo Construction | Uninsured Employer | 24 month(s) probation | | \$0 | \$110 |

Santa Clara County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|-------------------------------------|---------------|-------------|---------------|
| C1120150 | Castello, John Anthony / Castello Landscape Construction | Uninsured Employer | 12 month(s) probation | | \$0 | \$132 |
| C1102724 | Chen, Guo Feng / Cody Landscaping | Uninsured Employer | 1 day(s) jail 24 month(s) probation | | \$0 | \$110 |
| C1120098 | Chien, Howard Chi Kuei | Uninsured Employer | 24 month(s) probation | | \$0 | \$110 |
| C1122357 | Chivers, Dennis William / Dennis Chivers Construction | Uninsured Employer | 1 day(s) jail 12 month(s) probation | | \$0 | \$100 |
| C1116803 | Chung, Thomas Tai / DWK Construction | Uninsured Employer | 1 day(s) jail 12 month(s) probation | | \$0 | \$110 |
| C1113170 | Cisneros, Abel | Uninsured Employer | 1 day(s) jail 12 month(s) probation | | \$0 | \$110 |
| C1199080 | Coetzee, David Hendrik | Claimant Fraud | 20 day(s) jail 9 month(s) probation | | \$0 | \$110 |
| C1088389 | Coronado, Mario Alberto | Uninsured Employer | 1 day(s) jail 12 month(s) probation | | \$0 | \$110 |
| C1113542 | Do, Nathan Nghia / Five Star General Construction | Uninsured Employer | 1 day(s) jail 24 month(s) probation | | \$0 | \$210 |
| C1116802 | Do, Tri Minh / Tri Construction | Uninsured Employer | 6 month(s) probation | | \$0 | \$100 |
| C1228477 | Fernandez, Gilberto / G. Fernandez Construction | Uninsured Employer | 12 month(s) probation | | \$0 | \$602 |
| C1103569 | Fournier, Richard Norman | Claimant Fraud | 24 month(s) probation | | \$0 | \$1,100 |
| C1223602 | Fuller, Michael Minh-Tri / Anything Tile | Uninsured Employer | 12 month(s) probation | | \$0 | \$100 |

Santa Clara County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|--------------------|--|---------------|-------------|---------------|
| C1116517 | Garcia, Juan Manuel | Uninsured Employer | 12 month(s) probation | | \$0 | \$110 |
| CC961952 | Gardner, Patricia / American Metal & Iron | Premium Fraud | 12 month(s) probation 75 hour(s) community service | | \$0 | \$500 |
| CC961952 | Ginestra, Debra / American Metal & Iron | Premium Fraud | 6 month(s) probation 75 hour(s) community service | | \$0 | \$500 |
| C1102321 | Gomez, Jesus Meza | Claimant Fraud | 1 day(s) jail 24 month(s) probation | | \$0 | \$110 |
| C1121803 | Gonzales, Manuel / New Phase Concrete | Uninsured Employer | 12 month(s) probation | | \$0 | \$132 |
| C1104092 | Gonzalez, Sr., Sergio Gayton / Stoneridge Roofing | Premium Fraud | 90 day(s) jail 36 month(s) probation | | \$20,000 | \$48,000 |
| C1116518 | Gopalswamy, Ramshander / Cupertino Bakery | Uninsured Employer | 12 month(s) probation | | \$0 | \$200 |
| C1104829 | Hernandez, Nelson Jimenez | Claimant Fraud | 90 day(s) jail 36 month(s) probation | | \$3,595 | \$0 |
| C1104778 | Higgins, Barry Don / Cal West Tree Care | Uninsured Employer | 1 day(s) jail 24 month(s) probation | | \$0 | \$110 |
| C1230811 | Kenni, Isabel / Pro Tree Services | Other | 24 month(s) probation | | \$0 | \$100 |
| C1116815 | Kim, Chong Hwi / Bay One Construction | Uninsured Employer | 24 month(s) probation | | \$0 | \$110 |
| C1223525 | Knudsen, Anthony / TK Landscapes | Uninsured Employer | 24 month(s) probation | | \$0 | \$132 |
| C1122425 | Le, Nhon Minh / Le's Gardening | Uninsured Employer | 12 month(s) probation | | \$0 | \$132 |

Santa Clara County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|---|---------------|-------------|---------------|
| C1228136 | Lee, Hyunchul / Lee's Painting | Uninsured Employer | 12 month(s) probation | | \$0 | \$100 |
| C1104415 | Lee, Kan Lam / Kan Construction Remodel | Uninsured Employer | 12 month(s) probation | | \$0 | \$110 |
| C1117726 | Linzell, Michael Lloyd / A To Z Pool & Spa Repair | Uninsured Employer | 1 day(s) jail 12 month(s) probation | | \$0 | \$132 |
| CC961952 | McGeever, William / American Metal & Iron | Premium Fraud | | | \$0 | \$1,625 |
| C1226762 | Mohajer, Keyvan Karimi / Mohajer Construction | Uninsured Employer | 12 month(s) probation | | \$0 | \$100 |
| C1226761 | Montoya, Alfredo / Medallion Landscape | Uninsured Employer | 24 month(s) probation | | \$0 | \$100 |
| C1101487 | Naranjo, Ramon | Claimant Fraud | 180 day(s) jail 60 month(s) probation | | \$73,563 | \$264 |
| C1225852 | Ngo, Gia Binh / Gia Construction | Uninsured Employer | 1 day(s) jail 24 month(s) probation | | \$0 | \$100 |
| C1104037 | Palomares, Martina / Cabritos Mexican Bistro | Uninsured Employer | 12 month(s) probation | | \$0 | \$110 |
| C1122424 | Piona, Richard Michael / Richard's Asphalt Maintenance | Uninsured Employer | 24 month(s) probation | | \$0 | \$100 |
| C1117725 | Pompa, Juan Soto / Cal Painting | Uninsured Employer | 1 day(s) jail 12 month(s) probation | | \$0 | \$120 |
| C1199505 | Raslan, Malek | Claimant Fraud | 15 day(s) jail 12 month(s) probation 50 hour(s) community service | | \$20,000 | \$132 |

Santa Clara County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|---|---------------|-------------|---------------|
| C1102177 | Robertson, Joseph Zaldivar / Unified Dynamics Service | Uninsured Employer | 1 day(s) jail 24 month(s) probation | | \$0 | \$110 |
| C1226480 | Rodriguez, Alfredo Franco / A. Rodriguez Construction | Uninsured Employer | 1 day(s) jail 24 month(s) probation | | \$0 | \$100 |
| C1095247 | Rogers, Kenneth John / Ken's Tree Service | Uninsured Employer | 90 day(s) jail 36 month(s) probation | | \$0 | \$300 |
| C1225851 | Rohit, Narendra / R & R Building And Maintenance | Uninsured Employer | 12 month(s) probation | | \$0 | \$100 |
| C1104963 | Roman, Jaime / Roman's Tree Service | Premium Fraud | 2 day(s) jail 24 month(s) probation 100 hour(s) community service | | \$84,117 | \$500 |
| C1116805 | Romero, Alfredo / Romero Bobcat Service | Uninsured Employer | 1 day(s) jail 12 month(s) probation | | \$0 | \$110 |
| C1120377 | Ruiz, Arthur John / Dreamworks Construction | Uninsured Employer | 2 day(s) jail 12 month(s) probation | | \$0 | \$132 |
| C1113535 | Saatchi, Masoud / Bay Vista Construction | Uninsured Employer | 12 month(s) probation | | \$0 | \$132 |
| C1111473 | Sanchez, Jorge | Uninsured Employer | 12 month(s) probation | | \$0 | \$132 |
| C1104934 | Sidhu, Gursharn Singh / Guru Electric | Premium Fraud | Pending Sentencing | | \$0 | \$0 |
| C1116814 | Silva, Rui | Uninsured Employer | 12 month(s) probation | | \$0 | \$110 |
| C1104677 | Singh, Michael Charles / Michael C. Singh Construction | Premium Fraud | 210 day(s) jail 60 month(s) probation | | \$113,532 | \$220 |

Santa Clara County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|---|---------------|-------------|---------------|
| CC961952 | Soria, Jaime / American Metal & Iron | Premium Fraud | 12 month(s) probation 100 hour(s) community service | | \$0 | \$500 |
| C1228476 | Thai, Cody / Thai-Liao Property Investment | Uninsured Employer | 24 month(s) probation | | \$0 | \$100 |
| C1104962 | Torres, Robert O | Claimant Fraud | 60 day(s) jail 36 month(s) probation | | \$6,881 | \$220 |
| C1117732 | Torres-Garcia, Cristobal / Cris Torres Landscaping | Uninsured Employer | 12 month(s) probation | | \$0 | \$30 |
| C1104770 | Tran, Bao Van / Tran Hardwood Floor Service | Uninsured Employer | 12 month(s) probation | | \$0 | \$110 |
| C1103065 | Tran, Binh Quan / Binh Quan Tran Construction | Uninsured Employer | 12 month(s) probation | | \$0 | \$110 |
| C1120829 | Uai, Cindy Leona / Taufu Concrete | Uninsured Employer | 12 month(s) probation | | \$0 | \$110 |
| C1225850 | Vakalahi, Salesi Taulava / S.I.U. Construction | Uninsured Employer | 1 day(s) jail 12 month(s) probation | | \$0 | \$132 |
| C1119295 | Valdivia, Alberto Hernandez / Valdivia-Elliot Construction | Uninsured Employer | 1 day(s) jail 12 month(s) probation | | \$0 | \$120 |
| CC961952 | Velasquez Jr., John Francisco / American Metal & Iron | Premium Fraud | 12 month(s) probation | | \$0 | \$1,085 |
| C1116804 | Zetz, Matthew James / Zetz Construction | Uninsured Employer | 1 day(s) jail 12 month(s) probation | | \$0 | \$400 |

Santa Cruz County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--------------------------------------|--------------------|-----------------------|---------------|-------------|---------------|
| 2011160004 | Blan, Joseph | Uninsured Employer | 12 month(s) probation | | \$0 | \$0 |
| M60555 | Delgadillo, Manuel / Tri-City Towing | Uninsured Employer | 24 month(s) probation | | \$0 | \$0 |
| 2011160002 | Doyle, Edmund | Uninsured Employer | 12 month(s) probation | | \$0 | \$0 |
| 2011160001 | Houck, Michael | Uninsured Employer | 12 month(s) probation | | \$0 | \$0 |
| f20723 | Pickart, John / Chill Out Cafe | Uninsured Employer | 12 month(s) probation | | \$0 | \$0 |
| 2011160007 | Smythe, Brian | Uninsured Employer | 12 month(s) probation | | \$0 | \$0 |

Shasta County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|---------------------------------------|---------------|-------------|---------------|
| 11WC1297 | Ackerman, Randy | Uninsured Employer | 12 month(s) probation | | \$250 | \$500 |
| 11WC0180 | Armfield, Michael Earl / River City Tree Service | Uninsured Employer | 1 day(s) jail 12 month(s) probation | | \$250 | \$760 |
| 11WC0485 | Blankenship, Robert / Blankenship Pools | Uninsured Employer | 12 month(s) prison 1 day(s) jail | | \$0 | \$0 |
| 10WC903 | Conner, David Alan | Uninsured Employer | 1 day(s) jail 12 month(s) probation | | \$760 | \$250 |
| 08WC2159 | Feger, Pauline Anntoinette | Claimant Fraud | 60 day(s) jail 60 month(s) probation | | \$25,960 | \$2,991 |
| 08WC2157 | Stevenson, Tony Rory | Claimant Fraud | 180 day(s) jail 60 month(s) probation | | \$19,438 | \$5,915 |

Siskiyou County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|-----------------|----------------------------------|----------|---------------|-------------|---------------|
| 10-1572 | Danielson, Will | Multiple Entities Provider Fraud | | | \$0 | \$750 |

Sonoma County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|----------------|--|---------------|-------------|---------------|
| DAR641308 | Baggett, Rodney / Baggett Building Ent. | Premium Fraud | 24 month(s) probation 60 hour(s) community service | | \$45,347 | \$0 |
| DAR537978 | Lemus-Guzman, Francisco | Claimant Fraud | 90 day(s) jail 36 month(s) probation | | \$12,707 | \$0 |

Tehama County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---------------|---------------|-----------------------|---------------|-------------|---------------|
| BILL-176 | Sims, Michael | Premium Fraud | 36 month(s) probation | | \$0 | \$788 |

Tulare County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|-------------------|--------------------|--|---------------|-------------|---------------|
| 11-017362 | Ahmed, Naief | Uninsured Employer | 1 day(s) jail 36 month(s) probation | | \$0 | \$1,000 |
| 11006893 | Diaz Jr., Jose P. | Claimant Fraud | 1 day(s) jail 36 month(s) probation 80 hour(s) community service | | \$50,000 | \$0 |
| 11015483 | Garcia, Eugenio | Uninsured Employer | 36 month(s) probation | | \$0 | \$1,680 |
| 12-001809 | Gonzalez, Maria | Claimant Fraud | 36 month(s) probation | | \$0 | \$1,500 |

Tulare County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|-----------------------------------|--------------------|--|---------------|-------------|---------------|
| TCM257005 | Leon, Jorge | Uninsured Employer | 36 month(s) probation | | \$0 | \$1,680 |
| TCM259359 | Marroquin, Carlos | Uninsured Employer | 24 month(s) probation | | \$0 | \$1,680 |
| 10018493 | Mendoza, Daniel | Uninsured Employer | 36 month(s) probation | | \$0 | \$4,062 |
| 0901000029 | Mendoza, Jose / Valley Ag Labor | Premium Fraud | 30 day(s) jail 24 month(s) probation | | \$0 | \$132 |
| 10-020923 | Motty, Kristi Denise | Claimant Fraud | 180 day(s) jail 36 month(s) probation | | \$0 | \$500 |
| TCM256606 | Navarro, Aaron | Uninsured Employer | 24 month(s) probation 60 hour(s) community service | | \$1,700 | \$180 |
| TCM257006 | Padilla, Cladio | Uninsured Employer | 12 month(s) probation | | \$0 | \$1,500 |
| 0901000029 | Robles, Belen / Valley AG Labor | Premium Fraud | 12 day(s) jail 24 month(s) probation | | \$0 | \$132 |
| 0901000029 | Robles, Jose J. / Valley AG Labor | Premium Fraud | 16 day(s) jail 24 month(s) probation | | \$0 | \$132 |
| 0901000029 | Robles, Jose L. / Valley AG Labor | Premium Fraud | 365 day(s) jail 60 month(s) probation | | \$0 | \$202 |
| 0901000029 | Robles, Martina / Valley AG Labor | Premium Fraud | 8 day(s) jail 24 month(s) probation | | \$0 | \$202 |
| 11013106 | Rojas, Carlos | Uninsured Employer | 24 month(s) probation | | \$0 | \$610 |
| 11014473 | Saldana, Cesar | Claimant Fraud | 36 month(s) probation | | \$0 | \$1,680 |
| 11014474 | Sanchez, Jose | Uninsured Employer | 24 month(s) probation 40 hour(s) community service | | \$0 | \$1,680 |

Tulare County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|-----------------|--------------------|--|---------------|-------------|---------------|
| 12-006760 | Stevens, Shawn | Uninsured Employer | 1 day(s) jail 36 month(s) probation 60 hour(s) community service | | \$0 | \$1,000 |
| TCM259158 | Turner, Jeffrey | Uninsured Employer | 36 month(s) probation 60 hour(s) community service | | \$0 | \$5,000 |
| 10015525 | Zarate, Javier | Uninsured Employer | 24 month(s) probation 40 hour(s) community service | | \$0 | \$680 |

Ventura County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|--|--------------------|-----------------------|---------------|-------------|---------------|
| 2012002700 | Aragon-Vidal, Fernando / Junior's Auto Repair | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2009013886 | Arana, Manual / Many's Auto Repair | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2010024302 | California Auto Plus & Smog | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2012007443 | Campbell, Richard Keith / Rick's Japanese Car Care | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2010025074 | Charline's Urban Tapas | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2011000324 | De Jesus Tovar, Francisco / Asadero Foods | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2009014206 | De Rodriguez, Rita | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2012012073 | Delgado, Alice Parra / Jalisco Carniceria And Market | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |

Ventura County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|--------------------|---------------------------------------|---------------|-------------|---------------|
| 2008026847 | Diaz, Erendira | Claimant Fraud | 36 month(s) probation | | \$13,480 | \$0 |
| 2010043282 | El Taco Fresh | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2011012646 | El Tapatio | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2010033255 | Emma, Anthony / The Office Bar | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2012002236 | Espinoza, Yadder | Claimant Fraud | 180 day(s) jail 60 month(s) probation | | \$52,041 | \$300 |
| 2008033646 | Ferrara, Steven / West Coast Electrical Contractors | Premium Fraud | 36 month(s) probation | | \$75,732 | \$300 |
| 2011013222 | Galvez, Jose Luis / Master Tires | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2011012645 | Ghyczy, Robert / Kharma Lounge | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2012008500 | Granados, Irma Leticia / Accurate Automotive Services | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2011009281 | Knox, Tyrone / Sunset Terrace Restaurant | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2012005156 | Koester, Gary / Smog Check Only | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2010033254 | Los Campadres | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2012010320 | O'Donnell, Michael / O'Donnell Construction | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |

Ventura County (continued)

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|---|--------------------|---------------------------------------|---------------|-------------|---------------|
| 2010034637 | Ortega, Juana / Puerta Vallarta Restaurant | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2012010339 | Pena, Ruben Rios | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2010033258 | Play Billards | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2010023000 | Rodriguez, Reynaldo / Rodriguez Brothers Farm | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2011045591 | Rosales, Juan / California Auto Repair | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2010043621 | Sancho's II | Uninsured Employer | 24 month(s) probation | | \$0 | \$0 |
| 2011009279 | Sespe Saloon / Navarro | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2009034458 | Snook Jr., Robert Larry | Claimant Fraud | 180 day(s) jail 36 month(s) probation | | \$28,558 | \$0 |
| 2011011936 | Solis, Petra / La Cita | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2010033257 | Super Nine Enterprises/ Loera | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2010033250 | The Hideaway Bar/ Santillian | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2008038077 | Tokarski, Patricia Ann | Claimant Fraud | 1 day(s) jail 36 month(s) probation | | \$24,107 | \$0 |
| 2010025666 | Uriel, Danny Garcia / Vallarta Bay Cantina | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |
| 2011022515 | Yamaguchi, Billy John / Remote Salon Mgt. | Uninsured Employer | 24 month(s) probation | | \$0 | \$10,000 |

Yolo County

| CASE NUMBER | SUBJECT NAME | ROLE | SENTENCE | ASSETS FROZEN | RESTITUTION | CRIMINAL FINE |
|-------------|----------------------|--------------------|--------------------------------------|---------------|-------------|---------------|
| 11004611 | Adams, Walter L | Other | 40 hour(s) community service | | \$125 | \$0 |
| 09SWC010 | Harder, Stephen | Claimant Fraud | 60 day(s) jail 60 month(s) probation | | \$150,000 | \$240 |
| 11004683 | Holmes, Justin B | Other | Deferred Entry of Judgment | | \$125 | \$0 |
| 11004684 | Laffoon, Tyler A | Other | Deferred Entry of Judgment | | \$0 | \$0 |
| 10006270 | Martinez, Salvador R | Uninsured Employer | 36 month(s) probation | | \$1,135 | \$40,000 |
| 11004706 | McGuire, William J | Other | Deferred Entry of Judgment | | \$0 | \$2,239 |
| 11M04667 | Pierce II, Billy J | Other | Deferred Entry of Judgment | | \$0 | \$0 |
| 11002325 | Rivera, Eusebio V | Other | 36 month(s) probation | | \$40,190 | \$2,455 |
| 07SWC016 | Vela, Linda H | Claimant Fraud | 90 day(s) jail 60 month(s) probation | | \$0 | \$240 |

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2012 ANNUAL REPORT

FINANCIAL SURVEILLANCE

BRANCH

Financial Surveillance Branch

The Financial Surveillance Branch (FSB) mission 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 they have promised their California policyholders

FSB pursues its mission by conducting risk focused financial surveillance of the insurance industry to ensure it can provide the benefits and protections promised to California citizens.

FSB divides its work among the Financial Analysis Division (FAD), the Field Examination Division (FED), the Actuarial Office (AO), the Health Actuarial Office (HAO), the Troubled Companies Unit (TCU), and the Premium Tax Audit Bureau (PTAB).

FAD, as part of the overall risk focused financial surveillance process, evaluates and monitors the financial condition of insurance companies to identify financially distressed companies, and requires insurers to take corrective actions or recommends regulatory actions to assure insurer solvency for the protection of California consumers.

FED is responsible for conducting risk focused financial examinations of California's domiciled insurance companies and other insurance organizations to determine their financial solvency and capacity to meet policyholder obligations. The examinations also serve to protect policyholder interests by including a review of corporate governance, key business activities such as claims, underwriting, investments and operations as well as an evaluation of prospective risks.

The AO oversees the determination of life insurer reserves, reviews selected portions of life insurance and annuity policy forms, ensures proper replacement of life Appointed Actuaries, verifies long term care loss ratio compliance, and reviews illustration certifications. The AO also provides general property-casualty actuarial support to FED and FAD as well as to the Rate Regulation Division for the workers' compensation line.

The HAO was established in September 2010 to provide resources dedicated to implementing the Department's response to the Federal health care reform legislation, and has responsibility for most actuarial work related to health insurance.

TCU is responsible for overseeing those insurers identified as being financially troubled.

PTAB is responsible for auditing premium tax returns filed by insurers and surplus lines brokers.

FSB utilizes the Early Warning System (EWS) to track all significant matters that may have an effect on the solvency of a company. The primary purpose of EWS is to facilitate early detection of potential insolvency problems with admitted insurance companies.

Financial Analysis Division

FAD analyzes and maintains ongoing surveillance of admitted insurers, fraternal benefit associations, grants and annuities societies, underwritten title companies, home protection companies, motor clubs, risk retention groups, surplus line insurers and Lloyd's syndicates. This surveillance is designed to identify companies approaching hazardous financial condition and to intervene with recommended corrective action when necessary. FAD analyzes holding company transactions and acquisitions pursuant to the Insurance Holding Company System Regulatory Act. It assists the CDI Corporate & Regulatory Affairs Branch by providing financial analysis of applications for certificates of authority, amended certificates of authority, securities permits, variable contract qualifications, underwritten title company licenses and various other corporate affairs matters. 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 the FAD is distributed among four bureaus as well as selected Division Office personnel. The following is an overview of FAD's workload statistics:

Workload Performed for the Year 2012

| Financial Statements Analysis | Annual Statement | Quarterly Statement |
|--------------------------------------|-------------------------|----------------------------|
| Life and Property & Casualty | 531 | 852 |
| Other Entities | 363 | 210 |

| Corporate Affairs Applications | Number of Applications |
|---------------------------------------|-------------------------------|
| Certificate of Authority | 48 |
| Holding Company Matters | 303 |
| All Others | 168 |

Field Examination Division

Under the provisions of Sections 730, 733, 734.1 and 736 of the California Insurance Code, the Insurance 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. 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 2012 are presented as follows:

| Type of Examinations | Initiated | Completed |
|------------------------------|-----------|-----------|
| Domestic Companies | 38 | 29 |
| Underwritten Title Companies | 6 | 13 |
| Foreign Companies | 5 | 4 |
| Qualifying Exams | 3 | 3 |
| Statutory Exams | 1 | 1 |
| Total: | 53 | 50 |

Actuarial Office

The AO provides technical assistance within the FSB and provides examination assistance to FED in the examination of domestic companies. The AO 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. Listed below are workload statistics of the AO for the year 2012:

| Actuarial Reviews | Number Reviewed |
|-----------------------------------|-----------------|
| Actuarial Memorandum for | 111 |
| Regulatory Asset Adequacy Issues | 450 |
| Illustration Certifications | 240 |
| Life Insurance and Annuity Policy | 700 |
| Grant and Annuity Submissions | 60 |
| Disability Income Rate Filings | 15 |
| Long Term Care Rate Filings | 25 |
| Credit Insurance Rate Deviation | 11 |
| Appointed Actuary Designations | 60 |

Health Actuarial Office

The HAO provides technical assistance within FSB, including in particular review of health insurance rate filings and assistance in the formulation of policy related to health insurance reform initiatives and medical loss ratios. Listed below are workload statistics of the HAO for the year 2012 with respect to review of health insurance rate filings:

| Type of Coverage | Received | Completed |
|-------------------------|-----------------|------------------|
| Major Medical | 51 | 56 |
| Medicare Supplement | 203 | 184 |
| Specific Disease | 19 | 21 |
| HIPAA & Conversion | 8 | 11 |
| All Others | 67 | 65 |
| Total: | 348 | 337 |

Troubled Companies Unit

TCU is responsible for closely monitoring those companies identified in the CDI's Early Warning System as being financially troubled. The number of companies under review varies, along with the level of complexity each presents. An average of 76 troubled companies is assigned to TCU at any given time.

TCU monitors the financial status of assigned companies and makes recommendations to the Early Warning Team. The Early Warning Team has the ultimate responsibility for monitoring the companies determined to be in financial difficulty or under financial distress. TCU also provides other technical and administrative supports for the Early Warning Team.

Premium Tax Audit Bureau

Insurance Taxes

The Premium Tax Audit Bureau audits gross premium tax returns filed by insurance companies and surplus lines brokers. The premium tax supports State General Fund obligations generally and funds from assessments to Medi-Cal Managed Care Plans are allocated to two state agencies, the Managed Risk Medical Insurance Board and the Department of Health Care Services, for the support of the Healthy Families Program. The premium tax collection administered by the state Department of Insurance on the Healthy Families Program became inoperative on July 1, 2013.

Basis and Rate of Tax

A rate of 2.35 percent 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 percent 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 percent 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 5 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 insurers pay a tax rate of 3 percent levied on surplus line premiums pursuant to California Insurance Code Section 1775.5.

2012 Taxes collected

Insurance premium taxes levied in 2012 on business done during 2011, other than retaliatory and surplus line taxes, amounted to **\$1,979,498,609**. Premium taxes levied for Medi-Cal Managed Care Plans in 2012 on business done during 2011 amounted to **\$247,169,768**.

Premium tax refunds of **\$33,063,268** were granted during the year. Of these, one hundred thirty-eight (138) refunds totaling \$32,088,692 were for excess prepayments for 2011.

Retaliatory taxes levied during the year totaled **\$7,988,272**.

Surplus line taxes collected during 2012 on business done during 2011 totaled **\$133,583,840**.

Additional taxes levied and collected during the year totaled **\$4,051,669**.

2012 ANNUAL REPORT
LEGAL BRANCH

Legal Branch

The Legal Branch ensures compliance with the California Insurance Code by all admitted 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 CDI's mission by litigating enforcement actions, reviewing and analyzing certain insurance policies to determine whether the policy should be approved for sale to consumers, assisting with implementation of health care reform, ensuring that rate filings comply with requirements of Proposition 103, and providing legal assistance to other branches of CDI. The Legal Branch provides legal services supporting the Fraud Division in the prevention of insurance fraud activity. The branch, in coordination with the Special Counsel also promulgates regulations implementing California statutes, and provides legal services to CDI relating to service of process and Public Records Act requests. The Legal Branch is headed by the Department's General Counsel, Adam M. Cole.

The Legal Branch is currently divided into eight bureaus:

- Auto Enforcement Bureau
- Enforcement Bureau - Sacramento
- Enforcement Bureau - San Francisco
- Fraud Liaison Bureau
- Government Law Bureau
- Health Policy Approval Bureau
- Policy Approval Bureau
- Rate Enforcement Bureau

AUTO ENFORCEMENT BUREAU

The Auto Enforcement Bureau (AEB) litigates enforcement actions against insurance companies and Brokers and 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 responsible for Vehicle Service Contracts. These responsibilities include the review of contracts and forms, evaluation of Vehicle Service Contract Provider license applications, and pursuit of related license disciplinary matters.

AEB attorneys prepare and file pleadings and represent the Commissioner in administrative court 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 by insurers.

AEB provides legal opinions to the Commissioner and to the various divisions of the Department as needed, provides legal support for investigations of producers and examinations of insurers; promulgates regulations, and represents the Department in employee adverse actions.

Auto Enforcement Bureau Statistics: 2012

Hearings: In 2012 the Auto Enforcement Bureau conducted 17 administrative hearings to conclusion.

Penalties: Monetary penalties and costs obtained through negotiated settlements and/or hearings totaled over \$802,500.

Totals:

379 total new matters were opened in 2012

351 total matters were closed in 2012

| <u>Matter Type</u> | <u>Matters Opened</u> | <u>Matters Closed</u> |
|---------------------------|------------------------------|------------------------------|
| Disciplinary | 129 | 73 |
| Vehicle Service Contract | 237 | 268 |
| Unfair Practices Act | 1 | 2 |
| Legal Opinion | 0 | 1 |
| Regulation (see below) | 2 | 2 |
| Cease & Desist | 5 | 2 |
| Miscellaneous | 1 | 0 |
| Human Resources | 2 | 2 |
| Order to Show Cause | 1 | 0 |
| Policy Filing | 0 | 1 |
| Oversight | 1 | 0 |
| Total | 379 | 351 |

Significant Accomplishments:

Auto Compliance Bureau (ACB) Staff Attorneys assisted in successfully promulgating the following two regulations. Both were introduced and adopted without serious opposition from industry.

- Standards for Repair and the use of Aftermarket Parts (REG-2011-00024) (J. Gatchalian)
- Gender Nondiscrimination in Health Insurance (REG-2011-00023) (Ed Wu)

Additional notable ACB Achievements in 2012 include:

1. **Public Advisor** - Attorney Ed Wu took over as Public Advisor and successfully conducted statewide intervener training seminars that led to the successful recruitment of the first new interveners in the Department's intervener participation program in several years.
2. **Gender Nondiscrimination in Health Insurance** - REG-2011-00023
The Gender Nondiscrimination in Health Insurance regulation was promulgated without the industry suing the Department, and was the basis of Ed Wu receiving the Commissioner's Award for Excellence.
3. **ACIC and PIF v Comm Jones, re: replacement costs for HO insurance – LIAW-2011-00011 (CDI attorney: Mike Tancredi).**

In 2011 the Department promulgated a regulation, 2011 (REG-2010-00001 - **Standards and Training for Estimating Replacement Value on Homeowners' Insurance**), requiring licensees to use certain factors when estimating the replacement cost of a home. To fail to do so was considered an unfair and misleading practice under 790.03 of the Insurance Code.

The insurance industry sued the Department in Superior Court– (**ACIC and PIF v Comm Jones, supra**), claiming, among other things, that the Department did not have the authority to promulgate such a regulation. The court agreed. The Department has appealed.

Enforcement Bureau – Sacramento

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

| ACTIVITIES (JANUARY 1, 2012 THROUGH DECEMBER 31, 2012) | Cases |
|---|-------|
| Order of Revocation | 172 |
| Order of Revocation/Issuance of Restricted License | 45 |
| Order of Denial | 175 |
| Order of Denial/Issuance of Restricted License | 389 |
| Order of Suspension | 7 |
| Order of Dismissal | 12 |
| Cease and Desist | 0 |
| Order for Monetary Penalty and or/Reimbursement | 9 |
| Order Removing Restrictions | 53 |
| Miscellaneous Orders | 81 |
| Warning | 15 |
| Voluntary Withdrawal of Application | 10 |
| No Disciplinary Action Warranted | 36 |
| No AR Action/Referred for Disciplinary Proceeding | 292 |
| Removal of Restrictions Denied | 32 |
| Order of Summary Denial | 83 |
| Order of Summary Denial/Issuance of Restricted License | 91 |
| Order of Summary Revocation | 9 |
| Order of Summary Revocation/Issuance of Restricted | 9 |
| Barred from Licensure/Exam | 0 |

Note: During the year, 1520 cases were received and action was completed on 1182.

ENFORCEMENT BUREAU – SAN FRANCISCO

The Enforcement Bureau-San Francisco (EB-SF) litigates enforcement actions against insurance companies and insurance agents and brokers (producers) EB-SF protects the insurance 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 law.

Within EB-SF is the Health Insurance Bureau, formed to provide focused enforcement activities pertaining to health insurance. The bureau provides legal services to various units of CDI responsible for implementation of legislation relating to health insurance, and when appropriate, initiates enforcement actions against insurers and other regulated persons when violation of laws relating to health insurance is alleged.

| ACTIVITIES (JANUARY 1, 2012 THROUGH DECEMBER 31, 2012) | Cases |
|---|-------|
| Order of Revocation | 57 |
| Order of Revocation/Issuance of Restricted License | 19 |
| Order of Denial | 30 |
| Order of Denial/Issuance of Restricted License | 19 |
| Order of Immediate Suspension | 0 |
| Order of Suspension | 7 |
| Order of Monetary Penalty &/or Reimbursement | 11 |
| Order of Dismissal | 0 |
| Order Removing Restrictions | 0 |
| Rewritten Decision | 2 |
| Miscellaneous Orders | 144 |
| No Disciplinary Action Warranted | 36 |
| Warning Letter | 3 |
| Order of Summary Revocation | 28 |
| Order of Summary Denial | 0 |
| Order to Cease & Desist | 7 |

Enforcement Actions

Unfair Practices Act Violations (Monetary Penalties)

| Company Name | Penalty Amount |
|--|------------------------------|
| HealthMarkets Group Multi-State Settlement | \$2,156,928.00 |
| Blue Shield of California Life and Health Ins. Co. | No monetary Penalty involved |
| Time Insurance Company | No monetary Penalty involved |
| UnitedHealthCare Autism | No monetary Penalty involved |
| Health Net Life Insurance Company | No monetary Penalty involved |
| Hamilton, Kent | \$1,000.00 |
| Western Marine | \$100,000.00 |
| Bates, Chad Eldridge | \$5,000.00 |
| CoverX Corporation dba CoverX Insurance Services | \$330,000.00 |
| First Mercury Insurance Company | \$330,000.00 |
| Rossi, Steven | \$500.00 |
| NGO, Tuong-Vy Phuong | \$250.00 |
| Bouma, Eunice Faye | \$250.00 |
| Reed, Qiana Lachelle | \$500.00 |
| Preston, Joshua Danial | \$500.00 |

Cease and Desist Orders:

- California School of Notary Public, Inc.
- De Lachica, Alberto Jose
- De Lachica, Eduardo Diego
- Safety National Casualty Corporation
- CoverX Corporation dba CoverX Ins. Services
- First Mercury Insurance Company
- First Mercury Emerald Insurance Services, Inc.

Fraud Liaison Bureau

Fraud Division Legal Support

The Fraud Liaison Bureau (FLB) provides legal support to the Department’s Fraud Division (FD). FLB provides support relating to the anti-fraud grant programs created by California statutes. The FLB attorneys provide legal support to the Division office, and the Regional offices, in the administration of these grant programs aimed at fighting fraud. FLB support includes legal advice pertaining to provisions of the California Insurance Code, and its application to the grant programs. When necessary FLB assists in promulgating regulations, and drafting proposed legislation. FLB also provides legal advice related to Fraud Division’s peace officer functions including advice on search and seizure, discovery, and unique employment related issues relating to

peace officers in the Fraud Division staff. FLB coordinates with the Office of the Attorney General when CDI or Fraud Division employees are involved in civil litigation.

Qui Tam Litigation

FLB also provides legal resources relating to qui tam cases filed with the Commissioner. Qui tam cases are complex civil actions filed by “whistle-blowers” using the Insurance Frauds Prevention Act of the California Insurance Code. These cases involve alleged fraudulent insurance claims conduct. These cases could include illegal kickbacks in the sales of drugs or other medical products and services, “Whistle blower” charges may also involve any misleading billing practices, or fabricated events, products, or services, submitted to a private insurer for payment as a claim.

The Insurance Commissioner must be served with all Qui tam lawsuits and is empowered to intervene when it is deemed necessary or beneficial to do so. Currently the Commissioner is pursuing active civil litigation against a national pharmaceutical company and against a statewide hospital chain. 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). Fifty-two Qui tam cases, in which the Commissioner had not intervened, were pending as of December 31, 2012.

FLB Workflow: 2012

| Matter Type | Matters Opened | Matters Closed | Pending Year End |
|---------------------------------------|----------------|----------------|------------------|
| Qui Tam Litigation | 21 | 3 | 52 |
| Legal Opinions | 3 | 17 | 2 |
| Legislation(analysis of pending bill) | 1 | 1 | 0 |
| Miscellaneous | 10 | 10 | 0 |
| Human Resources | 0 | 0 | 0 |
| Regulation | 1 | 0 | 1 |
| Civil Litigation | 3 | 0 | 3 |
| Subpoenas/Public Records | 2 | 1 | 1 |
| Search Warrants | 0 | 0 | 0 |
| Oversight | 3 | 1 | 2 |
| Total | 44 | 33 | 61 |

Government Law Bureau

The Government Law Bureau (GLB) provides legal support to the Legislative Office and for CDI’s rulemaking program. GLB personnel assist the Special Counsel to the Commissioner with the oversight and management of all CDI rulemaking actions. GLB also serves as CDI’s agent for service of process and is the custodian of records for the department. GLB participates in several inter-disciplinary task forces, including task forces relating to senior issues, workers’ compensation and catastrophe mitigation, and provides counsel to the Commissioner on high level, sensitive legal matters.

Statistics by Matter Type

| Name | Assigned | Closed |
|--------------------------------|----------|--------|
| Litigation – Defense/Other | 37 | 66 |
| Public Records Act Request | 934 | 997 |
| Subpoena | 186 | 244 |
| Substituted Service of Process | 49 | 53 |
| Legislation Oversight | 43 | 21 |
| Regulation Oversight | 3 | 1 |
| Total: | 1252 | 1382 |

Policy Approval Bureau and Health Policy Approval Bureau

The Policy Approval Bureau (PAB) and Health Policy Approval Bureau (HPAB) review life, disability (accident and health), and workers' compensation insurance products. To ensure consistency with current law. PAB also reviews insurer qualifications to market and sell variable life and annuity products. PAB and HPAB advise the public, other government agencies, CDI personnel and legislators on statues and regulations pertaining to life, disability and workers' compensation insurance. Further PAB and HPAB develop regulations and bulletins relating to life and disability insurance product design, advertising and administration.

| Product | Submissions Received | Submissions Closed |
|--|----------------------|--------------------|
| Group Non-Health | 322 | 500 |
| Supplemental Life Insurance | 117 | 181 |
| Variable Contracts | 280 | 311 |
| Group and Individual Health Insurance | 395 | 555 |
| Medicare Supplement | 320 | 300 |
| Unclassified | 37 | 48 |
| Individual Non-Health | 70 | 143 |
| Individual and Group Credit Insurance | 9 | 6 |
| Long Term Care Insurance | 142 | 170 |
| Workers' Compensation | 270 | 314 |
| Sub-Total | 1,962 | 2,528 |
| Variable Product Qualifications: | | |
| Variable Annuity Qualification | 0 | 0 |
| Variable Life Qualification | 1 | 2 |
| Amended Variable Annuity Qualification | 117 | 140 |
| Amended Variable Life Qualification | 65 | 74 |
| Modified Guarantee Annuity Qualification | 0 | 0 |
| Sub-Total | 183 | 216 |
| Other Activities: | | |
| Legal Opinions | 2 | 5 |
| Legal Service Request | 0 | 0 |
| Legislation | 38 | 54 |
| Litigation | 1 | 7 |
| Miscellaneous | 10 | 15 |
| Oversight | 14 | 25 |
| Regulation | 3 | 7 |
| Subpoena | 0 | 0 |
| Others | 0 | 0 |
| Sub-Total | 68 | 113 |
| TOTAL | 2,213 | 2,857 |

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 CDI in prior approval rate hearings and represents CDI in administrative enforcement cases where rating and underwriting violations are alleged. 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.

A summary of the Bureau's major actions for 2012 is set forth below.

| Prior Approval | Number |
|------------------------------------|--------|
| Petitions for Hearing Received | 9 |
| Petitions for Hearing Granted | 0 |
| Petitions for Hearing Denied | 6 |
| Notices of Hearing Issued | 0 |
| Hearings in Progress | 2 |
| Matters Resolved Without Hearing | 7 |
| Matters Resolved Following Hearing | 1 |

| Regulations | Number |
|---------------------------|--------|
| Regulation Matters Opened | 11 |
| Regulations Approved | 4 |
| Regulations Pending | 7 |

| Letter Opinions | Number |
|-----------------|--------|
| Matters Opened | 1 |
| Opinions Issued | 1 |
| Matters Pending | 0 |

| Enforcement Matters | Number |
|-----------------------------|--------|
| Enforcement Matters Opened | 1 |
| Enforcement Matters Closed | 3 |
| Enforcement Matters Pending | 7 |

| Civil Litigation | Number |
|------------------|--------|
| Matters Opened | 0 |
| Matters Closed | 2 |
| Matters Pending | 1 |

2012 ANNUAL REPORT

CORPORATE *and* REGULATORY
AFFAIRS BRANCH

Corporate and Regulatory Affairs Branch

Branch Overview

The Corporate and Regulatory Affairs Branch (CARAB) was created in January 2012 when Corporate Affairs Bureaus I and II were split off from the Legal Branch to form a new branch to focus on insurer governance, licensing and solvency oversight. CARAB protects California consumers through company licensing, oversight and enforcement that protects insurers' solvency and requires the conduct of company affairs in accordance with the law. Program areas handled by CARAB include insurer corporate applications, troubled companies, surplus lines, risk retention and risk purchasing groups. CARAB provides legal advice and assistance to the Financial Surveillance Branch and the Conservation & Liquidation Office.

Structure

CARAB is headed by a Deputy Commissioner, John F. Finston. CARAB is comprised of two bureaus: Corporate Affairs Bureau I and Corporate Affairs Bureau II. The two bureaus are each headed by an Assistant Chief Counsel.

Corporate Affairs Bureau I

The Corporate Affairs Bureau I (CAB I) specializes in the areas of surplus lines, risk retention and risk purchasing groups, title and underwritten title companies, insurer name approvals, premium tax issues and charitable gift organizations. In addition, CAB I reviews applications filed by insurance companies for approval of securities issuances, mergers, acquisitions, inter-affiliate service agreements, holding company act filings and extraordinary dividend payments.

Corporate Affairs Bureau II

The Corporate Affairs Bureau II (CAB II) specializes in the areas of reinsurance, non-standard company structures, and life settlements. The Bureau handles corporate licensing and oversight, provides legal services to Financial Surveillance Branch's Troubled Companies Unit and to CDI's Conservation & Liquidation Office (CLO). The CLO also takes over and manages insurers found to be in such a condition that further transaction of business would be hazardous to their policyholders, creditors or to the public. The goal is to protect those stakeholders, and in the case of liquidation, maximize return to policyholders and creditors.

| Application Type | Begin # Assigned Cases | Assigned | Closed | End # Assigned Cases |
|---|------------------------|----------|--------|----------------------|
| Advisory Organization License | 1 | 1 | 2 | 0 |
| Approval of Trust | 18 | 12 | 13 | 17 |
| C/A Amend-Add Line | 28 | 28 | 33 | 23 |
| C/A Amend-Delete Line | 0 | 3 | 2 | 1 |
| C/A Amend-Domestic Change 709.5 | 1 | 6 | 4 | 3 |
| C/A Amend-Name | 7 | 20 | 22 | 5 |
| C/A Amend-Non-Domestic Redomicile | 1 | 17 | 14 | 4 |
| Certificate of Authority | 13 | 24 | 26 | 11 |
| Certificate of Authority Status - 700C | 1 | 6 | 2 | 5 |
| Custodian Qualification | 2 | 0 | 1 | 1 |
| Custody Agreement | 1 | 5 | 6 | 0 |
| Exemption – Certificate of | 0 | 1 | 1 | 0 |
| Failure to Make Required Filing | 4 | 0 | 4 | 0 |
| Grants/Annuities - C/A | 19 | 16 | 17 | 18 |
| Grants/Annuities-Amended C/A | 2 | 2 | 4 | 0 |
| HC Disclaimer of Affiliation .4l | 12 | 10 | 11 | 11 |
| HC Exempt - Comm. Domiciled Status .13b | 2 | 3 | 3 | 2 |
| HC Exempt - Form A .2f | 9 | 21 | 21 | 9 |
| HC Extraordinary Dividend .5g | 2 | 25 | 27 | 0 |
| HC Guarantees .5b5 | 0 | 1 | 1 | 0 |
| HC Mgt. Serv./Cost Share Agmt .5b4 | 73 | 112 | 132 | 53 |
| HC Misc. | 0 | 7 | 5 | 2 |
| HC Reinsurance .5b3 | 20 | 23 | 39 | 4 |
| HC Sales Purchases Loans .5b1 | 3 | 8 | 6 | 5 |
| Holding Companies Acquisition | 3 | 16 | 14 | 5 |
| Home Protection | 2 | 3 | 5 | 0 |
| Letter of Credit | 1 | 4 | 5 | 0 |
| Life Settlement Provider | 22 | 1 | 12 | 11 |
| Merger | 4 | 19 | 20 | 3 |
| Miscellaneous | 18 | 35 | 43 | 10 |
| Motor Club License | 0 | 2 | 1 | 1 |
| Motor Club Service Contract | 3 | 26 | 20 | 9 |
| Name Approval Reservation | 30 | 92 | 100 | 22 |
| Organizational Permit | 0 | 3 | 1 | 2 |
| Purchasing Alliance Registration | 0 | 1 | 1 | 0 |
| Rein/Sale-Purchase/Transfer-Assumption | 10 | 20 | 22 | 8 |

*Table continues on next page

| Application Type | Begin # Assigned Cases | Assigned | Closed | End # Assigned Cases |
|-------------------------------|------------------------|-------------|-------------|----------------------|
| Reinsurer Accreditation | 10 | 31 | 35 | 6 |
| Risk Purchasing Group | 9 | 27 | 21 | 15 |
| Risk Purchasing Group Renewal | 20 | 296 | 282 | 34 |
| Risk Retention Group | 11 | 12 | 10 | 13 |
| Risk Retention Group Renewal | 56 | 124 | 108 | 72 |
| S810 | 1 | 0 | 1 | 0 |
| Stock Permit | 4 | 6 | 8 | 2 |
| Stock Permit - Amend | 0 | 1 | 1 | 0 |
| Surplus Line Filing | 0 | 3 | 3 | 0 |
| UTC-Amend License | 6 | 9 | 8 | 7 |
| UTC-License | 2 | 2 | 4 | 0 |
| UTC-Organizational Permit | 3 | 1 | 3 | 1 |
| UTC-Permit | 1 | 1 | 1 | 1 |
| UTC-Transfer of Shares | 2 | 4 | 5 | 1 |
| WC Deposit Agreement | 2 | 35 | 35 | 2 |
| Withdrawal | 9 | 9 | 10 | 8 |
| TOTAL | 448 | 1134 | 1175 | 407 |

2012 ANNUAL REPORT
OFFICE *OF THE* SPECIAL COUNSEL

Office of the Special Counsel

The Special Counsel provides independent legal advice directly to the Insurance Commissioner, provides oversight of Department Rulemaking Projects and Regulations, directs the interaction with the National Association of Insurance Commissioner (NAIC), and manages various special projects and Commissioner-initiatives.

- **Legal Advice and Litigation** - The Special Counsel provides the Commissioner with independent legal advice on various issues regarding litigation, adjudicatory proceedings and other legal matters. In 2012, the Special Counsel acted as “in house counsel” on several litigation matters, interfacing with Deputy Attorney Generals and advising the Commissioner and Chief Deputy Commissioner. In 2012, the Special Counsel also handled approximately 25 adjudicatory matters received from the Department’s Administrative Hearing Bureau (AHB), where hearings on insurance rate plans, workers’ compensation matters and other disputes are conducted.
- **Rulemaking Proceedings** - Oversight of the Department’s Regulations is vested with the Special Counsel. This process includes regulation development, project management, research, interaction with the insurance industry and other stakeholders, and navigating the requirements of the Administrative Procedure Act (APA) in conjunction with the Office of Administrative Law (OAL). In 2012, the Department managed 25 rulemaking projects, reviewed and evaluated 17 potential rulemaking projects, and filed and received OAL approval on eight rulemaking projects.
- **National Association of Insurance Commissioners (NAIC)** - Coordination and facilitation of the Department’s interaction with the NAIC, and its participation on NAIC Committees, Task Forces, and Working Groups is handled by the Special Counsel. 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 2012, California was a Chair, Vice Chair and/or Member on 101 out of the 139 NAIC bodies, and monitored approximately 30 others.
- **Special Initiatives** - The Special Counsel manages various special projects and initiatives for the Commissioner involving policy and law such as climate change, green insurance and others. In 2012, the Special Counsel continued to assist the Commissioner in his leadership in the effort to survey the insurance industry on the impact of climate change on insurance companies and their efforts towards adaptation, mitigation and resilience to the effects of climate change. In 2012, California collaborated with New York and Washington to survey 555 companies representing 72% of the entire insurance market.

2012 ANNUAL REPORT

POLICY *and* PLANNING BRANCH

Policy and Planning Branch

The Policy and Planning Branch includes the Special Projects Division (SPD) and the Statistical Analysis Division (SAD). The Branch assists the Commissioner in the following areas:

- Effecting Compliance with CA Mental Health Parity Law;
- Enhancing Protection of Consumers and Seniors;
- Conducting data calls mandated by statutes and regulations.

Identification and tracking of trends in the industry support the Commissioner's decision-making process. By integrating facts and policy development, the Policy and Planning Branch helps solve significant problems faced by consumers, industry stakeholders, and responds to the needs of the Governor and Legislature in a coordinated, efficient fashion.

Special Projects Division

The Special Projects Division (SPD) supplements CDI's expertise on issues relating to enforcement in the health care arena. Targeted research and analysis (for example, the scope of the Mental Health Parity Act and its applicability to behavioral health treatment for autism and eating disorders) is used to inform Commissioner decisions. Additionally, the SPD hosts the Senior Gateway, an inter-agency website designed to provide meaningful resources and information 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. SPD also develops a listing of reports mandated by statute or regulation of the California Department of Insurance (CDI) or Insurance Commissioner.

Policy Initiatives in 2012 included:

- Researched the scope of the Mental Health Parity Act and its applicability to behavioral health treatment for autism and eating disorders;
- Researched and oversaw negotiation of MOU with Department of Corporations to share FINRA data on disciplinary action against CDI licensees;
- Monitored functioning of Autism Advisory Task Force (AATF) and acted as liaison to members and stakeholders.
- Chaired Seniors Issues Working Group until August 2012.
- Chaired Elder Financial Abuse Interagency Roundtable (EFAIR), which launched the Senior Gateway website; expanded awareness, maintained website, facilitated focus groups at senior resident centers.
- Assist in Development of emergency regulation package interpreting Mental Health Parity Act regarding coverage for autism.

- Created and maintain the Autism page, which includes FAQs and two Consumer Alerts, on the public website.
- Drafted Notice to Insurers reminding them of their legal obligations to provide statutorily required information to consumers when a claim is denied;
- Negotiated settlements with major insurers to cover behavioral health treatment for those insured with autism through 6/30/12;
- Reviewed Independent Medical Review (IMR) reports involving residential treatment for individuals with parity diagnoses and identify potential systematic issues;
- Monitor, in conjunction with Legal, complaints against agents which appear in the bi-weekly Center for Medicare and Medicaid Services' (CMS) reports for CA.

Statistical Analysis Division

The Statistical Analysis Division (SAD) is based in Los Angeles and is responsible for responding to all data collection and reporting requirements set forth in the California Insurance Code and the California Code of Regulations. The data, analysis and reports developed by SAD help the Insurance Commissioner and management, the Legislature and related government agencies support a healthy insurance marketplace and provide California's consumers with information to help them make important insurance decisions.

SAD maintains databases on a variety of insurance lines. On an annual basis, SAD conducts in-depth analysis on a multitude of data elements submitted by the insurance industry and other sources. SAD evaluates, compares and interprets massive raw data and statistics in order to maintain annual and semi-annual reports based on that data. In addition, SAD analyzes and develops legislation related to the collection of data by the Department.

SAD has provided data and related research assistance to virtually every unit in the California Department of Insurance. This includes support to the Actuarial Division, Consumer Services, Financial Analysis Division, Fraud Branch, Legal Division, Licensing Division, the Press Office and the Rate Regulation Branch. In addition to CDI internal units, SAD's data and reports are used by the public, consumer groups, industry, the media, university students and professors, as well as federal and state lawmakers.

1) DURING 2012, SAD ANALYZED:

- Private Passenger Automobile Liability and Physical Damage Experience by ZIP Code, as required by California Insurance Code Section 11628(a).
- Annual Private Passenger Automobile and Homeowners Premium Comparison surveys in accordance with California Insurance Code Section 12959.
- Annual Consumer Complaint Ratio Study, in accordance with California Insurance Code Section 12921.1.

- Workers Compensation Claims Adjusters, Medical-Only Claims Adjusters and Medical Bill Reviewers under California Insurance Code Section 11761 and California Code of Regulations Title 10, Chapter 5, Sections 2592 – 2592.08.
- Annual Long-Term Care Insurance Consumer Rate and History Guide, as required by California Insurance Code Section 10234.6.
- Annual Long-Term Care Insurance Experience Survey, in accordance with California Insurance Code Sections 10232.3(h), 10234.86, 10234.95(l), and 10235.9.
- Medicare Supplement Insurance Consumer Rate Guide, in accordance with California Insurance Code Section 10192.20.
- Health and Disability Insurance conducted under California Insurance Code Sections 10508.6, 10508.7, 1872.85, 700(c) and 900.
- Disability and Health Fraud Assessment Table and Report Development, in accordance with California Insurance Code Section 1872.85.
- California Healthcare Benefits Fund Assessment Table and Report Development, in accordance with California Code of Regulations 2218.62 (SB 1704).
- Long-Term Care Insurance Agents semi-annual reporting, as required by California Insurance Code Section 10234.93(a)(3).
- Developed a list of insurance companies currently offering health insurance coverage in accordance with California Insurance Code Section 10133.66.
- Personal Property Coverage and Limits pursuant to California Insurance Code Section 16014(b).
- Special Purpose Fraud Assessment - Developed a database and tracking system to Support Collection of Fraud Assessments under California Insurance Code Section 1872.86. SAD worked with Accounting Services Bureau to develop a system to track companies and send notifications.
- Bureau of Fraudulent Claims Table and Report Development, in accordance with California Insurance Code Section 1874.8.
- Mental Health Services Company Exhibits, SAD worked with Legal Division to incorporate additional Company Reporting Exhibits in the annual Health & Disability Insurance Data Call to collect and track company compliance under California Insurance Code Sections 10144.5(a), 10123.198 and 10123.199. Data is reported annually to Legal Division.
- Workers Compensation Policyholder Appeals information, in accordance with California Code of Regulations Title 10, Chapter 5 Section 2509.43 et. seq.
- Health Insurance Dispute Resolution information conducted under California Insurance Code Sections 10123.127. Collected experience data on a company's "Health Dispute Resolution Mechanism." This data was submitted to Legal Division.

2) SPECIAL PROJECTS REQUESTED BY EXECUTIVE STAFF/COMMISSIONER:

In addition to annual data calls, SAD also conducts research and data collection for special projects. These special projects are a result of “hot topic” policy issues that the CDI executive staff faces throughout the year. For 2012, special projects included:

- Designated Office of Consumer Appeals for Workers Compensation - Provided the Commissioner, Office of the Ombudsman and Legal Division with designated contact information by company pursuant to California Code of Regulations Title 10, Chapter 5, Section 2509.43.
- Individual Life & Annuity Survey –At the request of the Fraud Division, the Statistical Analysis Division (SAD) developed a survey designed to collect data on the number of individual life insurance policies and individual annuity policies by company. This survey was unprecedented and allowed the Department to obtain individual company data on life and annuity policies by face amount (life) and current account value/initial consideration (annuities). In addition, the Statistical Analysis Division was able to leverage our knowledge in Adobe form development to ensure minimal resource requirements and a faster response from insurance companies.
- Health Billing Data Call – At the request of the Legal Division, the Statistical Analysis Division (SAD) developed a two-part survey to collect data pertaining to medical claims, billing and contract information. This data call was designed to support Legal Division efforts on a confidential case. SAD completed the development of the data call, including report forms and instructions. The data call was not released pending further notification from our stakeholder.
- Company Diversity Program Data Call - a voluntary special-purpose data call to determine if insurance companies have a diversity statement and/or have implemented a Supplier Diversity Program. Passage of AB 53 mandates insurers that write over \$100 million in California premium to complete an insurer supplier diversity report biennially.
- Homeowners Policy Comparison – Consumer Services and Market Conduct Branch requested SAD’s expertise in developing system requirements for the purpose of capturing and reporting policy comparison information regarding homeowners coverage.
- Iran Related Investment – Provided executive staff updated activity on insurance company investments held, acquired and disposed in companies identified as doing business with Iranian Oil, Nuclear and Defense sectors.
- Uninsured Motorist Percentage by County – Per the request of the executive staff, SAD and Policy Research Division collaborated in updating the percentage of uninsured motorist for the largest 28 California counties.

3) RESEARCH CONSULTATION/DATABASE DEVELOPMENT:

At various times throughout the year, SAD provides technical assistance in developing databases or assistance in conducting analysis of data for CDI internal branches as well as other state or insurance related agencies. The following is a list of the SAD's research consultation/database development activities during 2012:

- Arizona Department of Insurance Data Request – Responded to a request from Arizona Department of Insurance for California health market share data from FY 2007-2008 through FY 2010-2011.
- California Healthcare Foundation – Provided covered lives data on individual & group health, Administrative Service Only (ASO) and Medicare supplement plans to support trend reports developed by the foundation.
- Provided Individual & Group Health Plan Information to Legal Division – In support of the Department's regulation of grandfathered and non-grandfathered health plans related to Assembly Bill 1083, SAD provided health plan information to the Legal Division to identify all medical plan forms that were subject to AB1083 and related laws.
- Provided Data Analysis and MS-Excel Training to Fraud Division - At the request of the Fraud Division, one of SAD's Senior Staff was asked to prepare a class on database development and Microsoft Excel advanced functions. The training was held in Los Angeles via video conference to limit travel expense, as well as limit the number of days needed to teach concepts.
- 2001 – 2011 Long-Term Care Insurance Experience data – Responded to a request for data from the California Department of Health Services (Partnership for LTC Division).
- Consultant for Rate Regulation Branch (RRB) – Long Term Care Rate Increase History - Starting in 2012, SAD has provided the Long-Term Care Rate Increase History data tables to an RRB Consultant. SAD has agreed to provide this service on an annual basis on behalf of RRB and the department.
- Fraud Vehicle Assessment – Provided CDI Accounting staff with private passenger automobile exposure database for audit purposes in regard to the Fraud Vehicle Assessment payments from insurers (California Insurance Code 1872.8).
- National Association of Insurance Commissioners (NAIC) Annual Reports - Provided Private Passenger Automobile and Personal Property information to the NAIC for their annual reports.
- Commission on Health and Safety and Workers' Compensation (CHSWC) Annual Request - Provided workers' compensation related data to the CHSWC for their annual reporting on the health, safety, and workers' compensation systems in California.

4) REQUEST FOR DATA/CONSUMER INQUIRIES RECEIVED DURING CALENDAR YEAR 2012:

During calendar year 2012, SAD was requested to provide data and handle inquiries received by the CDI's Consumer Hotline. With respect to data requests, SAD fielded requests for data from a wide spectrum of the public – from individual consumers, to other state and federal agencies, to university students and professors, and from the insurance industry. For calendar year 2012, SAD responded to 80 requests for data and information from the public.

2012 ANNUAL REPORT
LEGISLATIVE OFFICE

Legislative Office

In 2012, the Legislative Office (LO) staffed 11 bills sponsored by Commissioner Jones and CDI, of which seven were signed into law. In addition, the LO closely monitored, provided technical assistance to, took positions on, and/or advocated for or against 132 bills that were sent to Governor Brown for his consideration, 115 of which the Governor signed into law. The LO also tracked 224 other bills that were introduced and amended throughout the year that did not make it through the legislative process.

Below are summaries of the seven CDI-sponsored bills signed into law in 2012:

AB 999 authored by Assembly Member Yamada (Chapter 627). This new law modifies the long-term care (LTC) insurance premium rate development process to protect consumers from excessive premium rate volatility. Considered to be one of the strongest long-term care insurance consumer protection measures in the country, AB 999 enhanced consumer protections in several ways including allowing consumers to review policy language prior to purchase, providing greater pooling of claims experience to spread cost impacts more broadly, limiting the inclusion of asset investment yields in premium rates, providing greater flexibility in the rate increase review process, and imposing stricter loss ratio requirements to help prevent repeated LTC insurance rate hikes on consumers and seniors.

AB 1846 authored by Assembly Member Rich Gordon (Chapter 859). This new law establishes a new regulatory licensing framework over Consumer Owned and Operated Plans (CO-OPs), a new form of an insurer never before licensed in California, by giving CDI the necessary oversight to regulate these non-profit health insurer organizations. CO-OPs are designed to foster the creation of consumer-driven, nonprofit health insurance issuers to offer quality health products where they are so critically needed: in the individual and small group markets. AB 1846 facilitates the fostering of a CO-OP in California to serve consumers both inside and outside of the state's Health Benefit Exchange as well as to offer more competition in the healthcare delivery system. With the goal of providing insurance options to nearly one million low-income Californians in need of affordable health care, CO-OPs can serve as one affordable option available to these individuals and families.

AB 2029 authored by Assembly Member Tom Ammiano (Chapter 747). This law re-established the "Bail Fugitive Recovery Persons Act" in the California Penal Code, which had previously sunset on January 1, 2010, to provide specified education, training, notice, and conduct requirements for all bail fugitive recovery persons. Bail fugitive recovery persons, commonly known as bounty hunters, earn their living by tracking down bail fugitives. Since the sunset of the Act, CDI had been experiencing a number of cases where bounty hunters had overstepped appropriate, if not legal, boundaries in their apprehension of bail fugitives. By re-instituting CDI's oversight of bounty hunters, AB 2029 helped to enhance the professionalism of this line of work, increase the knowledge and experience of bounty hunters working in the field, ensure appropriate coordination with law enforcement, and promote public safety of consumers.

AB 2138 authored by Assembly Member Bob Blumenfield (Chapter 444). This law increases the funding available to District Attorneys and to CDI to support workload increases related to investigating and prosecuting health and disability insurance fraud in the state. The additional funding, made possible through the legislation will provide District Attorneys with additional resources needed to increase investigations and prosecutions in the ongoing fight to combat health and disability insurance fraud. This law is especially appropriate in light of federal health reform implementation in California.

AB 2303 authored by the Assembly Member Jose Solorio (Chapter 786). This law clarifies and cleans up obsolete and superseded Insurance Code sections, aligns the Insurance Code with various National Association of Insurance Commissioners (NAIC) model laws, and eliminates several obsolete reporting requirements. A notable component of this bill is the authority that will allow the Insurance Commissioner to take over an insurer that the U.S. Treasury Secretary determines is insolvent or in danger of becoming insolvent. The Dodd-Frank Wall Street Reform Act of 2010 granted the U.S. Treasury Secretary the authority to make insolvency-related determinations on specified insurers, but retained for the states the authority to conserve or liquidate insolvent insurance companies. In addition, AB 2303 makes several changes relating to insurance producer licenses, including the establishment of a license for insurance crop adjusters and the expansion of CDI's pre-licensing and continuing education curriculum board to provide for representation from the insurance adjuster and bail agent industries.

SB 1216 authored by Senator Alan Lowenthal (Chapter 277) updates the regulatory oversight of reinsurers and reinsurance. Specifically, this bill incorporates provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 in California law to define a professional reinsurer and the credit an insurer may show for a reinsurance transaction on its financial statement. It also implements changes adopted by the NAIC to its Reinsurance Model Laws and Regulations. SB 1216 ensures that California aligns with federal law, is current with NAIC Model language, and that the Insurance Commissioner has the needed authority to carry out the new reinsurance regulatory activities.

SB 1448 authored by Senator Ron Calderon (Chapter 282) incorporates into California law changes the NAIC made to its Insurance Holding Company System Model Law and Regulations. One principal provision in the bill requires that the controlling persons of a holding company system disclose enterprise risk. "Enterprise risk" is any situation involving one or more affiliates of an insurer that, if not quickly corrected, would adversely affect the financial condition of the insurer. The bill also authorizes the Insurance Commissioner to participate in "supervisory colleges." These colleges are meetings of international regulators for internationally active insurance groups to share financial and operational information. SB 1448 ensures the Insurance Commissioner has the needed authority and regulatory tools to effectively and efficiently evaluate insurer holding company systems.

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COMMUNITY PROGRAMS BRANCH

Community Programs Branch

The Community Programs Branch (CPB) leads and oversees programs that benefit California’s underserved communities. To achieve this mission, CPB creates and sustains collaborative partnerships with community groups, consumer organizations, small businesses, nonprofit organizations, and insurance industry organizations, as well as federal, state and local government entities.

The Branch disseminates consumer information on complex insurance issues, educates consumers on the availability of programs and consumer protection services, and serves consumers, small businesses, and public officials through six distinct and vital programs of the California Department of Insurance. CPB delivers services through the CPB Deputy Commissioner’s office, Consumer Education and Outreach Bureau (CEOB), California Low Cost Automobile Insurance (CLCA) Program, Community Organized Investment Network (COIN), Office of the Ombudsman (OMB), Administrative Hearing Bureau (AHB), and Insurer Supplier Diversity Program.

Consumer Education and Outreach Bureau

The Consumer Education and Outreach Bureau (CEOB) educates consumers on insurance issues and the availability of CDI as a resource to Californians. CEOB coordinates and participates in educational and outreach events, and educates consumers through the development and distribution of informational guides. CEOB is involved in the coordination of hearings, town hall meetings and special events for the Insurance Commissioner. The bureau also plays an important role by helping to organize disaster outreach events immediately following major disasters in the state.

Throughout the year, CEOB distributed 138,968 insurance related informational guides and coordinated/participated in 258 outreach events throughout the state as follows:

| | |
|-----------------------------------|------------|
| California Low Cost Auto | 83 |
| Department of Motor Vehicles | 50 |
| General Consumer Outreach | 46 |
| Senior | 44 |
| Employment Development Department | 30 |
| Health Insurance | 16 |
| Emergency Preparedness | 5 |
| TOTAL | 274 |

CEOB is responsible for creating, updating and publishing insurance consumer informational guides for the Department, both in hard copy and online. These guides have been developed to meet consumer needs and statutory provisions. The majority of these information guides may be found on the California Department of Insurance Website at www.insurance.ca.gov.

Life and Annuity Consumer Protection Program

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 LACPP program.

In 2012, CEOB continued to provide consumer education to seniors by advertising the LACPP program in various statewide publications as shown below:

AARP.com (online)
Bay Area News Group
California Association of Area Agencies on Aging (online)
Capitol City Media
Golden Rain
Grace Communications
Life After 50
Mid Valley Publishing
Orange County Register
Senior Spectrum
Southland California Senior Resources (online)
Southland Publishing
Today's Senior Magazine

The Senior Information Center on CDI's website provides useful information through alerts, advisories and press releases issued by CDI. The website can be found at: <http://www.insurance.ca.gov/0150-seniors/>.

The website's Health Plan 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, to name a few.

The website also includes a senior events calendar, videos, insurance guides specific to seniors, and an insurance glossary created specifically for seniors.

Patient and Provider Protection Act (PPPA)

California Insurance Code 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 the 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."

In 2012, CEOB secured digital geo-targeting, English and Spanish keyword searching and display retargeting to increase outreach. These digital advertising methods track

the habits of digital users and provide those who are actively seeking information with a direct link to the PPPA program.

CEOB used more than 250 search terms to retarget web users to the program, as well as four display ads that were clickable for users. The ads were featured on top sites such as Yahoo, ESPN, Telemundo and Pandora. These efforts led to nearly 800,000 online impressions, resulting in approximately 1,700 “clicks” from consumers. CEOB will continue to use this search engine advertising until June 2013 to advertise CDI’s ability to help health consumers and providers resolve disputes with insurers.

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 California Insurance Code Section 11629.7. The program is designed to provide income eligible persons with liability insurance protection at affordable rates as a way to meet California's financial responsibility laws.

Since the program’s inception, 87,282 Californians have applied for insurance through the program and 73,786 of those received insurance through the program. At the end of 2012, approximately 9,068 policies were in force. And, according to statistics from the California Automobile Assigned Risk Plan (CAARP), approximately 53% of last year’s assigned motorists had previously been uninsured.

Last year, CDI also focused on making major improvements to the program to increase awareness to its target population. Recent changes include implementation of Assembly Bill 1024 (2011) which now allows consumers to begin the purchase of a CLCA policy online. In December 2012, a redesigned CLCA website was launched and has exponentially increased awareness of the program to thousands of Californians. The website serves as the primary source of information and education about the CLCA program.

The program meets the success standards established under the law, as the CLCA Program:

- Maintained rates that generated sufficient premiums to cover losses and expenses incurred by CLCA policies issued under each respective county program.
- Served and benefited underserved communities throughout California. CAARP statistics show that approximately 85% of policies issued in 2012 were issued to applicants whose household income was at or below \$20,000 per year.
- Reduced the number of uninsured motorists. According to CAARP statistics, 53% of new policies assigned were to applicants who were uninsured at the time of application.
- Caused motorists to purchase a policy “better” than CLCA, as 533 motorists visited a producer because of the program’s advertising and left with a higher coverage automobile policy.

[2013 CLCA Annual Report to the Legislature](#)

California Organized Investment Network

The mission of the California Organized Investment Network (COIN) is to guide insurers on making safe and sound investments that yield environmental benefits in California and/or social benefits for the state's underserved communities. COIN's Advisory Board is led by the Insurance Commissioner and comprised of several leaders from the insurance industry and community development organizations. The COIN Advisory Board advises COIN on its policies and procedures for securing and investing insurance capital for community investment. In 2012, the COIN Advisory Board held quarterly meetings and many subcommittee meetings.

COIN carries out its mission through three distinct program areas: Insurer Investment, Community Development Financial Institutions (CDFIs), and Insurer Supplier Diversity.

Insurer Investment Programs

COIN sources, structures and qualifies investments that are: 1) safe, sound and solvent; 2) offer an acceptable financial return; and 3) benefit California's environment and/or low-income and rural communities.

- **High Impact Investment Bulletins:** Investments sourced and/or structured by COIN for insurers that are innovative, responsive to community needs, not routinely provided by insurers, qualify as green investments, or have a high degree of positive impact on the economic welfare of low- and moderate-income (LMI) individuals, families, or communities in urban or rural California.
- **Qualified Investments:** Insurer investments made in California and verified by COIN for their positive environmental impact or social impact to LMI and rural communities. One such investment in 2012 was a \$522.7 million investment into Genesis Solar, LLC, a solar farm located near Blythe.
- **Guided Investments:** Investments sourced and/or structured by COIN for insurers in accordance with COIN's programmatic guidelines, and market conditions.

COIN conducts two Data Calls on insurer investments. The first is the Community Development Investment Policy Statement (CDIPS) Data Call, which is held biennially in odd years. Through CDIPS, insurers that write \$100 million or more in California premiums must disclose their community development investment goals to COIN. The second Data Call is the Community Investment Survey (CIS), which captures investments that meet COIN's guidelines and are made by admitted insurers in California. The CIS covers a multi-year investment period, with the next one being due January 1, 2014 and covering years 2009, 2010, 2011 and 2012.

CDFI Programs

The COIN CDFI Tax Credit Program attracts and leverages private capital to fund investments that benefit California's environment, and/or its low-income, reservation-based and rural areas. Established in 1997, the CDFI Tax Credit Program is administered by COIN for the purpose of increasing the amount of private capital available to CDFIs for community development. COIN allocates a state tax credit of 20% on qualified investments of \$50,000 or more. Every \$1 of tax credit yields \$5 of private investment, with the total tax credit allocation of \$2 million generating up to \$10 million of private investment in COIN-Certified CDFIs. COIN CDFI Tax Credit investments have a minimum term of 60 months, with the tax credit allocated in year one of the five-year investment period. Unused credits may be carried forward.

Investor demand for COIN CDFI Tax Credit Investments currently exceeds the program investment maximum of \$10 million and the annual tax credit allocation of \$2 million. During 2012, COIN certified 20 investments in 10 CDFIs for a combined total of \$10 million. These investments were made by 16 investors, including 12 insurance companies that invested a combined total of \$8.265 million. The amount of community investment made by insurers throughout 2011 and 2012 has continually increased under the leadership of Speaker Pérez and Commissioner Jones. COIN surveyed insurers and CDFIs during a brief period in December 2012 to assess potential demand for COIN CDFI tax credit investments. Insurers and CDFIs estimated they had a maximum combined capacity to make COIN CDFI tax credit investments of \$490 million on \$98 million of tax credits.

In December 2012, Speaker Pérez introduced AB 32, which would increase the \$10 million limitation on the aggregate amount of qualified COIN CDFI Tax Credit Investments to \$50 million. This bill would prohibit the total amount of investments certified by COIN in any calendar year to any one community development financial institution from exceeding 30% of the annual aggregate amount of qualified investments. AB 32 would also require that each year 10% of the annual aggregate amount of qualified investments be reserved for investment amounts of less than or equal to \$200,000, as specified. In addition, this bill would allow COIN to certify investments for the CDFI Tax Credit until January 1, 2017.

Table 1: 2012 COIN CDFI Tax Credit Investments and Allocation

| | CDFI | 2012 |
|-----|--|--------------|
| 1. | Neighborhood National Bank | \$1,450,000 |
| 2. | Neighborhood Housing Services Orange County | 250,000 |
| 3. | Northeast Community Federal Credit Union | 550,000 |
| 4. | Faith Based Federal Credit Union | 250,000 |
| 5. | Pacific Coast Regional Small Business Development Corp | 250,000 |
| 6. | Low Income Investment Fund | 1,000,000 |
| 7. | Self-Help Federal Credit Union | 500,000 |
| 8. | Rural Community Assistance Corporation | 585,000 |
| 9. | Northern California Community Loan Fund | 600,000 |
| 10. | Enterprise Community Investment | 4,565,000 |
| | | |
| | Total Investment | \$10,000,000 |
| | Total State COIN CDFI Tax Credit Allocated | \$2,000,000 |

Office of the Ombudsman

The Office of the Ombudsman's primary function is to support the Department's commitment to serve, educate and provide the highest level of customer service to our consumers, insurers, agents, brokers, and public officials. The Ombudsman is responsible for ensuring that the Department makes available to the public all the resources within its authority and that complaints about Department staff or actions receive full and impartial investigation.

Beyond this role, the Ombudsman serves as the primary contact for legislative offices, initiates consumer reviews of cases upon request, serves as liaison to public inquiry requests, analyzes consumer issues data for legislative focus, highlights issues in need of regulatory reform, and carries out special projects to enhance Department communication and streamline operations.

In addition, the Ombudsman's Office administers the process and facilitates the Commissioner's appointments of members to serve on seven boards and committees. In 2012, there were a total of 36 applicants, 20 new appointments, as well as 11 re-appointments made by the Commissioner.

In 2012, the Ombudsman staff responded to 1,334 constituent requests for assistance and 389 legislative inquiries, while closing and facilitating 1,372 public requests. During this time, the office also closed 865 requests to clear its backlog.

Administrative Hearing Bureau

The Insurance Commissioner is authorized by statute to fulfill a regulatory role and an adjudicatory role. In his adjudicatory role, the Insurance Commissioner is authorized to conduct evidentiary hearings on various insurance matters pursuant to provisions of the Insurance Code. The Administrative Hearing Bureau (AHB) supports the Insurance Commissioner in his adjudicatory role. The AHB supplies administrative law judges (ALJs) to conduct hearings authorized by the Insurance Code.

In 2012, the AHB employed 3 full-time ALJs, one full time ALJ II supervisor, two legal secretaries, one office technician and one office assistant.

As directed by a particular statute, the AHB conducts formal and informal hearings in accordance with the provisions of the Administrative Procedure Act (APA) and other controlling statutes or regulations. The ALJs submit proposed decisions to the Commissioner who issues the final decision in each case. Upon written agreement, the ALJs will mediate disputes thereby avoiding the necessity of an evidentiary hearing.

The AHB also is charged with overseeing the hearing calendar, hearing room reservations, the mandate files, and the court reporter contract.

The matters heard at the AHB during 2012 include the following:

- Appeals from decisions of the Workers' Compensation Insurance Rating Bureau (WCIRB) or insurance carriers regarding application of the workers' compensation insurance rating system and plans (Ins. Code Sections 11737 and 11753.1)
- Orders to show cause/cease and desist matters relating to conduct of business by insurers and unenforceability of agreements (Ins. Code Sections 11658, 11735 & 11750.3)
- Prior approval of disputed rate change applications in Proposition 103 lines of insurance (Ins. Code Section 1861.05)

In addition to conducting hearings and completing proposed decisions in the above matters during 2012, the AHB opened 43 cases and closed 42 cases in the following case categories. These figures are up from the 2011 case count: ¹

| Case Type | Opened | Closed |
|-------------------------------|---------------|---------------|
| Order to Show Cause | 1 | 0 |
| Workers' Compensation Appeals | 43 | 42 |

¹The number includes case closures that occurred in 2012 on files that were opened during 2011. By comparison, the AHB opened 34 cases and closed 34 cases in 2011.

Insurer Supplier Diversity Program

In January of 2012, Insurance Commissioner Jones formed the Insurance Diversity Task Force to consider and make recommendations about diversity in the insurance industry, including the diversity of corporate governing boards and supplier diversity. As the insurance industry is a \$120 billion industry in the state, the Task Force was asked to focus on identifying, measuring, and increasing what the industry procures from California diverse businesses. These efforts marked the first of its kind in the nation, and California is now seen as a leader in this arena.

In 2012, the Task Force and Insurer Supplier Diversity (ISD) department staff made great strides in their mission, while accomplishing the following:

- Increased awareness by sharing results of the Commissioner's 2011 Voluntary Data Call of the top 200 insurance companies and their current efforts and practices in regards to supplier diversity.
- Hosted the Department's first ever Insurer Diversity Summit that brought together representatives of the top 200 insurance companies and diverse business throughout the state to share best practices of supplier diversity.
- Supported the successful passage of Assembly Bill 53 (Solorio, 2012), which now requires insurance companies that collect \$100 million or more in premiums to report on its procurement efforts from minority, women and disabled veteran owned businesses.
- Provided guidance, support and feedback during the creation of the first data call to insurers as required by Assembly Bill 53.

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COMMUNICATIONS *and*
PRESS RELATIONS

The Communications/Press Relations Office

The Communications and Press Relations Bureau (CPRB) coordinates and disseminates the Department's message and objectives to consumers, the industry, media and CDI staff. The effective delivery of this information, through a variety of tools and methods, ensures that all Department efforts contribute to CDIs vision of "insurance protection for all."

The function of the CPRB is to inform the state of California of the undertakings within the Department, as the Bureau studies trends, conducts research and identifies media issues which need to be addressed. The CPRB fosters relationships with important stakeholders, the insurance industry, state legislators, the Governor's Office, consumers and with CDI staff.

The CPRB also collaborates with the Community Relations and Consumer Services and Market Conduct Branches in performing outreach campaigns regarding the Department's consumer programs and services. The Communications Office plays an integral role by serving as a positive liaison with the press (television, newspaper, internet and radio media) via press releases, phone calls, emails, twitter and press events. The primary responsibility of the CPRB is to deliver information which is crucial in representing the message of the Insurance Commissioner and the Department.

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ADMINISTRATION *and* LICENSING
SERVICES BRANCH

Administration and Licensing Services Branch

The Administration and Licensing Services Branch (ALSB) provides administrative support services to the California Department of Insurance (CDI), including budgets, accounting, business services, human resources, and information technology, as well as licensing services to insurance agents, brokers, adjusters, and other insurance producers. The Branch consists of the following divisions:

- Financial Management Division
- Human Resources Management Division
- Information Technology Division
- Licensing Services Division

Financial Management Division

The Financial Management Division (FMD) consists of the following three bureaus:

- **The 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. Approximately \$2.4 billion in tax revenue was collected for fiscal year 2011-12 to support the State's General Fund. ASB maintains centralized records of CDI's appropriations, financial activities, and cash flow to ensure effective management of CDI's financial affairs and to provide accurate financial reports to State control agencies.
- **The Budget and Revenue Management Bureau (BRMB)** consists of the Budget Office and the Administrative Systems Unit (ASU).

The Budget Office develops CDI's annual budget including the preparation and submission of all Supplementary Schedules required by the Department of Finance (DOF) for the development of the annual Budget; develops annual budget allocations for all programs; develops various hourly rates for cost recovery; and monitors expenditures and revenue collection during the fiscal year.

The ASU oversees/maintains CDI's Time Activity Reporting System (TARS); generates monthly expenditure and TARS reports; provides TARS training and technical assistance to all CDI staff; provides technical support to users of various fiscal systems including CALSTARS; establishes new program cost accounts, as appropriate; updates the cost allocation plan; and develops specialized financial-related management reports.
- **The Business Management Bureau (BMB)** provides CDI administrative and management services in the areas of contracts, purchasing, facilities, records, forms, physical assets, and fleet management; mail and supply services at all three Headquarters offices; and services such as photo identification and security, transportation management, and disaster planning.

FMD Key Accomplishments in 2012:

- **Contracts/Purchasing Management** – CDI’s FMD and Information Technology Division earned the Bronze Agency award at the thirteenth annual State Agency Recognition Awards (SARA). The SARAs honor those State departments and employees, which, because of their best practices, creativity, and outstanding achievements, advance California’s Small Business (SB) and Disabled Veteran Business Enterprise (DVBE) programs. CDI’s SB rate was 48.52 percent, an increase of 93 percent over the prior year, and our DVBE rate was 8.38 percent, an increase of 8 percent over the prior year.
- **Transit Subsidy Management** – BMB successfully implemented a tracking system to replace the obsolete Access database to more efficiently order, distribute, and track CDI’s transit vouchers. The new system has substantially reduced staff data entry involved in those functions.

Major Programs:

Tax Collection Program – One of FMD’s functions is to ensure the timely processing of tax returns filed by insurers and surplus line brokers, and the timely collection and reporting of all appropriate taxes. The timeframes for remitting tax payments to CDI are monthly, quarterly, or annually depending upon the tax liability of each insurer/surplus line broker.

For the tax year 2011, ASB processed a total of 6,141 tax returns, as follows:

| INSURANCE TYPE | NUMBER OF ANNUAL TAX RETURNS | TAX RATE | LAW REFERENCE |
|-----------------------|-------------------------------------|-----------------|----------------------|
| Surplus Line | 4,160 | 3% | CIC Section 1775.5 |
| Property & Casualty | 908 | 2.35% | CRTC Section 12202 |
| Ocean Marine | 584 | 5% | CRTC Section 12101 |
| Life | 436 | 2.35% or 0.5% | CRTC Section 12202 |
| Title | 17 | 2.35% | CRTC Section 12202 |
| Home | 13 | 2.35% | CRTC Section 12202 |
| Health | 23 | 2.35% | CRTC Section 12202 |
| TOTAL | 6,141 | | |

CIC = California Insurance Code

CRTC = California Revenue and Taxation Code

Following is a five-year summary of premium and surplus lines taxes collected by the Department for the State's General Fund:

| FISCAL YEAR | TAXES COLLECTED |
|-------------|-----------------|
| 2007-08 | \$2,170,752,000 |
| 2008-09 | \$2,109,639,000 |
| 2009-10 | \$2,262,588,000 |
| 2010-11 | \$2,307,752,000 |
| 2011-12 | \$2,441,762,000 |

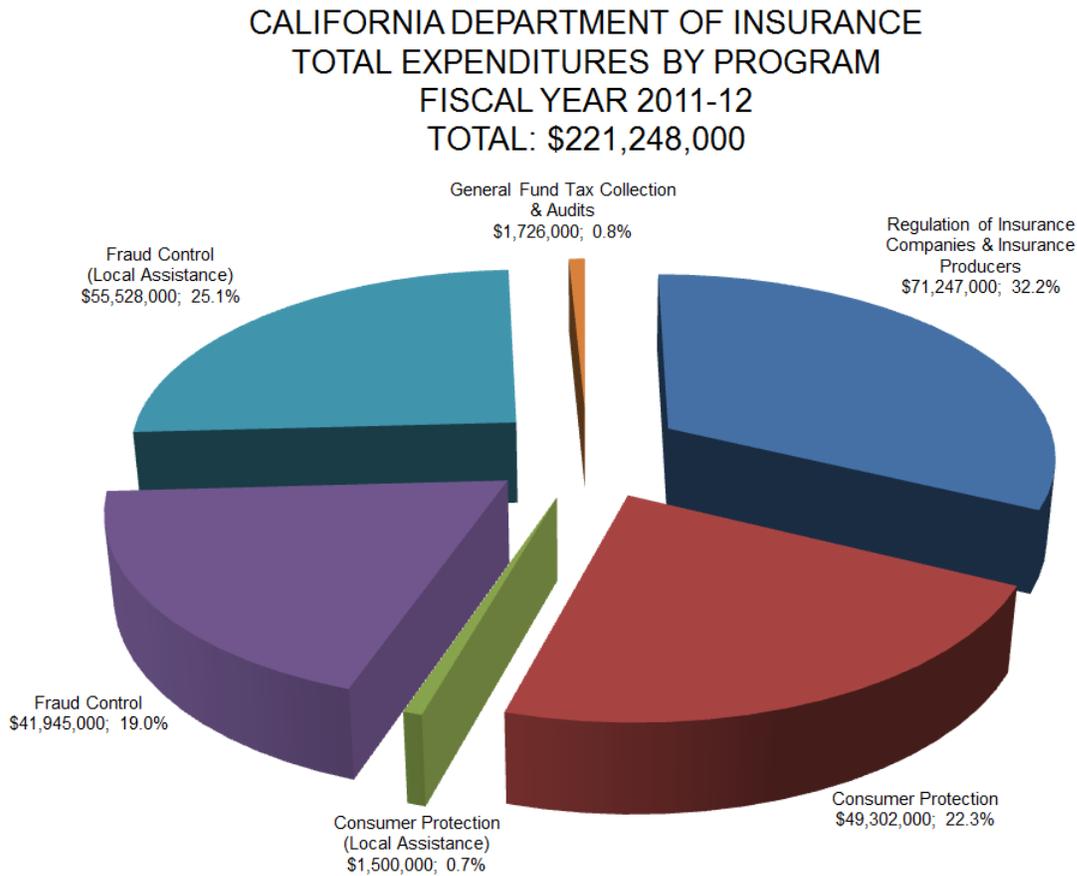
CDI Budget:

Programs – CDI's budget consists of the following five programs:

- Regulation of Insurance Companies and Insurance Producers (Program 10)** – The objective of this program is to prevent losses to policyholders, beneficiaries, or the public due to the insolvency of insurers and to prevent unlawful or unfair practices by insurers and insurance producers.
- Consumer Protection (Program 12)** – The objective of this program is to provide direct service to California consumers by protecting insurance policyholders and other parties involved in insurance transactions against unfair or illegal practices with respect to claims handling, rating, or underwriting by insurers, and to protect consumers from illegal and fraudulent practices in the sale of insurance.
- Fraud Control (Program 20)** – The objective of this program is to protect the public from economic loss and distress by actively investigating and arresting those who commit insurance fraud and reduces the overall incidence of insurance fraud through anti-fraud outreach to the public, private, and governmental sectors. For the local assistance component, District Attorneys receive funding to investigate and prosecute insurance fraud and related crimes.
- General Fund Tax Collection and Audit (Program 30)** – This General Fund tax collection program performs tax collection, accounting, and tax audits of insurance companies and surplus line brokers. This program collected \$2.4 billion last year for the State's General Fund.
- Administration (Program 50)** – This program provides administrative support services to CDI including budgets, accounting, human resources, business

services, and information technology, as well as legislative and legal services. The costs incurred for Administration are distributed among Programs 10, 12, 20, and 30.

Expenditures – CDI’s total expenditures for fiscal year 2011-12 were \$221,248,000. The following chart displays the expenditures by Program:



Note: Includes 2011-12 Distributed Administration expenditures of \$30,212,000.

The following table displays the expenditures by category:

| CATEGORY | EXPENDITURES |
|----------------------------------|----------------------|
| Personal Services | \$114,423,000 |
| Operating Expenses and Equipment | \$49,797,000 |
| Local Assistance | \$57,028,000 |
| TOTAL | \$221,248,000 |

- **Personal Services** – Payments made for services performed by CDI staff to support operations. This includes salaries, wages, and staff benefits.

- **Operating Expenses and Equipment** – This includes costs of goods and services (other than personal services previously defined) that are incurred by CDI to support its operations.
- **Local Assistance** – Funds provided to local entities (e.g., District Attorneys) in support of CDI's programs.

Revenues – In fiscal year 2011-12, CDI generated \$201.2 million in revenue from fees, licenses, and various assessments paid by insurers, insurance producers, and other licensees. Insurance Fund receipts are generally received from the insurance companies and insurance producers that CDI services and regulates. Both insurers and insurance producers pay license, filing, and other fees. Insurance companies pay special assessments for Proposition 103, Workers' Compensation Fraud, Fraud Auto, and Fraud General. Insurance companies also pay for periodic examinations to determine the financial stability of the company and to evaluate insurance practices and market conduct.

| TYPES OF REVENUE | AMOUNT | % OF TOTAL |
|-----------------------------|----------------------|---------------|
| Fraud Assessment | \$91,587,000 | 45.5% |
| License Fees and Penalties | \$35,293,000 | 17.5% |
| Proposition 103 Assessments | \$23,791,000 | 11.8% |
| Examination Fees | \$20,443,000 | 10.2% |
| General Fees | \$18,282,000 | 9.1% |
| Consumer Services (\$0.30) | \$8,957,000 | 4.5% |
| Life & Annuity | \$1,597,000 | 0.8% |
| Miscellaneous | \$1,267,000 | 0.6% |
| TOTAL | \$201,217,000 | 100.0% |

- **Fraud Assessment** – This revenue is derived from the following assessments:
 - Workers' Compensation – The Fraud Assessment Commission determines the allocation of revenue. The Department of Industrial Relations collects the assessment from insurers and self-insured employers.
 - Fraud Auto – An annual fee of \$1.50 for each vehicle insured by an insurer is assessed. Part of the assessment collected is distributed to both the California Highway Patrol and to county District Attorneys.

- Fraud General – An annual fee of \$2,100 to each insurer doing business in the State.
- Fraud Health and Disability – An annual fee of \$0.10 that an insurer must pay for each person insured under a health or disability policy.
- **License Fees and Penalties** – This revenue is collected to cover the cost associated with the licensing and regulation of persons engaged in the business of insurance in California.
- **Proposition 103 Assessments** – This is a voter-approved initiative that requires CDI to review and approve certain insurance rates. An annual assessment is levied to recover the actual costs incurred by CDI in administering the provisions of Proposition 103.
- **Examination Fees** – This revenue is collected to recover the cost of conducting financial and market conduct examinations to ensure that insurers are financially stable and operating in compliance with the CIC.
- **General Fees** – These fees cover the costs associated with processing and maintaining Action Notices, Policy Approvals, Insurer Certifications, Annual Statements, and Workers' Compensation Rate Filings.
- **Consumer Services (\$0.30)** – An annual fee of \$0.30 for each vehicle insured is assessed to fund consumer service functions of the CDI and improve consumer functions related to automobile insurance. Part of the fee (i.e., up to \$0.05) is specifically used to support the California Low Cost Auto Program.
- **Life and Annuity** – An annual assessment of \$1.00 per policy (of at least \$15,000 in value) is levied on life and annuity insurers to fund various activities related to life and annuity, particularly investigation of misconduct and/or fraud of these insurers.

Human Resources Management Division

The Human Resources Management Division (HRMD) provides essential human resources support services to CDI's employees through the following five functional units:

- **The Classification and Pay (C&P) Unit** administers CDI's classification and pay program. C&P Analysts provide advice and assistance on varied and difficult personnel management problems; analyze and classify positions; gather and evaluate pay data; conduct classification or pay surveys; provide management support on employee progressive discipline issues; and review proposed personnel actions for conformity with regulations and classification and pay standards.
- **The Selections and Recruitment Unit** is responsible for CDI's selections process. The Selections Analysts administer civil service exams; conduct job

analysis; establish certification and eligibility lists; oversee recruitment efforts; and function as liaisons between the California Department of Human Resources (CalHR) and CDI's programs in the development of online exams.

- **The Departmental Training/Health and Safety Unit** provides technical expertise, training, guidance, assistance, and support to employees, supervisors, and managers in administrative personnel matters relating to a variety of health and safety issues. The Health and Safety Analysts act as coordinators for the Family and Medical Leave Act (FMLA); Americans with Disabilities Act (ADA); Reasonable Accommodation (RA) Policy; Return-to-Work; Injury, Illness, and Prevention Policy; Workplace Violence Prevention Policy; Drug-Free Workplace Policy; the Workers' Compensation Program; the Health and Wellness Program; and perform ergonomic evaluations for CDI employees. The Training Officer/Analysts develop and deliver in-house training using instructor led-training and intranet based training videos; coordinate training for Department employees; facilitate CDI's annual award and recognition programs; and administer the Biennial Language Survey and Workforce Development Training for CDI.
- **The Personnel Transactions Unit** is responsible for processes and issues relating to personnel transactions in compliance with applicable Bargaining Unit Contracts/Memorandum of Understanding (MOU) language; CDI policies and procedures; CalHR; and State Personnel Board (SPB) laws and rules; State Controller's Office (SCO) laws; and CDI management expectations. The Personnel Transactions Specialists prepare appointment, separation, and other personnel/payroll transactions documents to establish and update CDI employees' employment history and to ensure timely and accurate payment of regular and miscellaneous pay. The Personnel Transactions Unit staff ensures proper and timely completion of benefit forms and certifies time and attendance to confirm accuracy of leave balances. They process State Disability Insurance, Non-Industrial Disability Insurance, catastrophic leave, paid family leave, and FMLA requests. Additionally, they disseminate HRMD policies, procedures, and personnel-related documents; develop methods, processes, and procedures on complex and diverse personnel practices designed to obtain consistency within HRMD and CDI.
- **The Labor Relations Unit** facilitates cooperative and productive labor relations among CDI, its employees, and their respective employee labor organizations; establishes procedures for the equitable and peaceful resolution of differences on labor relations matters; and provides information on the implementation of collective bargaining agreements including CDI policies and grievance responses.

HRMD Key Accomplishments in 2012:

- **Actuarial Classifications** – HRMD, in collaboration with the Financial Surveillance Branch and Rate Regulation Branch, continues to lead a multi-

department project to identify classification and compensation changes necessary to enable departments to recruit and retain qualified actuaries. Participating departments include the California Public Employees' Retirement System, State Compensation Insurance Fund, California State Teachers' Retirement System, and Department of Managed Health Care. It is anticipated the completed proposal will be submitted to the CalHR for consideration in 2013.

- **Transition from Insurance Investigators to Special Investigators** – The statewide HR Modernization Project (HR Mod) established two new classification series for Investigator and Special Investigator. The transition to the new classifications for the positions within the Investigation Division (ID) was completed in July 2012. A total of 67 incumbents were converted to the following classifications:
 - Associate Insurance Investigator (8576) to Special Investigator (8612): 39
 - Insurance Investigator (8575) to Special Investigator (8612): 14
 - Senior Insurance Investigator to (8577) to Supervising Investigator I (8549): 10
 - Supervising Insurance Investigator II (8578) to Supervising Special Investigator (8545): 4
- **Examinations and Job Analysis Reports** – CalHR requires the completion of a job analysis report prior to the administration of an examination. A job analysis is valid for up to five years. These reports not only provide for test validation, but also assist in recruitment, developing of duty statements, identifying essential and critical skill functions, and/or medical related determinations regarding employment. This documentation is critical in order to defend our processes and decisions should they be challenged in court. Selections Analysts completed a job analysis on 10 different classifications during calendar year 2012.

Following is a list of the examinations developed and administered during the same year:

Examinations Administered (20):

Accounting Administrator I (Supervisor)
Associate Insurance Examiner
Associate Insurance Investigator
Associate Life Actuary (*continuous exam*)
Insurance Examiner
Legal Analyst
Legal Office Administrator I
Senior Casualty Actuary (*continuous exam*)
Senior Insurance Examiner (Specialist)
Senior Insurance Examiner (Supervisor)
Senior Insurance Rate Analyst
Senior Life Actuary (*continuous exam*)

Staff Management Auditor
Staff Services Analyst Transfer (*continuous exam*)
Supervising Fraud Investigator I
Supervising Fraud Investigator II
Supervising Insurance Compliance Officer
Supervising Insurance Examiner
Supervising Special Investigator I (Non-Peace Officer)
Supervising Special Investigator II (Non-Peace Officer)

CEA Examinations Administered (1):

CEA 2: Division Chief, Consumer Services Division

- **On-line Exams** – CDI is participating in the following on-line consortium examinations:
 - Accountant Trainee
 - Associate Governmental Program Analyst
 - Attorney
 - Attorney III (Specialist)
 - Investigator
 - Personnel Specialist
 - Program Technician II
 - Program Technician III
 - Special Investigator
 - Staff Services Manager I
 - Staff Services Manager II (Managerial)
 - Staff Services Manager II (Supervisory)
 - Staff Services Manager III
- **Health and Wellness** – HRMD's Health and Safety Unit held the first annual Health and Wellness Fair for employees in the Sacramento Headquarters location.
- **CDI-Wide Biennial Language Survey** – The intent of the Dymally-Alatorre Bilingual Service Act (1973) is to provide for effective communication between all levels of government and the people of California who may be precluded from utilizing public services because of language barriers. The Act set forth specific requirements for State agencies to ensure provision of information and services to the public, in the native languages of the non-English speaking people they serve. One of these provisions requires every State agency to conduct a biennial language survey and report its findings by October 1 of every even-numbered year. In 2012, CDI conducted a Biennial Language Survey and forwarded the results to CalHR in October.
- **Annual Award Ceremonies** – In December 2012, award ceremonies were held in Los Angeles, Sacramento, and San Francisco to recognize CDI employees for exceptional contributions. Awards were given in two categories: Insurance Commissioner's Award for Excellence and Superior Accomplishment Award.

Information Technology Division

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

- **Statewide Network Support Bureau (SNSB)** provides departmental support for the technology infrastructure. Support provided consists of telecommunication services, Local Area Network (LAN), Wide Area Network (WAN), hardware/software installation, email services, security, and maintenance for personal computers.
- **Application Development and Maintenance Bureau (ADAM)** provides custom software development and supports a variety of custom-off-the-shelf (COTS) products/applications to meet the business needs of the Department. ADAM is responsible for keeping abreast of the latest advancements in application tools and technology. ADAM monitors and maintains the Oracle Internet and Intranet application servers, commonly referred to as the 'middle tier'. ADAM Bureau hosts all production data in house serving as CDI's Data Center.
- **Project Coordination and Administrative Support Bureau (PCAS)** provides departmental and divisional support. Departmental support activities include IT procurement, IT project management, and control agency compliance. Divisional support activities include a wide range of administrative activities (e.g., division expenditure tracking, human resources coordination, IT and Department infrastructure budget tracking and monitoring, and training request coordination).
- **Web Services Bureau (WS)** is responsible for improving usability of CDI's website content and online services while ensuring compliance to State and federal accessibility requirements. Also supported are CDI's 160 content contributors and content managers responsible for the Internet and Intranet websites' content. The Bureau produces videos for CDI, which can be found on the Internet and Intranet websites.

ITD Key Accomplishments in 2012:

- **Contracts/Purchasing Management** – CDI's ITD and Financial Management Division earned the Bronze Agency award at the thirteenth annual State Agency Recognition Awards (SARA). The SARAs honor those State departments and employees, which, because of their best practices, creativity, and outstanding achievements, advance California's Small Business (SB) and Disabled Veteran Business Enterprise (DVBE) programs. CDI's SB rate was 48.52 percent, an increase of 93 percent over the prior year, and our DVBE rate was 8.38 percent, an increase of 8 percent over the prior year.
- **Paperless Workflow Project** – CDI implemented the Paperless Workflow Project (PWP) that streamlines the delivery of services provided by the Department. The new document management, imaging, and workflow system is transforming the CDI's

infrastructure and current paper-based business processes to a more efficient workflow system by taking advantage of centralized electronic methods of managing its data and documents. A phased implementation to an enterprise solution will further benefit CDI employees and consumers by facilitating data sharing and offering more transparency to the public.

- **Senior Gateway** – CDI, sponsored by the Elder Financial Abuse Interagency Roundtable, led creation of the Senior Gateway, a multi-state agency website. This website—www.seniors.ca.gov—serves as California’s resource and information center for seniors and senior issues.
- **Licensing Application Conversion** – ITD, in collaboration with the Licensing Services Division, successfully converted the Department’s licensing system from a client-server database (COSMOS) to a web-based browser (SIRCON for States). This improved technology facilitated the requirement for individuals to pass the qualifying license examination before they submit the required application. As a result, individuals pay the license application fee only if they pass the examination. The new process streamlines the handling of license applications and results in increased efficiencies for CDI staff as well as insurance agents, brokers, bail agents, and adjusters.
- **Insurer Climate Risk Survey** – ITD, in collaboration with the Financial Surveillance Branch, developed an online application to post and view Climate Risk Surveys submitted from California, Washington, and New York states.
- **Health Rate Filings** – ITD, in collaboration with the Health Policy and Reform Branch, developed an application to allow the public to review Health Rate Filings requests online.
- **Microfiche Scanning Project** – ITD converted 15 million microfiche images into scanned images that are now being stored electronically eliminating the costs required for physical storage.

Licensing Services Division

The Licensing Services Division (LSD), under the authority of the California Insurance Code (CIC), protects insurance consumers and maintains the integrity of the insurance industry by determining the qualifications and eligibility of applicants for licenses. The Division consists of the following three bureaus:

- **Producer Licensing Bureau (PLB)** issues, maintains, and updates records of all insurance producer licenses; prepares and administers written qualifying insurance examinations; and reviews and approves education courses submitted by insurance companies, educational institutions, and others.
- **Licensing Background Bureau (LBB)** obtains information and documentary evidence regarding criminal convictions and other adverse actions in the backgrounds of insurance producers and licensing applicants seeking authority to transact insurance in California. LBB analyzes the evidence and makes recommendations as to the actions, if any, to be taken against these individuals.
- **Licensing Compliance and Company Investigations Bureau (LCB)** assists with the review and analysis of consumer complaint files received from the Investigation Division; performs background reviews of insurance company officers and directors; and assists in processing the applications of non-admitted

insurers applying to be added to the Department's List of Approved Surplus Line Insurers.

LSD Key Accomplishments in 2012:

During 2012, LSD completed projects to improve consumer protection, customer service, and operational efficiencies as well as clarify existing producer licensing statutes in the CIC.

- **Improved License Application Process** – Beginning in November 2012, PLB changed its process to apply for the following licenses: insurance agent, insurance broker, bail agent, and insurance adjuster. Previously, individuals submitted their license application then scheduled and took the qualifying examination. Currently, individuals must pass the examination before submitting their application.

Customer service has improved as the insurance industry does not incur the license application fee until the applicant passes the examination. Meanwhile, CDI increased its efficiency in the licensing process by eliminating applications that were pending because the individual had not passed the examination.

- **Web-Based License System** – Also in November 2012, PLB replaced its aging license database, which contains the records of current and past licensees. The system was replaced by a modern, intuitive, web-based system. The new license database allows for more efficient training for new employees, enhances opportunities for teleworking, and is consistent with the license systems used by other states' department of insurance.
- **Implemented Legislation** – PLB successfully implemented new legislation (AB 1416, Chapter 411, Statutes of 2011). This bill, which took effect on January 1, 2012, provided clarification to several producer licensing sections of the CIC and repealed several outdated sections.

Specifically, clarifying language was added to the CIC to require only one \$10,000 bond from an individual or entity licensed as both a property and casualty broker and to require life agents who sell annuities to complete a four-hour training course prior to license renewal. Additionally, the legislation repealed several obsolete sections specific to insurance agent licensing from the CIC.

PLB also implemented AB 690 (Chapter 165, Statutes of 2011) making changes to the Portable Electronics Insurance Agent license, which became effective on January 1, 2012. The bill redefined communications equipment as portable electronics, expanded the definition of products for which insurance maybe sold under the license, clarified who may transact portable electronics insurance, changed several license reporting requirements, and allowed for compensation to be provided to employees of the licensee under specified circumstances.

Producer Licensing Key Workload Statistics:

The following chart compares producer licensing key workload statistics between calendar years 2011 and 2012:

| WORKLOAD | 2011 | 2012 | PERCENTAGE CHANGE |
|-----------------------------------|-------------|-------------|--------------------------|
| License Applications Received | 70,432 | 68,438 | -3% |
| License Examinations Scheduled | 60,125 | 62,439 | +4% |
| New Licenses Issued | 61,053 | 49,435 | -21% |
| Licenses Renewed | 113,812 | 110,881 | -3% |
| Insurer Appointments/Terminations | 675,372 | 703,897 | +4% |
| Bonds Processed | 5,984 | 5,518 | -7% |
| Licensing Calls Handled | 133,275 | 169,082 | +27% |
| e-mail Inquiries Processed | 20,829 | 16,688 | -20% |

License Information Required by the CIC:

Chapter 270, Statutes of 2007 (AB 720), added Section 1707.7 to the CIC to require annual statistics on several agent and broker licenses to be included in the Department's annual reports from 2008 through 2012. To meet this mandate, the statistical information for 2012 is as follows:

- (A) During 2012, the total number of applications received for the specified license types were as follows:

| LICENSE TYPE | NUMBER OF APPLICATIONS |
|--------------------------|-------------------------------|
| Property/Casualty | 14,385 |
| Personal Lines | 4,564 |
| Limited Lines Automobile | 646 |
| Life and Accident/Health | 26,810 |
| Life | 16,945 |
| Accident/Health | 4,341 |

(B) During 2012, the total number of new licenses issued for the specified license types were as follows:

| LICENSE TYPE | NUMBER OF NEW LICENSES ISSUED ¹ |
|--------------------------|--|
| Property/Casualty | 11,422 |
| Personal Lines | 3,739 |
| Limited Lines Automobile | 646 |
| Life | 30,837 |
| Accident/Health | 23,316 |

¹ The number of new licenses issued in this table does include duplication, such as for those individuals issued a new license as a life agent and also issued a new license as an accident/health agent. Therefore, these numbers do not reconcile with the number of new licenses issued presented in the previous producer licensing key workload statistics table, which does not include duplication.

(C) The total number of licensed Life and Accident/Health Agents on December 31, 2012 was 220,839.

The summary of licenses issued during calendar years 2008 through 2012 for the specified license types is as follows:

| LICENSE TYPE | NUMBER OF NEW LICENSES ISSUED BY CALENDAR YEAR | | | | | |
|--------------------------|--|--------|--------|--------|--------|---------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | TOTAL |
| Property/Casualty | 7,573 | 6,441 | 6,521 | 9,832 | 10,060 | 40,427 |
| Personal Lines | 2,771 | 2,619 | 2,938 | 3,712 | 3,724 | 15,764 |
| Limited Lines Automobile | 285 | 679 | 582 | 698 | 635 | 2,879 |
| Life | 32,543 | 23,064 | 28,711 | 28,302 | 30,837 | 143,457 |
| Accident/Health | 27,136 | 21,622 | 23,961 | 23,135 | 23,316 | 119,170 |

Licensing Background Key Workload Statistics:

The following chart compares licensing background key workload statistics between calendar years 2011 and 2012:

| WORKLOAD | 2011 | 2012 | PERCENTAGE CHANGE |
|---|-------|-------|-------------------|
| Insurance agent and broker background reviews | 3,878 | 3,969 | +2% |
| Cases referred to Legal Branch for disciplinary action | 461 | 425 | -8% |
| Insurance agent and broker alternative resolution program cases | 973 | 1,119 | +24% |

Licensing Compliance Key Workload Statistics:

The following chart compares licensing compliance key workload statistics between calendar years 2011 and 2012:

| WORKLOAD | 2011 | 2012 | PERCENTAGE CHANGE |
|---|------|------|-------------------|
| Insurance company officer and director background reviews | 575 | 726 | +26% |
| Updates to list of approved surplus line insurers | 13 | 16 | +23% |
| Warning letters to licensees found to have a minor violation of the CIC | 45 | 81 | +80% |
| Cases referred to Legal Branch or Investigation Division for disciplinary action or further investigation | 6 | 10 | +67% |

Producer Licensing Examination First-Time Pass Rates:

The life insurance industry recently published studies showing that the number of career life agents nationally is declining. Industry representatives believe that it is important that the insurance agent licensing process recognize the changing demographics nationally and be flexible to ensure that every community is served by qualified life agents.

To that end, the insurance industry is encouraging all states' departments of insurance to obtain data on the number and pass rate of first-time examinees to identify whether certain examinations produce the unintended effect of inappropriately excluding specific population groups from obtaining an insurance producer license.

To address these concerns, during 2012, in partnership with its examination contractor, PSI Services, PLB continued to facilitate examination workshops to review the pool of questions from each examination type. Subject matter experts from the insurance industry review each question to determine whether the questions are current, relevant,

and accurate while a PSI psychometrician reviews the questions for the purpose of identifying and removing any cultural or other biases.

Also in 2012, PLB began collecting demographic data from its examinees on a voluntary basis. PLB and PSI are using the results of the demographic data provided to assist in identifying examination questions that may be changed or removed from the various examination question pools. For each of these examinations, examinees must correctly answer at least 60 percent of the questions to receive a passing score.

Following are the examination pass rates for individuals taking the examination on their first attempt. In addition to the pass rates for each license type is a breakdown of first-time pass percentages broken out by gender, ethnic group, and education levels.

First-Time Examination Pass Rates in 2012:

| Property/Casualty | | Life and Accident/Health | | Life | | Accident and Health | | Personal Lines | | Limited Lines Automobile | |
|---------------------|---------------|--------------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|--------------------------|---------------|
| Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) |
| 8,070 | 44% | 15,906 | 65% | 13,371 | 65% | 688 | 85% | 1,688 | 57% | 715 | 58% |

First-Time Examination Pass Rates by Gender in 2012:

| Gender | Property/Casualty | | Life and Accident/Health | | Life | | Accident and Health | | Personal Lines | | Limited Lines Automobile | |
|-------------------------|---------------------|---------------|--------------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|--------------------------|---------------|
| | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) |
| Female | 3,931 | 41% | 6,292 | 62% | 3,005 | 66% | 290 | 81% | 700 | 49% | 383 | 60% |
| Male | 3,472 | 47% | 7,722 | 69% | 3,463 | 73% | 326 | 89% | 498 | 60% | 134 | 70% |
| Declined To Participate | 667 | | 1,892 | | 6,803 | | 72 | | 490 | | 198 | |

First-Time Examination Pass Rates by Ethnic Group in 2012:

| Ethnic Group | Property/Casualty | | Life and Accident/Health | | Life | | Accident and Health | | Personal Lines | | Limited Lines Automobile | |
|--------------------------------|---------------------|---------------|--------------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|--------------------------|---------------|
| | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) |
| American Indian/Alaskan Native | 54 | 43% | 103 | 67% | 34 | 76% | 7 | 100% | 7 | 57% | 3 | 33% |
| Asian | 902 | 43% | 2,451 | 61% | 1,226 | 54% | 87 | 77% | 50 | 66% | 4 | 25% |
| Black | 317 | 39% | 931 | 60% | 430 | 69% | 50 | 86% | 52 | 67% | 5 | 40% |
| Filipino | 187 | 40% | 780 | 52% | 750 | 67% | 28 | 75% | 17 | 76% | 1 | 0% |
| Hispanic | 1,949 | 28% | 2,203 | 53% | 1,221 | 57% | 100 | 81% | 510 | 41% | 368 | 72% |
| Pacific Islander | 46 | 41% | 116 | 51% | 57 | 61% | 6 | 67% | 7 | 57% | 0 | 0% |
| White | 3,005 | 55% | 5,272 | 78% | 1,277 | 83% | 239 | 93% | 285 | 78% | 10 | 70% |
| Declined To Participate | 1,610 | | 4,050 | | 8,376 | | 171 | | 760 | | 324 | |

First-Time Examination Pass Rates by Education Level in 2012:

| Education | Property/Casualty | | Life and Accident/Health | | Life | | Accident and Health | | Personal Lines | | Limited Lines Automobile | |
|-------------------------|---------------------|---------------|--------------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|--------------------------|---------------|
| | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) | Number Of Examinees | Pass Rate (%) |
| High School/GED | 960 | 23% | 1,063 | 45% | 785 | 46% | 48 | 75% | 266 | 36% | 190 | 67% |
| Some College | 2,444 | 38% | 3,500 | 57% | 1,722 | 61% | 143 | 76% | 438 | 53% | 187 | 73% |
| 2-Year College Degree | 692/ | 41% | 1,272 | 58% | 570 | 64% | 54 | 80% | 80 | 58% | 23 | 87% |
| 4-Year College Degree | 2,263 | 58% | 5,186 | 75% | 1,708 | 79% | 251 | 91% | 164 | 89% | 17 | 59% |
| Master's Degree | 367 | 63% | 1,189 | 84% | 304 | 85% | 47 | 100% | 15 | 87% | 0 | 0% |
| Doctoral Degree | 49 | 71% | 201 | 93% | 52 | 90% | 9 | 100% | 1 | 100% | 0 | 0% |
| Declined To Participate | 1,295 | | 3,495 | | 8,230 | | 136 | | 724 | | 285 | |

2012 ANNUAL REPORT
OFFICE *of* CIVIL RIGHTS

Office of Civil Rights (OCR)

The OCR ensures CDI's compliance with State and federal laws relating to discrimination, sexual harassment and the Americans with Disabilities Act (ADA). Title VII of the 1964 Civil Rights Act, the California Fair Employment and Housing Act (FEHA) prohibit discrimination and harassment of employees, applicants for employment, clients, visitors and others based on certain enumerated protected characteristics. To ensure that these objectives are met, the OCR updates and issues these policies, and monitors compliance. The OCR also ensures that all CDI staff are trained to comply with these policies and practices in the employment, development and treatment of its employees, and the consumers that we serve.

The OCR's Upward Mobility program counsels Department employees who are in low paying dead-end jobs and who seek to move into jobs that offer a better career ladder, on how to acquire the requisite skills that could help them move to such jobs. Annually, the OCR completes a Workforce Analysis and Upward Mobility Plan which is submitted to Cal HR. The OCR provides staff support to the statutorily mandated departmental Disabilities Advisory Committee (DAC) which serves in an advisory capacity to the Commissioner. The CDI DAC helps to identify systemic access issues, and has been very involved in conducting brown bag presentations aimed at sensitizing CDI employees on Disability related issues.

CDI's goal is to eliminate the harmful effects of discrimination, harassment, and retaliation, so employees can focus on the mission of the Department. The OCR implements the practice of handling complaints internally through the informal resolution process. This has encouraged a positive working relationship with staff at all levels within the CDI. The OCR continues to promote an open door policy to ensure that CDI employees feel comfortable knowing that they may contact the OCR about any issue at any time. This has played a vital role in encouraging employees to report possible violations of the Department's policy to the CDI OCR first, thereby allowing the Department to address issues of concern before employees seek redress outside the Department.

The OCR began conducting classroom style mandatory Civil Rights Training "Discrimination and Sexual Harassment Prevention" for supervisors/managers and rank and file staff in 2010. The goal is to train all employees on a two year cycle, as required by CDI policy. One hundred percent of that goal has been met for FY 2010-12. The training for FY 2012-2014 is currently underway. Training on Reasonable accommodation has been included as part of this cycle. Supervisors and managers are being trained on their role and responsibilities in the reasonable accommodation process. The OCR is working on adding a Diversity component to the Civil Rights Training in 2014-16.

2012 ANNUAL REPORT

**ORGANIZATIONAL
ACCOUNTABILITY OFFICE**

Organizational Accountability Office

The **Organizational Accountability Office (OAO)** provides the Commissioner of the California Department of Insurance (CDI) and the Department's management with independent, objective, accurate, and timely fact finding and information regarding CDI's:

- Audit function
- Ethical compliance
- Incompatible activity policy adherence
- Enterprise risk assessment facilitation.

The OAO assists management in their efforts to increase operational and program efficiency and effectiveness by providing them with analysis, appraisals, recommendations, and technical assistance.

The OAO reports to the Chief Deputy Commissioner and collaborates with CDI Programs to provide timely, professional, and objective services to satisfy customer needs. The OAO receives and investigates complaints of ethical or unprofessional business conduct and resolves such complaints according to statute or policy.

The OAO is composed of two distinct functions with four staff members:

- Internal Audits Unit
- Ethics Office

Internal Audits Unit

The **Internal Audit Unit (IAU)** was established in 1994 to ensure compliance with management's goals and objectives and adherence to federal, state, and departmental mandates, policies, and procedures. The professional audit staff conducts internal audits and special projects for the Department according to the International Standards for the Professional Practice of Internal Auditing.

The IAU staff assists executive management by conducting independent and objective audits and program effectiveness and efficiency reviews. The staff uses the enterprise risk assessment as the basis for development of the risk based audit plan. This includes the Financial Integrity and State Manager's Accountability Internal Control Review, which is required every two years. The staff also performs a variety of special projects that include:

- Research and fact finding
- Project consultation
- Post-implementation evaluations
- Reviews of automated projects
- Reviews of proposed changes to policies and procedures
- Participation in various workgroups.

The IAU provides management with information about the adequacy and effectiveness of the Department's system of internal controls and quality of performance.

Ethics Office

The **Ethics Office (EO)** was created in 2000 to provide private, secure, and confidential communications and investigations. EO receives and investigates complaints and inquiries regarding employees' possible conflicts with the Political Reform Act and CDI's Incompatible Activities Statement, such as misuse of state property, inappropriate acceptance of gifts, and abuse of authority.

This is an independent office where CDI employees can confidentially obtain answers to questions regarding proper conduct and report improper governmental activities, without fear of retaliation, by telephone, letter, or e-mail. It oversees ethics orientation training for CDI employees and advises them of their rights and responsibilities. EO investigates Whistleblower complaints and claims of suspicious activities as required by the Whistleblowers' Protection Act and the State Administrative Manual Section 20080. EO also reviews complaints of retaliation for reporting complaints or assisting others report complaints.

2012 ANNUAL REPORT

OFFICE OF STRATEGIC PLANNING

Office of Strategic Planning

Office of Strategic Planning

The Office of Strategic Planning (OSP), as part of the Commissioner's Office, coordinates the following processes within the California Department of Insurance (CDI) on a department-wide level:

- Strategic planning and organizational performance management, including the implementation of action plans (and correlating established objectives) to support the vision, mission values and goals of the CDI.
- Succession planning and workforce development, including development and implementation of department-wide and program level goals and objectives.

Development of CDI's Strategic Plan

In October 2011, the Commissioner and his executive team crafted a strategic plan that will guide our organization beyond 2012. The strategic plan is the result of a collaborative effort among the 1300 employees of the California Department of Insurance and its varied stakeholders. It was developed to guide CDI towards becoming the best, most efficient insurance department in the nation. The development of the Strategic Plan included reaching out to multiple internal and external constituents for input, feedback, and ideas to capture diverse perspectives, while identifying common themes for change.

CDI's strategic planning efforts have resulted in an updated vision, mission, values, and goals that are the foundation of its strategic plan. This strategic plan focuses on strategies that are seen as key for organizational improvement in the coming years balanced with Commissioner Jones' priorities to address the potential for innovation and efficiencies that will enhance insurance protection for all Californians.

CDI's updated vision, mission, values and goals are the following:

Our Vision

Insurance Protection for all Californians

Our Mission

We act to ensure vibrant markets where insurers keep their promises and the health and economic security of individuals, families, and businesses are protected.

Our Values: CDI FAIR

Consumer-focused professionals

Dedicated to serving with Integrity as a

Fair

Accountable

Innovative and

Responsive team

Our Goals

Together, we

- Provide excellent, fair, and responsive services.
- Advance effective and efficient business processes.
- Value our resources and use them wisely.
- Promote innovation and
- Professional growth.

CDI's Organizational Health Survey

During the 2012 California Department of Insurance (CDI) Strategic Planning process, employee morale, and overall workplace satisfaction were identified as crucial issues. CDI leadership articulated the commitment to make CDI an “employer of choice” and initiated an organizational health survey of its employees. The survey accomplished three important objectives: 1) to capture a baseline or current snapshot of employee attitudes towards the workplace; 2) to identify potential areas for workplace improvement; and 3) to provide employees with an opportunity to voice important concerns.

Currently, the Office of Strategic Planning is working in conjunction with the Strategic Planning Committee to leverage CDI's strengths to improve performance, while finding innovative ways to address the opportunities for improvement that were identified by this survey.

2012 ANNUAL REPORT

CONSERVATION *and* LIQUIDATION
OFFICE

Conservation and Liquidation Office

Section 1 – The Conservation and Liquidation Office

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Section 3 – Cross Reference to California Insurance Code

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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 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 a 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 that will 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 of the financially troubled estate, 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.

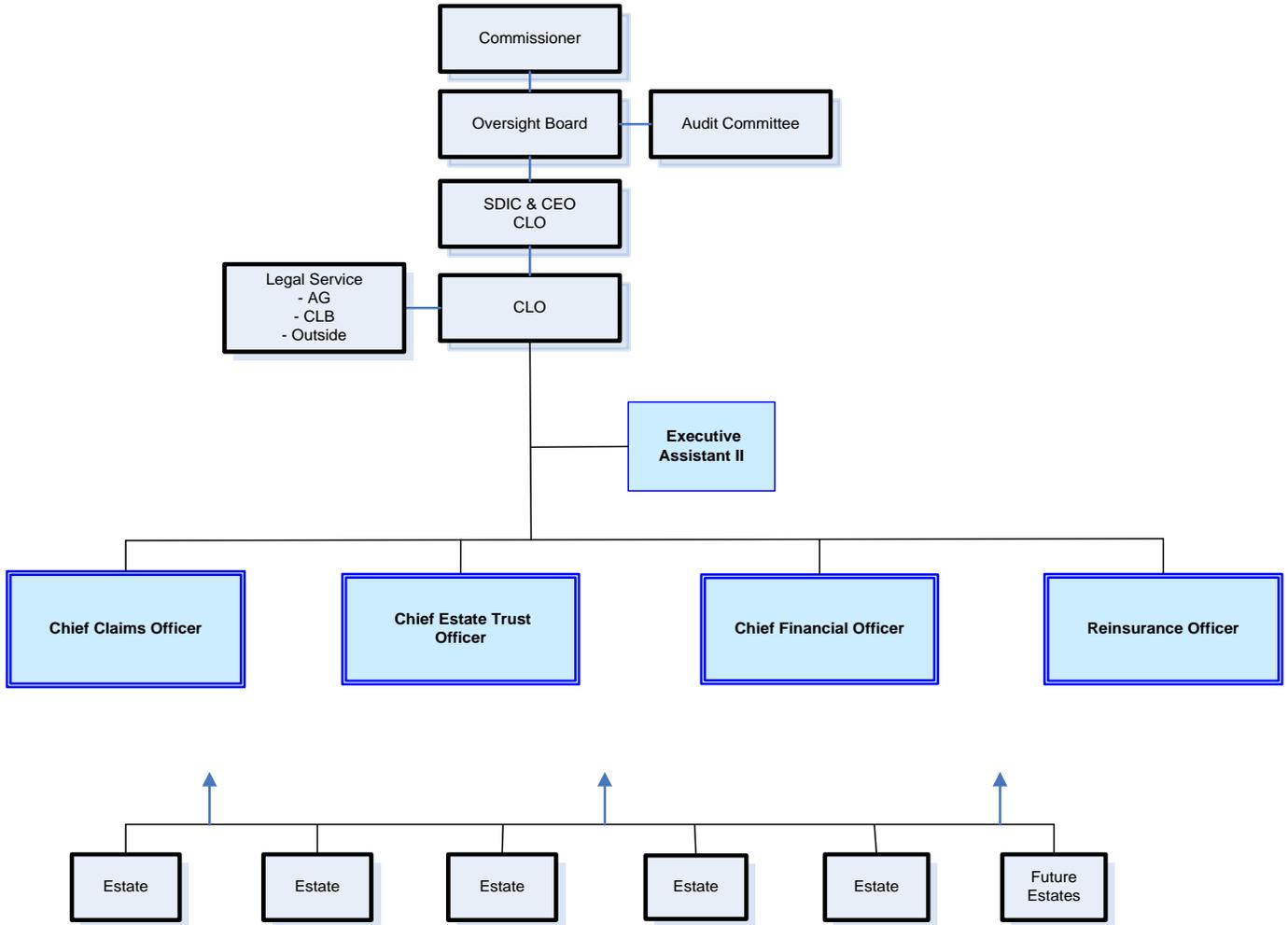
The Commissioner formed the Conservation & Liquidation Office (“CLO”) to fulfill the Commissioner’s responsibilities as conservator, receiver and liquidator.

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, 2012, the CLO is responsible for the administration of 20 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 2012 the CLO assisted with two such examinations.

Organizational Structure

Conservation & Liquidation Office



Oversight Board and Audit Committee Meetings

CLO activities are overseen by an Oversight Board composed of four senior executives of the California Department of Insurance. The current Committee members are Ms. Nettie Hoge, Chief Deputy Commissioner, Mr. John Finston, Deputy Insurance Commissioner – Corporate and Regulatory Affairs, Mr. Adam Cole, Deputy Commissioner and General Counsel, and Mr. Al Botallico, Deputy Commissioner- Financial Surveillance. The Committee meets on a quarterly basis throughout the year and members have a 100% attendance record.

During 2012, the Oversight Board and Audit Committee held four regularly scheduled meetings.

2012 Organizational Goals and Results

On an annual basis, the CLO prepares a Business Plan for the organization supporting the CLO Mission Statement. The Business Plan is then presented to the Oversight Board Committee for approval. The CLO’s Mission Statement is as follows:

On behalf of the Insurance Commissioner, the CLO acts to rehabilitate and/or liquidate, under court supervision, troubled insurance enterprises. The CLO operates as a fiduciary for the benefit of claimants, handling the property of the failed enterprises in a prudent, cost-effective, fair, timely, and expeditious manner.

The 2012 Business Plan was a continuation of the objectives of the 2011 Business Plan, focusing on estate closings and distributions, collecting/converting assets, evaluating claims and enhancing the operating efficiencies of the CLO.

Entering 2012, there were 22 open estates under management by the CLO. The open estates consist of 19 Property & Casualty Estates and three Life/Health Estates. The CLO goal in 2012 was to close two estates and distribute \$111 million.

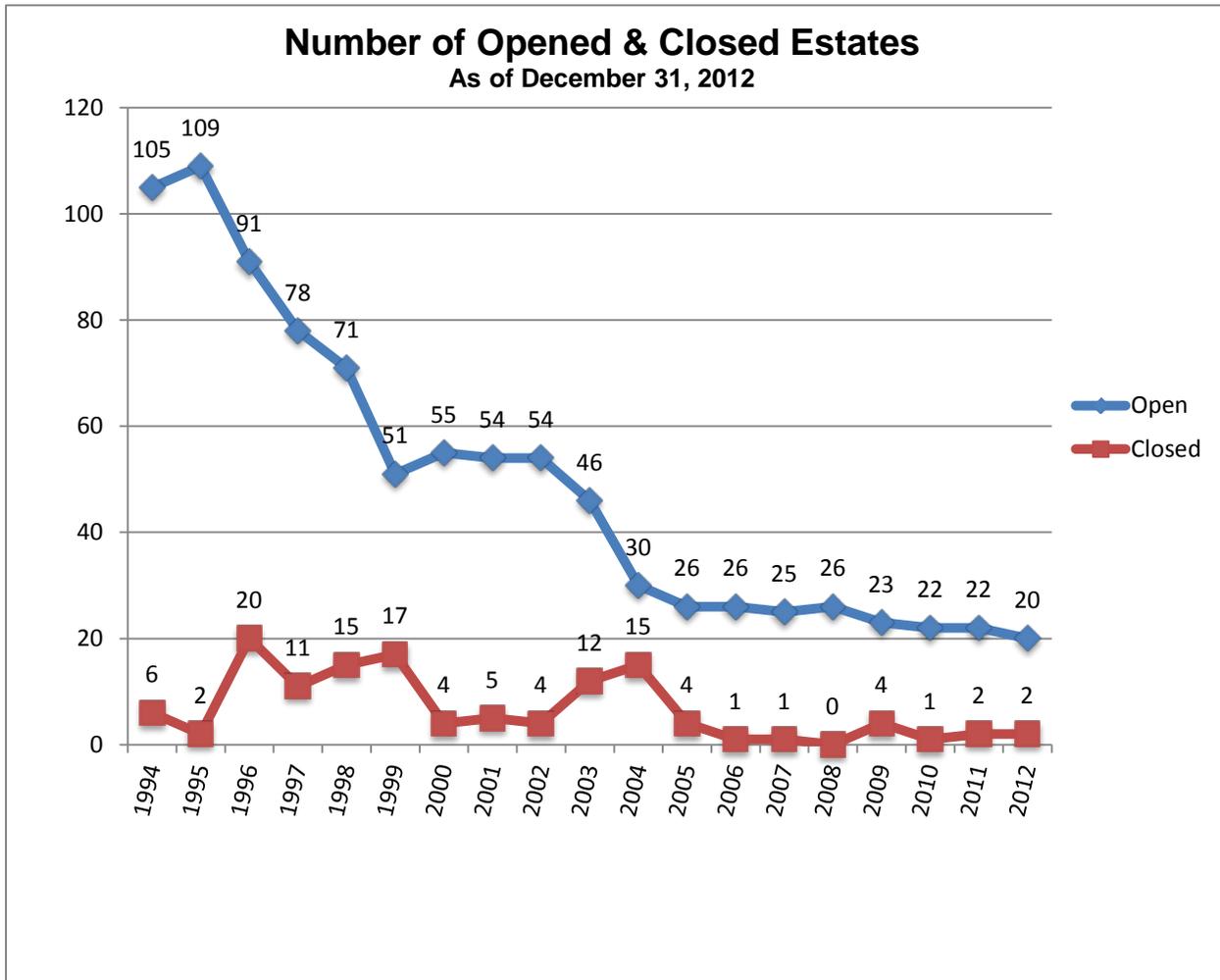
In addition to the Business Plan, there are individual work plans and cross-departmental estate teams for each estate. The individual Estate teams provide a written update on a quarterly basis.

The 2012 goals and results were as follows:

1. Closings

| GOAL | RESULTS |
|--|---------------------------------------|
| Close 2 Estates: 1) Alistar Ins. Co. 2) Municipal Mutual | Both estates were closed during 2012. |

Number of Opened & Closed Estates as of 12/2012



Since 1994, there have been approximately 124 estates closed. These estates consisted of 55 ancillaries, 22 title companies and 47 “regular” insurers. Ancillary and title companies typically require only limited work on behalf of the Liquidator.

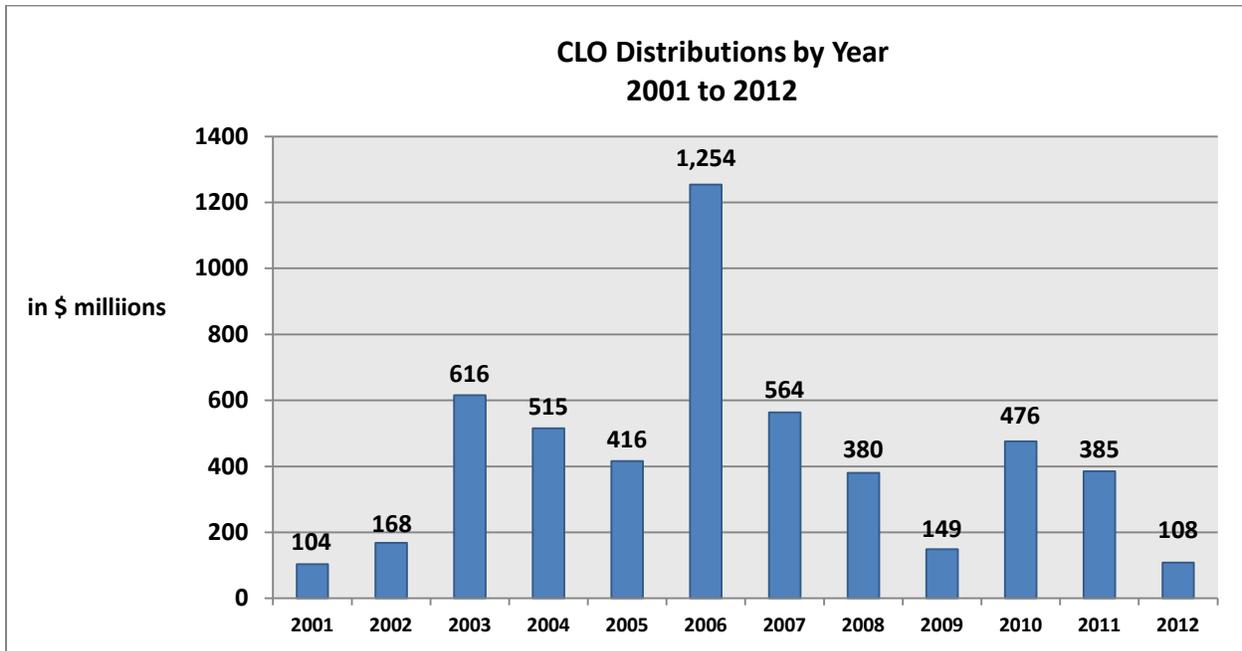
2. Distributions

Early Access and Interim Distributions

| Distributions | 2012 Actual (\$ Millions) | 2012 Goal (\$ Millions) |
|---|------------------------------|----------------------------|
| SNICIL | \$40.8 | \$40 |
| Commercial Comp (NM stat deposit release) | \$.2 | \$0 |
| Fremont Indemnity | \$39.6 | \$40 |
| Frontier Pacific EAD/Interim | \$22.2 | \$25 |
| American Sterling | \$.2 | \$0 |
| Sub-total: | \$103.0 | \$105 |

Final Distributions

| Distributions | 2012 Actual (\$ Millions) | 2012 Goal (\$ Millions) |
|-----------------------------|------------------------------|----------------------------|
| Municipal Mutual | \$5.0 | \$5 |
| Fremont Life | \$0.0 | \$1 |
| Sub-total: | \$5.0 | \$6 |
| TOTAL DISTRIBUTIONS: | \$108.0 | \$111 |



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 (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 duration was 19 months at December 31, 2012.

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, 2012, the CLO had \$496.1 million of estate marketable investment securities under management.

For the year ending December 31, 2012, the average portfolio balance was approximately \$545.7 million. The portfolio earned an interest yield of 2.6% and a net yield after security gains/losses and mark-to-market adjustments of 3.1%.

Administrative Expenses

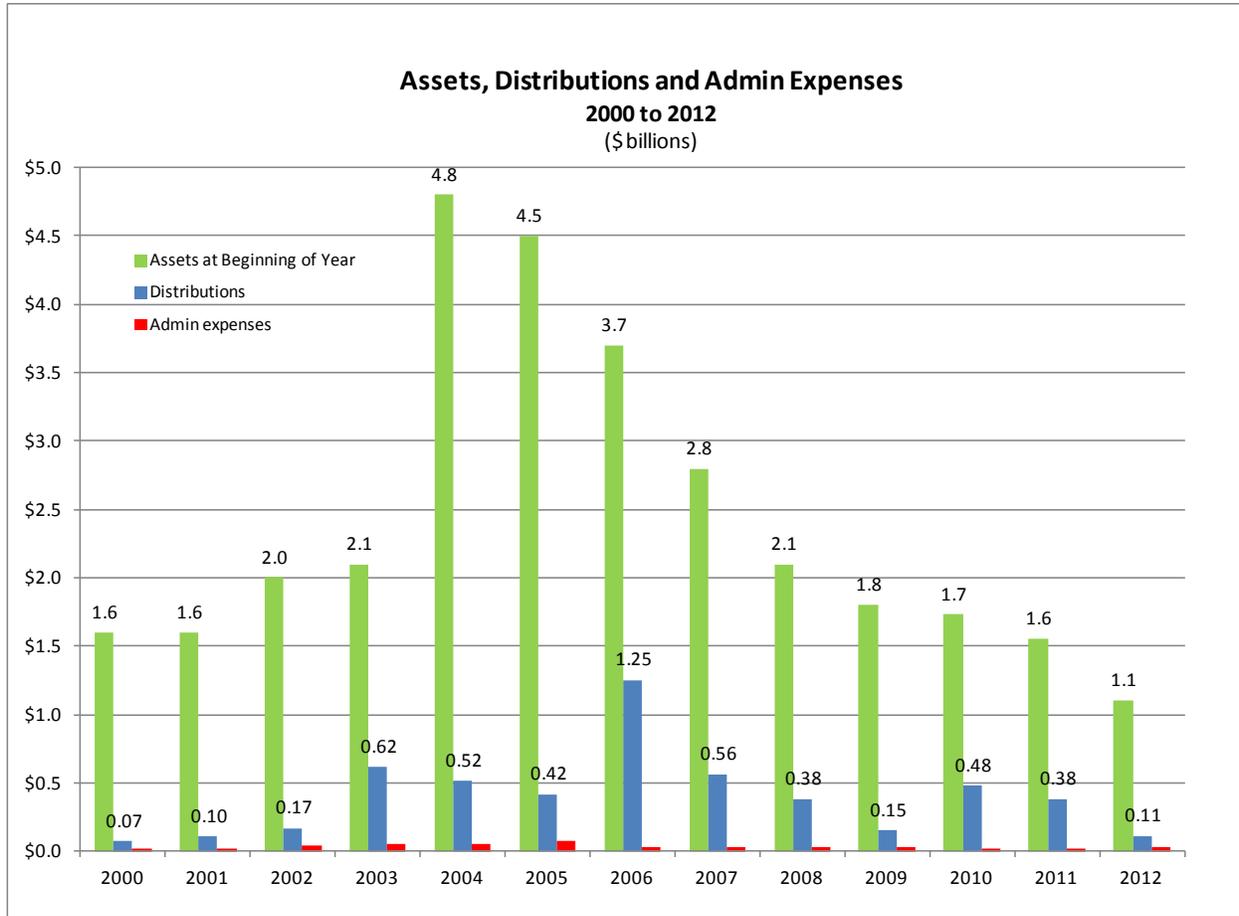
Administrative expenses consist of both direct and indirect expenses.¹

Direct expenses charged to estates consist of legal costs, consultants and contractors, salaries and benefits for employees working exclusively for a single estate, 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, and in some instances direct contract hours charged. For example, if employees charged 200 hours to a specific estate and in total 2,000 hours was 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.

See "CLO Financial Results" section of this report on the budget and actual expenditures for 2012 for direct and indirect expenses.



The chart above displays the Conservation & Liquidation Office assets at beginning of year, distributions, and administrative expenses from the year 2000 to 2012. The table below lists these figures.

| Year | Assets (\$ billions) | Distributions (\$ millions) | Admin. Expenses (\$ millions) |
|------|----------------------|-----------------------------|-------------------------------|
| 2000 | \$1.6 | \$70 | \$21 |
| 2001 | \$1.6 | \$104 | \$24 |
| 2002 | \$2.0 | \$168 | \$40 |
| 2003 | \$2.1 | \$616 | \$53 |
| 2004 | \$4.8 | \$515 | \$50 |
| 2005 | \$4.5 | \$416 | \$76 |
| 2006 | \$3.7 | \$1,254 | \$32 |
| 2007 | \$2.8 | \$564 | \$24 |
| 2008 | \$2.1 | \$380 | \$29 |
| 2009 | \$1.8 | \$149 | \$29 |
| 2010 | \$1.7 | \$476 | \$22 |
| 2011 | \$1.6 | \$385 | \$21 |
| 2012 | \$1.1 | \$108 | \$25 |

CLO Compensation

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.

Compensation Methodology

The CLO engages an outside consultant to assist in establishing compensation ranges. In developing this report for the CLO, two published survey sources were used. These survey sources are described below:

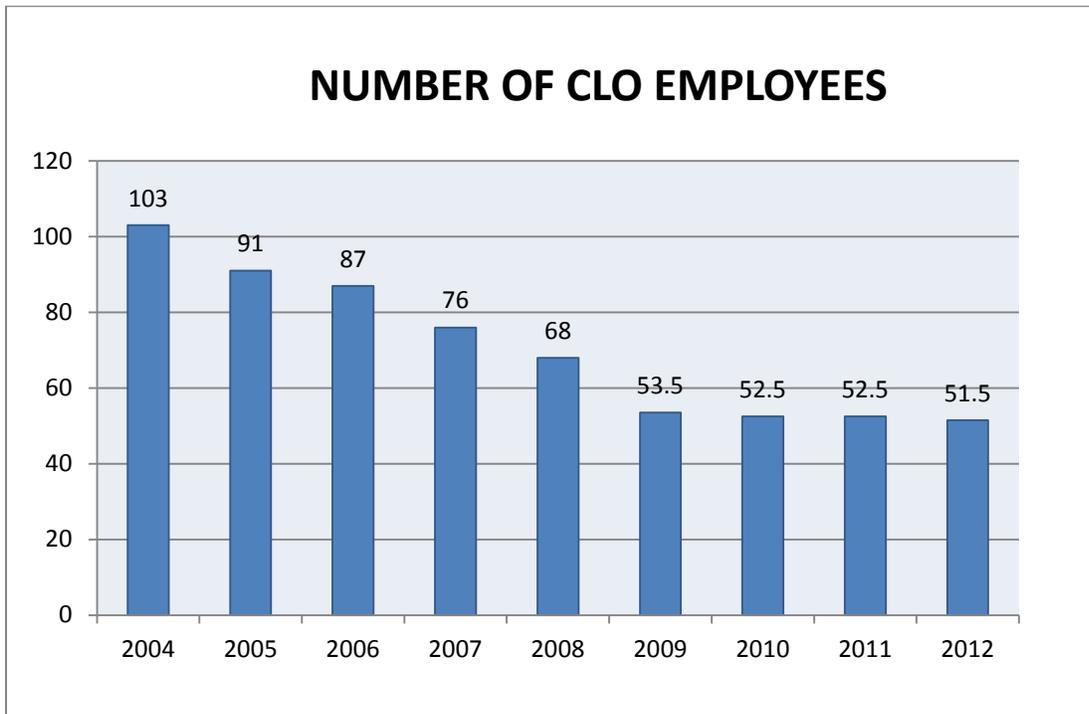
- **Comp Analyst:** Large survey representing thousands of companies across the U.S. which include hundreds of jobs. This subscription survey collects marketplace compensation data from many sources, and uses mathematical algorithms to predict the pay level of any of its survey jobs in major industries and geographical locations. The data used in this study was the nonprofit industry segment located in San Francisco.
- **Economic Research Institute:** 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, organizations similar in size to the CLO, and 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 and total compensation for employees are summarized below:

| | 31-Dec-12 | 31-Dec-13 (Budget) |
|---|------------------|---------------------------|
| Number of CLO employees at beginning of year | 51.5 | 39.1 |
| Total compensation and benefits for CLO employees | \$7,766,022 | \$6,214,070 |



The chart above shows the number of CLO full-time employees from 2004 to 2012.

As estates have closed resulting in reduced workloads, and as a result of internal operating efficiencies, the number of full-time employees decreased by 50% compared to December 31, 2004.

For calendar year 2013 the CLO further reduced its full-time employee equivalent headcount to 39.1.

CLO Financial Results

For Years Ended December 31, 2012 and December 31, 2011

| Cash received | December 31, 2012 | | December 31, 2011 |
|--|---------------------|------------------|----------------------|
| | Actual | Budget | |
| Litigation, reinsurance recoveries, and miscellaneous income | \$15,694,100 | N/A ² | \$195,829,200 |
| Investment income, net of expenses | 17,179,300 | N/A ³ | 13,240,700 |
| Total: | \$32,873,400 | | \$209,069,900 |

² Litigation, reinsurance recoveries, and miscellaneous income are not amendable to budgeting due to the irregular timing of their occurrence.

³ Investment income is not budgeted due to the large changes in investment balances that occur throughout the year, as well as changes in investment return rates.

| | December 31, 2012 | | December 31, 2011 |
|----------------------|----------------------|----------------------|----------------------|
| | Actual | Budget | |
| Distributions | \$108,044,400 | \$111,000,000 | \$384,770,000 |

Administrative – Estate Direct Expenses

| Estate Direct Expenses | December 31, 2012 | | December 31, 2011 |
|-----------------------------|---------------------|---------------------|---------------------|
| | Actual | Budget | |
| Legal expenses | \$10,809,100 | \$8,772,800 | \$7,937,700 |
| Consultants and contractors | 2,175,900 | 2,354,400 | 2,063,400 |
| Office expenses | 1,961,300 | 1,560,600 | 2,027,700 |
| Compensation and benefits | 7,300 | 0 | 116,500 |
| Total | \$14,953,600 | \$12,687,800 | \$12,145,300 |

Administrative – CLO Overhead Expenses

| CLO overhead expenses | December 31, 2012 | | December 31, 2011 |
|-----------------------------|--------------------|--------------------|--------------------|
| | Actual | Budget | |
| Compensation and benefits | \$7,766,000 | \$7,902,700 | \$7,320,200 |
| Office expenses | 1,655,200 | 1,868,600 | 1,905,200 |
| Consultants and contractors | 220,200 | 137,000 | 167,800 |
| Legal expenses | 70,000 | 39,400 | 14,000 |
| Total | \$9,711,400 | \$9,947,700 | \$9,407,200 |

| Administrative Totals | December 31, 2012 | | December 31, 2011 |
|------------------------------------|---------------------|---------------------|---------------------|
| | Actual | Budget | |
| Estate Direct Expense Total | \$14,953,600 | \$12,687,800 | \$12,145,300 |
| CLO Overhead Expense Total | 9,711,400 | \$9,947,700 | 9,407,200 |
| Total: | \$24,665,000 | \$22,635,500 | \$21,552,500 |

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:

Continuing asset recovery, via complex litigation, has required the Estate to remain open. The Commissioner's lawsuit against Altus S.A. et al has been completed, except for the court's decision on the restitution award of \$131 million (net) which remains pending. As a result of the jury verdict of no compensation in the damages phase of the case, the Commissioner is considering his next steps. The Estate and associated trust will be required to complete any escheatment of unclaimed funds post the final distribution. Since the Estate was transferred to the CLO in 1997, the Estate has recovered \$731 million from litigation and distributed \$737 million to claimants. Assets presently in the Estate are held to fund ongoing litigation and operations.

Frontier Pacific Insurance Company:

The Estate has an estimated \$16.1 million in current and future reinsurance recoveries as of December 31, 2012. These balances are due from approximately 29 reinsurers. As a result of the arbitration proceedings against National indemnity Company (NICO), the Estate was awarded approximately \$18 million. The Estate in cooperation with its parent company, Frontier Insurance Company (FIC) has filed its Unallocated Loss Adjustment Expense (ULAE) claim against NICO for approximately \$3.4 million. Frontier Pacific's remaining reinsurance programs are labor intensive to administer. The Estate completed an interim distribution in the third quarter of 2012 for approximately \$22 million.

Golden Eagle:

The Estate is in long-term run off. Although all policyholder claims have been 100% reinsured and policyholder claims are being paid timely, Golden Eagle remains liable to the policyholders should the reinsurer not be able to fulfill their obligations. The reinsurance program is structured to accommodate all remaining claims exposure. Until all claims are resolved or paid out, the Estate must remain open. The CLO acts in a

pure monitoring capacity to ensure that the reinsurance contract continues to pay all claims.

Great States:

The Estate continues to seek a resolution on the AHA Surety Bond matter. The Estate continues to collect funds on behalf of the California Insurance Guarantee Association (CIGA) from the billings of paid workers compensation claims. The estate continues to rely upon CIGA for certain claim documentation to complete the billing to the surety. In an effort to resolve the remaining liability the parties will discuss updating certain actuarial studies and explore commutation possibilities. The balance of the remaining reinsurance program is in the commutation negotiation phase and requires certain releases from four participating guarantee associations. To date the Estate has distributed 40.3 percent of the paid losses to the Insurance Guarantee Associations.

HIH America Compensation & Liability:

The Estate's remaining reinsurance program involving upper layer treaties is being reviewed for potential collectability. The upper layer exposure has proven to be a challenge to negotiate and commute at a fair value with reinsurers. The Estate will await substantiation of the exposure and probability of recovery before booking the asset. To date, all Insurance Guarantee Associations (IGAs) have received a payment of 52 percent of their paid losses and the non-IGAs have received 45 percent of their approved claims.

Mission/ Mission National/ Enterprise:

The Mission estates processed all proofs of claims filed prior to the estate closing orders issued for each estate. In 2012, Mission Insurance Company Trust, Mission National Insurance Company Trust and Enterprise Insurance Company Trust each applied to the United States Department of Justice for a release from all super-priority claims. A release agreement has been entered into and court-approved as to Enterprise Insurance Company Trust. As to Mission Insurance Company Trust and Mission National Insurance Company Trust, no release has yet been approved. Mission Insurance Company Trust and Mission National Insurance Company Trust are in communication with the United States Department of Justice about information the Department of Justice requested in connection with the request for a release. The Enterprise Insurance Company Trust will commence preparations for final distribution and closure.

Superior National Insurance Companies in Liquidation ("SNICIL"):

SNICIL resolved a long running indemnity action with the parent corporation in 2012. There is another \$163.7 million of collectible reinsurance still on the books. Nearly all of the collectible reinsurance involves long tail Workers Compensation business; thus, the strategy is to attempt to commute the remaining balances. This will continue to require a significant amount of time and effort to commute all of the reinsurance contracts and programs.

Western Employers:

Western Employers underwrote coverages on very long-tail exposures (workers compensation, asbestos, tobacco, landfills, etc.) and has been subject to extensive litigation associated with claims that exceed state guaranty fund coverage limits or were altogether not covered by the guaranty funds. The CLO has worked to overcome pre-receivership record-keeping issues inherited at the time of liquidation. Western Employers has also applied to the United States Department of Justice for a release of all super-priority (non-tax) claims. The CLO on behalf of Western Employers has provided substantial supporting material to justify its request. The timing of the United States Department of Justice in responding to this request is indefinite at this time. Secondly, Western Employers awaits a response from the United States Department of Justice to its request for a release of any super-priority claims, after having provided detailed claims information to that agency.

Claims History

Property and Casualty Estates

| Estate | Liquidation Date | Proof Of Claims Filed | Proof Of Claims Resolved | Open POCs |
|---------------------------|-------------------------|------------------------------|---------------------------------|------------------|
| American Sterling | 10/26/2011 | 90 | 1 | 89 |
| Frontier Pacific | 11/30/2001 | 43,573 | 43,571 | 2 |
| Fremont | 7/2/2003 | 45,664 | 45,353 | 311 |
| Golden Eagle ⁴ | 2/18/1998 | | n/a (see below) | |
| HIH (2 estates) | 5/8/2001 | 3,175 | 3,167 | 8 |
| Majestic | n/a | 90 | 77 | 13 |
| Mission (3 estates) | 2/24/1987 | 173,920 | 173,920 | 0 |
| Pacific National | 8/5/2003 | 4,448 | 4,448 | 0 |
| Superior (5 estates) | 9/26/2000 | 13,934 | 13,885 | 49 |
| Western Employers | 4/19/1991 | 9,809 | 9,577 | 232 |
| | Total: | 294,703 | 293,999 | 704 |

⁴ 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 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.

Fremont Life Insurance Company: Fremont Life transferred approximately 3,500 in-force policies to assuming insurers via reinsurance agreements. All policy administration is handled by the successor insurers. The Estate is a wholly owned subsidiary of the Fremont Indemnity estate.

Golden State Mutual Life Insurance Company: Golden State transferred approximately 120,000 in-force policies to an assuming insurer via a reinsurance agreement. All remaining policy liabilities were assumed by National Organization of Life and Health Insurance Guaranty Associations (NOLHGA) via consensual agreement subject to court approval in 2012.

2013 Business Goals

The 2013 Business Plan is a continuation of the objectives of the 2012 Business Plan, focusing on estate closings and distributions, collecting/converting assets, evaluating claims and enhancing operating efficiencies.

Entering 2013, there are 20 open estates under management by the CLO. The open estates consist of 17 Property & Casualty Estates and three Life/Health Estates. Our goal in 2013 is to close two estates and distribute \$58 million.

Starting 2013, we have 39.1 full-time employees and no temporary employees. We will re-assess staffing requirements at mid-year and will make any changes deemed necessary during the second half of 2013. In addition to the organizational goals, there are individual work plans and cross-departmental Estate teams for each of the 20 estates. The individual estate teams provide a written update on a quarterly basis.

The 2013 Goals are as follows:

1. Close 2 Estates⁵
 - Enterprise Ins. Co.
 - Fremont Life Ins. Co.

⁵ Closing is defined as fully releasing the Commissioner from all legal responsibilities for an estate.

2. Early Access, Interim, and Final Distributions

Early Access Distributions:

| | |
|---------------------------------|--------------|
| Superior National Estates | \$25,000,000 |
| Fremont | 25,000,000 |

Final Distributions:

| | |
|--------------------|------------------|
| Enterprise | 7,000,000 |
| Fremont Life | <u>1,000,000</u> |

\$58,000,000

Section 2 – Estate Specific Information

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| • Current Year and Cumulative Distributions by Estate | 203 |
| • Estates in Conservation and/or Liquidation as of December 31, 2012..... | 204 |
| • Report on Individual Estates | 205-245 |

Conservation or Liquidation Estates Opened During the Year 2012

None

Conservation or Liquidation Estates Closed During the Year 2012

Alistar Ins. Co. – March 23, 2012

Municipal Mutual Ins. Co. – February 2, 2012

Current Year and Cumulative Distributions by Estate (in \$000)⁶

| | <u>Year Ended 12/31/2012</u> | | | | <u>Cumulative to 12/31/2012</u> | | | |
|--------------------------|----------------------------------|-----------------------------------|----------------------|------------------|-------------------------------------|-----------------------------------|----------------------|--------------------|
| | Policyholders | Federal and State Claims | General Creditors | Total | Policyholders | Federal and State Claims | General Creditors | Total |
| American Sterling Ins Co | 205 | - | - | 205 | 205 | - | - | 205 |
| Executive Life Ins Co | - | - | - | - | 737,276 | - | - | *737,276 |
| Fremont Indemnity Co | 39,617 | - | - | 39,617 | 941,978 | - | - | 941,978 |
| Frontier Pacific Ins Co | 22,215 | - | - | 22,215 | 22,215 | - | - | 22,215 |
| Great States Ins Corp | - | - | - | - | 10,155 | - | - | 10,155 |
| HIH America Ins Co | - | - | - | - | 328,500 | - | - | 328,500 |
| Mission Ins Co | - | - | - | - | 846,833 | 111 | 265,664 | 1,112,608 |
| Mission National Ins Co | - | - | - | - | 499,852 | - | 27,077 | 526,929 |
| Enterprise Ins Co | - | - | - | - | 120,573 | 40 | 5,339 | 125,952 |
| Pacific National Ins Co | - | - | - | - | 52,416 | - | - | 52,416 |
| California Comp Ins Co | 34,680 | - | - | 34,680 | 875,588 | - | - | 875,588 |
| Combined Benefits Ins Co | 573 | - | - | 573 | 22,055 | - | - | 22,055 |
| Superior National Ins Co | 3,294 | - | - | 3,294 | 394,312 | - | - | 394,312 |
| Superior Pacific Cas Co | 1,874 | - | - | 1,874 | 39,970 | - | - | 39,970 |
| Commercial Comp Cas Co | 560 | - | - | 560 | 94,544 | - | - | 94,544 |
| Western Employers Ins Co | - | - | - | - | 68,190 | - | - | 68,190 |
| | \$103,017 | \$0 | \$0 | \$103,017 | \$5,054,661 | \$151 | \$298,081 | \$5,352,893 |

*Since administration was transferred to CLO in 1997.

⁶ Fremont Life, Golden Eagle, Golden State Mutual, and Majestic estates are not included on this schedule as no distributions have occurred.

* Since administration was transferred to CLO in 1997.

Estates in Conservation and/or Liquidation as of December 31, 2012

| Estate Name | Date Conserved | Date Liquidated |
|---|-----------------------|------------------------|
| American Sterling Insurance Company | 09/26/11 | 10/26/11 |
| California Compensation Insurance Company | 03/06/00 | 09/26/00 |
| Combined Benefits Insurance Company | 03/06/00 | 09/26/00 |
| Commercial Compensation Casualty Company | 06/09/00 | 09/26/00 |
| Enterprise Insurance Company | 11/26/85 | 02/24/87 |
| Executive Life Insurance Company | 04/11/91 | 12/06/91 |
| Fremont Indemnity Company | 06/04/03 | 07/02/03 |
| Fremont Life Insurance Company | 06/05/08 | * |
| Frontier Pacific Insurance Company | 09/07/01 | 11/30/01 |
| Golden Eagle Insurance Company | 01/31/97 | 02/18/98 |
| Golden State Mutual Life Insurance Company | 09/30/09 | 01/28/11 |
| Great States Insurance Company | 03/30/01 | 05/08/01 |
| HIH America Comp. & Liability Insurance Company | 03/30/01 | 05/08/01 |
| Majestic Insurance Company | 04/21/11 | * |
| Mission Insurance Company | 10/31/85 | 02/24/87 |
| Mission National Insurance Company | 11/26/85 | 02/24/87 |
| Pacific National Insurance Company | 05/14/03 | 08/05/03 |
| 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*

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 2012 operating goals and results, the current status of the estate in the conservation or liquidation process, and summarized financial information.⁷

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, except when otherwise provided in a rehabilitation plan. The probability of a valid claim being paid is dependent on the valuation of the claim, the order of preference 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 must 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.

⁷ *Estates under management of the CLO have an annual independent review of its financial statements. Copies of the independently reviewed financial statements can be accessed through the CLO webpage (www.caclo.org). Annual audits or reviews are waived for estates with little or no assets or activity.*

ESTATE SPECIFIC INFORMATION

American Sterling Insurance Company

Conservation Order: September 26, 2011

Liquidation Order: October 26, 2011

2012 Report

American Sterling Insurance Company (ASIC) was a California domiciled property and casualty insurance company formerly located at 28202 Cabot Road, Laguna Niguel, CA 92677. ASIC is a wholly owned subsidiary of American Sterling Corporation (ASC), a California corporation. ASIC has a wholly owned subsidiary American Sterling Productions, Ltd, which in turn has four wholly owned subsidiaries, three that appear dormant and one that holds a material real estate investment.

ASIC was licensed to write multiple classes of coverage. Pre-liquidation ASIC wrote only liability and automobile classes of insurance in Arizona, Kansas and Nevada. ASIC was not writing business in California.

Due to a continuing lack of adequate cash flow to meet claims and overhead obligations, ASIC and its subsidiaries were placed into conservation on September 26th 2011. Control of the company was transferred to the Commissioner. After repeated assurances and promises from the company's CEO, no immediate prospect of new cash materialized. As a result, the conservator had to seek an insolvency order to trigger the state guaranty funds to honor current claims payments. ASIC and its subsidiaries were placed into liquidation on October 26, 2011.

As of December 31, 2011 essentially all open policyholder claims had been transferred to the three participating IGAs, 30-day cancellation notices were issued at liquidation to all in force policyholders and insolvency orders were either served on key entities and principals or recorded in counties where ASIC or its subsidiaries have assets.

The primary focus of the estate in 2012 was to monetize one or more of three highly illiquid assets and plan a distribution to the creditor group. After months of discussions seeking resolution to two promissory notes held by ASIC, the estate commenced formal repossession efforts in August 2012. The borrowers under a \$3 million promissory note secured by land paid the note in full plus Trustee fees in October 2012. A second note in the amount of \$7.5 million made by ASIC's parent company, ASC was not repaid and ASIC foreclosed its security interest in a residential property in Orange County that was pledged as collateral for the loan. American Sterling Capital Corporation (ASCC) a wholly owned subsidiary of ASIC placed a luxury corporate facility on the market for sale in July 2012. As of year end the subsidiary had only a couple low offers on the property. Absent a purchase offer at or near the \$13 million debt on the property the estate will consider a settlement with the lender.

The ASIC estate received 90 proofs of claim on or before the July 31, 2012 claims bar date. The estate will make every effort to determine all claims including the three participating Insurance Guaranty Associations (IGAs) in 2013. If the IGA run off of claims can be closed and the ASCC debt resolved and released by September 2013, there is a good chance the estate could make a distribution and close the proceeding at or near year end 2013.

American Sterling Ins. Co.

ASSETS AND LIABILITIES

As of December 31, 2012 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|---|--------------------|--------------------|
| Cash and investments | (\$150,800) | \$2,272,500 |
| Recoverable from reinsurers | - | - |
| Other assets | 11,747,100 | 5,418,000 |
| Total assets | 11,596,300 | 7,690,500 |
| Liabilities | 12/31/2011 | 12/31/2012 |
| Secured claims and accrued expenses | 418,800 | 66,600 |
| Claims against policies, before distributions | 1,163,500 | 1,163,500 |
| Less distributions to policyholders | - | (205,100) |
| All other claims | 276,700 | 903,600 |
| Total liabilities | 1,859,000 | 1,928,600 |
| Net assets (deficiency) | \$9,737,300 | \$5,761,900 |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|--------------------|----------------------|
| Investment income | (\$900) | \$240,900 |
| Litigation recoveries | - | - |
| Salvage and other recoveries | 38,500 | 88,200 |
| Total income | 37,600 | 329,100 |
| Expenses | 2011 | 2012 |
| Loss and claims expenses | 439,100 | 750,100 |
| Administrative expenses | 266,100 | 861,100 |
| Total expenses | 705,200 | 1,611,200 |
| Net income (loss) | (\$667,600) | (\$1,282,100) |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|--------------------|
| Beginning monetary assets at takeover | \$104,500 |
| Recoveries, net of expenses | 2,373,100 |
| Distributions | (205,100) |
| Monetary assets available for distribution | \$2,272,500 |

Executive Life Insurance Company

Conservation Order: April 11, 1991
Liquidation Order: December 6, 1991

2012 Report

Executive Life Insurance Company (ELIC) was placed in conservation by order of the Los Angeles County Superior Court on April 11, 1991. At the time, ELIC, which had more than 350,000 policyholders, was the largest life insurance insolvency in United States history. In the summer and fall of 1991, the Commissioner conducted an auction seeking bids to acquire the junk bond portfolio and insurance assets of ELIC. In December 1991, the Commissioner's selection of a group of French and European investors (the Altus/MAAF group) as the winning bidder, and the transaction was approved by the Conservation Court.

In March 1992, ELIC's junk bond portfolio was transferred to Altus Finance for a purchase price of approximately \$3 billion. In August 1993, the Court approved a final Rehabilitation Plan under which the majority of ELIC's assets and its restructured insurance policies were 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 were given a choice either to accept new coverage (Opt In) from Aurora National Life Assurance Company (Aurora) or to terminate their ELIC policies (Opt Out) in return for a pro rata share of ELIC's assets. The Rehabilitation Plan also provided for the establishment of various trusts, collectively known as the Enhancement Trusts, to marshal and distribute assets for the benefit of former ELIC policyholders.

The Commissioner, in his capacity as conservator, rehabilitator and liquidator of the Estate, 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 Altus and some of the other co-defendants in 2004 and 2005.

A trial against the remaining defendant in 2005 resulted in a jury verdict finding Artemis S.A., a two-thirds owner of Aurora, liable for knowing participation in a conspiracy with members of the Altus/MAAF group to defraud the Commissioner. In August 2008, the jury's verdict of liability was upheld on appeal and the case was remanded to the U.S. District Court for a new trial on the issue of damages.

Continuing asset recovery, via complex litigation, has required the Estate to remain open. The Commissioner's lawsuit against Altus S.A. et al has been completed, except for the court's decision on the restitution award of \$131 million (net) which remains pending. As a result of the jury verdict of no compensation in the damages phase of the case, the Commissioner is considering his next steps.

The Estate is a party to a proceeding brought by certain Indenture Trustee policyholders who challenged various CLO administrative expenses for the period January 1, 1997 to June 30, 2008. The Court issued an order on December 7, 2009 approving those expenses and subsequently denied the request by the Indenture Trustee policyholders for attorney fees. On February 4, 2010, the Indentured Trustee Policyholders filed a Notice of Appeal against the court's approval of CLO administrative expenses of ELIC for the period January 1, 1997 to June 30, 2008 (approximately \$12 million), as well as the court's denial of ITP's attorney fees of \$395,730.50. The ITP's appeal brief was filed in December 2010 and the Commissioner's response brief was filed January 27, 2011. The appeal matter has not been heard yet.

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. A distribution of \$211 million of Altus Litigation Funds was made to Opt-Out policyholders in February 2006. Presently the remaining assets of the Opt-Out Trust consist of distributions allocated to policyholders with whom contact has been lost, in most cases due to bad addresses (funds for those for whom contact has been lost will be escheated to the last known state of residence). This trust however, continues to remain open to effect additional distributions to Opt-Out policyholders if the Commissioner is successful in the retrieval.

Executive Life Ins Co

ASSETS AND LIABILITIES

As of December 31, 2012 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|-------------------------------------|-------------------|-------------------|
| Cash and investments | \$39,882,000 | \$35,811,300 |
| Other assets | 1,605,800 | 574,400 |
| Total assets | 41,487,800 | 36,385,700 |
| Liabilities | 12/31/2011 | 12/31/2012 |
| Secured claims and accrued expenses | 8,013,000 | 12,100,300 |
| Policyholder liability | 5,924,618,100 | 6,152,241,400 |
| All other claims | 428,800 | 428,800 |
| Total liabilities | 5,933,059,900 | 6,164,770,500 |
| Net assets (deficiency) | (\$5,891,572,100) | (\$6,128,384,800) |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|-------------------------------------|-----------------|-----------------|
| Investment income | \$708,100 | \$1,153,500 |
| Litigation recoveries | 28,100 | - |
| Miscellaneous income | - | - |
| Total income | 736,200 | 1,153,500 |
| Expenses | 2011 | 2012 |
| Post-liquidation Federal income tax | - | - |
| Administrative expenses | 6,122,300 | 10,634,200 |
| Interest on policyholder liability | 227,750,300 | 227,661,900 |
| Total expenses | 233,872,600 | 238,296,100 |
| Net income (loss) | (\$233,136,400) | (\$237,142,600) |

CHANGE IN MONETARY ASSETS

| | |
|--|---------------|
| Beginning monetary assets at takeover | \$112,111,400 |
| Recoveries, net of expenses | 660,975,800 |
| Distributions | (737,275,900) |
| Monetary assets available for distribution | \$35,811,300 |

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, 2012.

ELIC Opt Out Trust

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|-------------------------------------|-------------------|-------------------|
| Cash and investments | \$9,125,100 | \$8,534,600 |
| Total assets | 9,125,100 | 8,534,600 |
| | | |
| Liabilities | 12/31/2011 | 12/31/2012 |
| Secured claims | 6,662,500 | 6,132,600 |
| Unclaimed funds payable | 2,357,200 | 2,240,200 |
| Payable to Affiliates | - | 571,460 |
| Reserve for administrative expenses | 105,400 | (409,600) |
| Total liabilities | 9,125,100 | 8,534,660 |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income and Expenses | 2011 | 2012 |
|----------------------------|-------------|-------------|
| Investment income | \$148,100 | \$253,900 |
| Administrative expenses | 711,100 | 194,900 |
| Net income (loss) | (\$563,000) | \$59,000 |

Fremont Indemnity Company

Conservation Order: June 04, 2003

Liquidation Order: July 02, 2003

2012 Report

Fremont was authorized as a multi-line Property & Casualty insurer, but at liquidation operated as a “Monoline” Workers’ Compensation insurer writing only Workers’ Compensation and Employer Liability 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”), Fremont’s immediate parent company. FCIG is wholly-owned by a publicly traded holding company, Fremont General Corporation (“FGC”). Approximately 65% of Fremont’s Workers’ Compensation claims are attributable to business written in California. Most of the general liability business was assumed by a group of life insurance companies and administered through a third party administrator named Riverstone. The “Claims Bar Date”, or the final date to submit a claim against the insolvent entity, was June 30, 2004.

The Estate’s parent company, FGC, filed for protection under Chapter 11 of the federal bankruptcy code in June of 2008. As part of the FGC consolidated tax group the Estate sought to protect certain tax attributes and to ensure financial recovery or preservation of its net operating losses. Counsel for the estate filed four proofs of claims seeking recovery from the FGC bankruptcy estate. In April 2009 the Estate commenced global settlement discussions with representatives of FGC to settle all disputes between the Estate and FGC as it relates to the pending POCs. After months of negotiation the Estate agreed to settle all disputes in exchange for two approved, unsecured general creditor claims totaling \$40 million in approved voting claims that are capped at \$27 million in payout plus post-petition interest on \$5 million. In addition the estate received \$9 million in cash at execution of the settlement, and agreement with FGC to help facilitate the deconsolidation of the Estate from the consolidated tax group in a matter that allows the Estate to preserve all of its net operating losses for future application (estimated to exceed \$400 million).

All legal disputes have been resolved and essentially all amounts due under the global settlement with the FGC bankruptcy estate have been collected. The Estate has completed the deconsolidation process and is now a stand-alone taxpayer.

The Estate continues to bill and collect on active reinsurance treaties, as well as seeking commutations where advantageous. All on-going reinsurance processing is now being handled by the CLO San Francisco staff who will complete the balance of the run off of the reinsurance program.

The Estate released its eighth early access distribution in August 2012. The estate is planning a ninth early access distribution in 2013.

Fremont Indemnity Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|---|--------------------------|--------------------------|
| Cash and investments | \$122,027,000 | \$84,959,400 |
| Recoverable from reinsurers | 132,515,500 | 110,543,100 |
| Other assets | 25,215,600 | 24,454,900 |
| Total assets | 279,758,100 | 219,957,400 |
| | | |
| Liabilities | 12/31/2011 | 12/31/2012 |
| Secured claims and accrued expenses | 15,646,200 | 15,652,000 |
| Claims against policies, before distributions | 3,062,130,500 | 3,053,988,400 |
| Less distributions to policyholders | (902,360,600) | (941,977,800) |
| All other claims | 349,598,400 | 337,862,500 |
| Total liabilities | 2,525,014,500 | 2,465,525,100 |
| Net assets (deficiency) | (\$2,245,256,400) | (\$2,245,567,700) |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|------------------|------------------|
| Investment income | \$2,331,900 | \$2,681,300 |
| Salvage and other recoveries | 6,865,200 | 7,035,600 |
| Total income | 9,197,100 | 9,716,900 |

| Expenses | 2011 | 2012 |
|--------------------------|-----------------------|--------------------|
| Loss and claims expenses | 87,285,700 | 6,510,300 |
| Administrative expenses | 3,402,100 | 3,800,600 |
| Total expenses | 90,687,800 | 10,310,900 |
| Net income (loss) | (\$81,490,700) | (\$594,000) |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|---------------------|
| Beginning monetary assets at takeover | \$434,855,900 |
| Recoveries, net of expenses | 592,081,300 |
| Distributions | (941,977,800) |
| Monetary assets available for distribution | \$84,959,400 |

Fremont Life Insurance Company

Conservation Order: June 05, 2008

2012 Report

Fremont Life Insurance Company ("Fremont Life"), a California domiciled life insurance company was located in Costa Mesa, California and licensed in 13 states and Guam. Fremont Life is a wholly owned subsidiary of Fremont Compensation Insurance Group Inc., whose ultimate parent is Fremont General Corporation ("FGC"). FGC filed for protection under Chapter 11 of the U.S. Bankruptcy Code in June of 2008. On May 15, 2008, Fremont Life filed their March 31, 2008 quarterly statement with the California Department of Insurance reporting surplus of \$1,967,289. The minimum required capital and surplus for Fremont Life is \$4,500,000. With the subsequent bankruptcy filing by its parent FGC the California insurance regulators opted to seek a conservation of Fremont Life.

All active insurance contracts have been transferred to successor insurance companies, and the operations of Fremont Life have been discontinued. The conserved estate has the responsibility to ensure all risk associated with the remaining policies and life products are properly assumed by the successor insurers.

The Estate was able to recover most protective deposits in 2010, and has documented that all risk has been transferred and novated. The Estate will seek to recover all remaining assets and to resolve all pending legal issues in 2012 and will work to close the conservation in 2013.

Fremont Life Ins Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|-------------------------------------|-------------------|-------------------|
| Cash and investments | \$1,169,100 | \$1,614,000 |
| Other assets | 159,300 | 500 |
| Total assets | 1,328,400 | 1,614,500 |
| <hr/> | | |
| Liabilities | 12/31/2011 | 12/31/2012 |
| Secured claims and accrued expenses | 7,200 | 6,000 |
| All other claims | 1,336,200 | 1,609,200 |
| Total liabilities | 1,343,400 | 1,615,200 |
| Net assets (deficiency) | (\$15,000) | (\$700) |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|-------------------|--------------------|
| Investment income | \$19,600 | \$43,600 |
| Salvage and other recoveries | | 521,700 |
| Total income | 19,600 | 565,300 |
| <hr/> | | |
| Expenses | 2011 | 2012 |
| Loss and claims expenses | | 47,900 |
| Administrative expenses | 88,700 | 118,500 |
| Total expenses | 88,700 | 166,400 |
| Net income (loss) | (\$69,100) | (\$398,900) |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|--------------------|
| Beginning monetary assets at takeover | \$1,443,100 |
| Recoveries, net of expenses | 170,900 |
| Distributions | |
| Monetary assets available for distribution | \$1,614,000 |

Frontier Pacific Insurance Company

Conservation Order: September 7, 2001
Liquidation Order: November 30, 2001

2012 Report

Frontier Pacific Insurance Company (“FPIC”), a California domiciled property and casualty insurer, was licensed in California, Nevada, New York and South Carolina. FPIC primarily wrote surety and private passenger auto liability. In August 2001, FPIC’s parent company, Frontier Insurance Company (“FIC”) of New York, voluntarily entered rehabilitation under the control of the New York Liquidation Bureau. As a result of the FIC rehabilitation, substantial reinsurance recoverables due FPIC from FIC were never paid. A subsequent financial examination by the California regulators disallowed the FIC reinsurance receivable, resulting in a negative surplus on FPIC’s books, and FPIC was placed into conservation on September 7, 2001. During conservation, the Commissioner determined that FPIC’s financial condition was such that rehabilitation was futile and an Order of Liquidation was obtained on November 30, 2001. The “Claims Bar Date,” or the final date to submit a claim against the Estate, was August 30, 2002. The FPIC claims operation was transferred to the CLO in October 2005.

FPIC and its agents (including its parent, FIC) held collateral in various forms as security for the issuance of surety bonds, including large numbers of bail bonds. The Liquidator has finalized and released security for those obligations which have expired. All items of collateral associated with bail bonds have been returned, except those associated with forfeited bonds. As for those outstanding unliquidated obligations, the Liquidator is making suitable arrangements to affect release to the appropriate parties, including escheatment. The Liquidator has reached an agreement with the New York Liquidation Bureau on a procedure for the disposition of collateral securing joint and several obligations of FPIC and FIC.

Since FPIC’s liquidation in November 2001, the Liquidator continues to marshal FPIC’s assets to pay approved claims. In 2011, an arbitration proceeding against NICO, the main reinsurer of FPIC, not only awarded FPIC approximately \$18 million, but also preserved FPIC’s right to pursue an Unallocated Loss Adjustment Expense (ULAE) claim of approximately \$3.4 million.

The Estate has an estimated \$16.1 million in current and future reinsurance recoveries as of December 31, 2012. These balances are due from approximately 29 reinsurers. As a result of the arbitration proceedings against National indemnity Company (NICO) in which FPIC was awarded approximately \$18 million, FPIC in cooperation with its parent company, Frontier Insurance Company (FIC) has filed its ULAE claim against NICO for approximately \$3.4 million. Frontier Pacific’s remaining reinsurance program are labor intensive to administer, but known case reserves are relatively small.

The Estate completed an interim distribution in the third quarter of 2012 for approximately \$22 million.

Frontier Pacific Ins Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|-----------------------------|-------------------|-------------------|
| Cash and investments | \$33,725,200 | \$14,526,500 |
| Recoverable from reinsurers | 18,318,300 | 16,110,600 |
| Other assets | 1,363,200 | 1,363,300 |
| Total assets | 53,406,700 | 32,000,400 |

INCOME AND EXPENSES

| Liabilities | 12/31/2011 | 12/31/2012 |
|---|----------------------|----------------------|
| Secured claims and accrued expenses | 3,656,600 | 4,570,500 |
| Claims against policies, before distributions | 44,077,000 | 43,009,100 |
| Less distributions to policyholders | - | (22,214,700) |
| All other claims | 13,541,200 | 13,510,100 |
| Total liabilities | 61,274,800 | 38,875,000 |
| Net assets (deficiency) | (\$7,868,100) | (\$6,874,600) |

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|------------------|----------------|
| Investment income | \$254,000 | \$585,200 |
| Litigation recoveries | 4,700,000 | - |
| Salvage and other recoveries | 83,400 | 30,100 |
| Total income | 5,037,400 | 615,300 |

| Expenses | 2011 | 2012 |
|--------------------------------------|--------------------|------------------|
| Loss and claims expenses | 302,900 | (2,035,500) |
| Post-liquidation Federal tax expense | 1,003,200 | 326,800 |
| Administrative expenses | 2,272,100 | 1,330,500 |
| Total expenses | 3,578,200 | (378,200) |
| Net income (loss) | \$1,459,200 | \$993,500 |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|---------------------|
| Beginning monetary assets at takeover | \$18,531,900 |
| Recoveries, net of expenses | 18,209,300 |
| Distributions | (22,214,700) |
| Monetary assets available for distribution | \$14,526,500 |

Golden Eagle Insurance Company

Conservation Order: January 31, 1997
Rehab./Liquidation Plan Approved: August 4, 1997
Liquidation Order: February 18, 1998

2012 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. Under the Plan, Golden Eagle’s operating assets and future business was sold to affiliates of Liberty Mutual Insurance Company. The Plan also provides for an orderly “run-off” of claims under Golden Eagle’s pre-1997 insurance policies, a process which is ongoing.

Prior to December 2006, the majority of the administrative aspects of the Plan were administered by the Golden Eagle Insurance Company Liquidating Trust (“The Trust”), which was created under the Plan and approved by the Superior Court as a neutral mechanism to manage the liquidation of Golden Eagle. Substantially all of the Trust’s duties were fully discharged by the end of November 2006, at which point the Trust was terminated and the residual liquidation duties were assumed by the Commissioner’s Conservation & Liquidation Office (“CLO”). The Trust was officially terminated and closed on November 30, 2006.

As part of the process for terminating the Trust, the Trust purchased additional reinsurance coverage from Liberty Mutual affiliates to cover the remaining covered insurance policy exposures, including liabilities under both workers’ compensation and other property and casualty policies. Because payment in full of Golden Eagle’s insurance liabilities are provided for under the Plan, the Liquidation Order does not contain a formal finding of insolvency, and thus the Insurance Guaranty Associations (IGAs) have not been triggered. As a result, no bar date has been set for the filing of insurance claims covered under a Golden Eagle policy. Such 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.

Prior to its termination, the Trust was responsible for the management of the third-party claim administrator and reinsurer (affiliates of Liberty Mutual Insurance Company) that were and continue to be responsible for the adjustment and payment of covered policyholder claims under the Plan. Those oversight duties now reside with the CLO. The Trust also managed the residual assets of the Estate and administered to resolution all proofs of claims filed by general creditors. The “Claims Bar Date,” or the final date to submit general creditor claims (i.e., non-policyholder claims) against the Estate, was February 27, 1998. The adjustment and payment of non-policyholder claims was completed by the Trust shortly before the Trust termination near the end of 2006.

All remaining policyholder claims are being administered and paid under the Plan’s indemnity reinsurance and excess of loss reinsurance agreements with Liberty Mutual

affiliates. Given the “long-tail” nature of the claims portfolio, completing the run-off process is expected to take many more years. During 2012, the CLO continued negotiations with Liberty Mutual regarding a possible transfer of the remaining run-off claims via novation or the equivalent in order to allow the Commissioner to close the Estate. Claims continue to run off within the range of expected cost and reinsurance coverage. Until the entire remaining exposure is paid, assumed or novated, the 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 Rehabilitation Plan.

Golden Eagle Ins Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|----------------------|-------------------|-------------------|
| Cash and investments | \$1,958,600 | \$1,921,000 |
| Other assets | - | - |
| Total assets | 1,958,600 | 1,921,000 |

| Liabilities | 12/31/2011 | 12/31/2012 |
|---|--------------------|--------------------|
| Secured claims and accrued expenses | 400 | 3,000 |
| Claims against policies, before distributions | - | - |
| Total liabilities | 400 | 3,000 |
| Net assets (deficiency) | \$1,958,200 | \$1,918,000 |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|----------------|---------------|
| Investment income | \$31,500 | \$55,400 |
| Salvage and other recoveries | 132,700 | 3,300 |
| Total income | 164,200 | 58,700 |

| Expenses | 2011 | 2012 |
|--------------------------------------|-----------------|-------------------|
| Post-liquidation Federal tax expense | 4,000 | - |
| Administrative expenses | 89,800 | 98,900 |
| Total expenses | 93,800 | 98,900 |
| Net income (loss) | \$70,400 | (\$40,200) |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|--|--------------------|
| Beginning monetary assets at takeover ⁹ | \$2,029,000 |
| Recoveries, net of expenses | (108,000) |
| Distributions | - |
| Monetary assets available for distribution | \$1,921,000 |

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

Golden State Mutual Life Insurance Company

Conservation Order: September 30, 2009

Liquidation Order: January 28, 2011

2012 Report

Golden State Mutual Life Insurance Company (GSM), was a mutual life and health insurance company domiciled and incorporated in California, with its principal place of business and home office located at 1999 West Adams Boulevard in Los Angeles, California. Golden State's business focus has been to provide life insurance products to the minority middle-income marketplace with a geographic emphasis in California, Texas, North Carolina, Michigan and Illinois.

As of June 30, 2009, Golden State filed its Quarterly Statement reporting assets of \$93,291,509 and liabilities of \$91,640,816. Thus, Golden State's surplus was \$1,650,693 or \$3,349,307 less than the total aggregate of the minimum paid-in capital and minimum surplus required by the Insurance Code. Consequently, Golden State was deemed statutorily impaired and placed into conservation on September 30, 2009.

The Conservator determined that the best course of action for Golden State's policyholders and creditors was for the Conservator to position Golden State for a sale, merger or an assumption of its insurance book of business by a third party.

In November 2009, the Conservator conducted a national "request for proposal" process seeking a healthy successor insurer to purchase the mutual company or assume its book of business. IA American Life Insurance Company was the successful bidder and the Superior Court approved IA's assumption of all in-force GSM policies sale on June 24, 2010.

By December, 2010 the Conservator had determined that it would be futile to proceed as Conservator since Golden State's estimated liabilities of \$9,291,895 exceed its estimated remaining assets of \$5,721,154 by over \$3 million. A hearing on the Liquidation Motion and an Order to Show Cause why the Court should not grant the Liquidation Motion was held on January 28, 2011, and an order of insolvency was granted.

During 2011 Golden State obtained court approval and completed the transfer of the company's pension plan obligation and administration to the Pension Benefit Guaranty Corporation. After quantifying approximately \$2 million in un-assumed Class 2 policy liability (convertible Group Life & LTD coverage for former employees and dependents), the estate negotiated an agreement with the National Association of Life and Health Insurance Guaranty Associations (NOLHGA) whereby all un-assumed policy liability will be honored by the respective state guaranty association subject to any statutory limitations. As of December 2011 the form of replacement policy and rate structure for any excess coverage elections was still being reviewed by the CDI. Upon final approval of the form of policy and the rate schedule the estate will seek a court order authorizing the agreement and transfer of the liability.

Due to a continuing lack of available funds to distribute the estate filed a request with the court to suspend the formal proof of claim process and to extend the planned claims

bar date by 12 months. The court granted a new claims bar date of December 31, 2012. The estate will revisit the POC process and bar date in June of 2012.

The Estate sold the Houston and Winston-Salem offices during 2012. The Chicago property was placed under contract but later terminated due to the buyer's concerns over certain underground storage tanks located near the property. The Chicago property is subject to an indemnification agreement with the oil company responsible for the underground tanks. The estate pursued a claim under the indemnification agreement and received a "No Further Requirements" letter from the oil company. The estate will work to secure a contract with the prior buyer now that title appears to be cleared. The last property in Vallejo continues to be listed on the open market. Given the lack of purchase activity and ongoing cost to hold the property the estate will consider a reasonable pricing adjustment in 2013.

The liquidation estate continues to defend its ownership and control over the two paintings currently located in the lobby of the former GSM building in Los Angeles. The landlord and owner of the building has been granted relief by the liquidation court to pursue its quiet title claim to the art works. The owner asserts the paintings are fixtures of the building, the liquidator argues the paintings are personal property of the estate. A trial to determine ownership was scheduled for December 2012 but postponed by the court to April 15, 2013. As a positive gesture to the local community, the estate has loaned a significant portion of the remaining GSM art collection (excluding the lobby paintings) to the California African American Museum as part of their Places of Validation exhibit. The same pieces will remain at the museum through early 2013 as part of a GSM exhibit.

Golden State Mutual Life Ins Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|-------------------------------------|----------------------|----------------------|
| Cash and investments | (\$147,000) | \$55,400 |
| Other assets | 2,017,900 | 1,069,700 |
| Total assets | 1,870,900 | 1,125,100 |
| | | |
| Liabilities | 12/31/2011 | 12/31/2012 |
| Secured claims and accrued expenses | 591,400 | 664,700 |
| Policyholder claims | 2,212,900 | 1,664,200 |
| All other claims | 7,569,000 | 7,571,800 |
| Total liabilities | 10,373,300 | 9,900,700 |
| Net assets (deficiency) | (\$8,502,400) | (\$8,775,600) |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|-----------------------------|----------------------|------------------|
| Investment income (loss) | (\$4,100) | (\$900) |
| Cessions and premium income | 148,600 | 34,500 |
| Other income | 34,300 | 7,600 |
| Total income | 178,800 | 41,200 |
| | | |
| Expenses | 2011 | 2012 |
| Loss and claims expenses | (203,300) | (633,700) |
| Administrative expenses | 1,617,800 | 948,100 |
| Total expenses | 1,414,500 | 314,400 |
| Net income (loss) | (\$1,235,700) | (273,200) |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|-----------------|
| Beginning monetary assets at takeover | \$72,139,200 |
| Recoveries, net of expenses | (72,083,800) |
| Distributions | - |
| Monetary assets available for distribution | \$55,400 |

HIH America Comp. & Liability Insurance Company

Conservation Order: March 30, 2001

Liquidation Order: May 8, 2001

2012 Report

HIH America Compensation Liability Insurance Company (HIH) was domiciled in California and licensed to transact business in 31 states with California being the primary state accounting for 82% of the business written. HIH wrote only workers' compensation insurance. The "Claims Bar Date," or the final date to submit a claim against the insolvent Estate, was December 2, 2001.

Given the number of states in which HIH wrote business, a significant effort was required at the time of liquidation to properly transfer all open covered claims to the insurance guaranty community. The Estate had a significant amount of intercompany relationships with various affiliates that required a considerable amount of work to resolve such intercompany balances. Additionally, the Estate had a significant reinsurance program that was placed under a run off plan but still has enough potential recovery for the estate to remain open while pursuing such reinsurance.

The balance of the reinsurance program has been essentially run-off to conclusion. All material assets have been collected or resolved and the Estate completed a \$50 million interim distribution in December 2011. The Estate continues to collect periodic claim payments from the insolvency estate of its parent company and contingent on the reinsurance recovery status, will work to schedule a final distribution and closing in 2014.

HIH America Comp & Liability Ins Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|-----------------------------|-------------------|-------------------|
| Cash and investments | \$12,816,700 | \$12,957,600 |
| Recoverable from reinsurers | 1,434,600 | 1,434,600 |
| Other assets | - | 500 |
| Total assets | 14,251,300 | 14,392,700 |

| Liabilities | 12/31/2011 | 12/31/2012 |
|---|------------------------|------------------------|
| Secured claims and accrued expenses | 71,800 | 67,700 |
| Claims against policies, before distributions | 763,878,800 | 773,238,900 |
| Less distributions to policyholders | (328,499,900) | (328,499,900) |
| All other claims | 927,500 | 927,500 |
| Total liabilities | 436,378,200 | 445,734,200 |
| Net assets (deficiency) | (\$422,126,900) | (\$431,341,500) |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|------------------|------------------|
| Investment income | \$970,600 | \$367,900 |
| Salvage and other recoveries | 1,599,900 | 1,678,000 |
| Total income | 2,570,500 | 2,045,900 |

| Expenses | 2011 | 2012 |
|--------------------------|-----------------------|----------------------|
| Loss and claims expenses | 16,951,300 | 11,036,800 |
| Administrative expenses | 473,800 | 223,500 |
| Total expenses | 17,425,100 | 11,260,300 |
| Net income (loss) | (\$14,854,600) | (\$9,214,400) |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|---------------------|
| Beginning monetary assets at takeover | \$147,637,800 |
| Recoveries, net of expenses | 193,819,700 |
| Distributions | (328,499,900) |
| Monetary assets available for distribution | \$12,957,600 |

Great States Insurance Company

Conservation Order: March 30, 2001

Liquidation Order: May 8, 2001

2012 Report

Great States Insurance Company was domiciled in California and was licensed to transact business in 14 states. Great States wrote only workers' compensation insurance and concentrated in Arizona, Colorado, and Nevada. Great States wrote a minimal amount in California and Illinois. The "Claims Bar Date," or the final date to submit a claim against the Estate, was December 2, 2001.

A significant portion of the Estate's statutory deposits are held in the form of surety bonds and are released as claims arise and formal awards are issued. The entity that has issued the surety bond has off-set rights related to certain reinsurance recoveries by Great States. The process of reconciling these releases and offsets has been an on-going requirement of the Estate.

The Estate continues to seek a resolution of the surety bond issue with American Home Assurance. Absent an agreement on the development of loss reserves, the Estate will consider foregoing a settlement and seek agreeable arrangement with the California Guarantee Association to assign the surety bonds and prepare the Estate for a final distribution in late 2013 or early 2014.

Great States Ins Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|---|-----------------------|-----------------------|
| Cash and investments | \$7,083,000 | \$6,908,500 |
| Recoverable from reinsurers | 18,326,300 | 18,326,300 |
| Total assets | 25,409,300 | 25,234,800 |
| Liabilities | 12/31/2011 | 12/31/2012 |
| Secured claims and accrued expenses | 39,200 | 35,800 |
| Claims against policies, before distributions | 85,630,100 | 81,603,900 |
| Less distributions to policyholders | (10,154,800) | (10,154,800) |
| All other claims | 14,659,700 | 14,659,700 |
| Total liabilities | 90,174,200 | 86,144,600 |
| Net assets (deficiency) | (\$64,764,900) | (\$60,909,800) |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|--------------------|--------------------|
| Investment income | \$115,400 | \$203,200 |
| Salvage and other recoveries | 15,800 | 6,222,600 |
| Total income | 131,200 | 6,425,800 |
| Expenses | 2011 | 2012 |
| Loss and claims expenses | (4,501,200) | 2,315,800 |
| Administrative expenses | 162,000 | 254,800 |
| Total expenses | (4,339,200) | 2,570,600 |
| Net income (loss) | \$4,470,400 | \$3,855,200 |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|--------------------|
| Beginning monetary assets at takeover | \$7,889,700 |
| Recoveries, net of expenses | 9,173,600 |
| Distributions | (10,154,800) |
| Monetary assets available for distribution | \$6,908,500 |

Majestic Insurance Company

Conservation Order: April 21, 2011

2012 Report

On April 21, 2011, an Order appointing Conservator and Restraining Orders (“Conservation Order”) was entered by the Superior Court of the State of California with respect to Majestic Insurance Company, a California Corporation. The California Department of Insurance (CDI) conducted an examination of Majestic for the period January 1, 2005 through December 31, 2010. CDI found Majestic’s recorded loss and loss adjustment expense reserves to be deficient by approximately \$40.9 million. Also, due to the increase in reserves, a premium deficiency reserve was required in the amount of \$5.5 million. After these examination adjustments, Majestic’s Risk-Based Capital (RBC) fell within the Mandatory Control Level RBC. The CDI Examination determined that Majestic was operating in a hazardous financial condition in accordance with California Insurance Code Section (CICS) 1011(d). These findings were incorporated into the Commissioner’s application for the Conservation Order.

The Commissioner was appointed as Conservator and directed to conduct the business of Majestic. The Conservator is authorized, in his discretion, to operate the business of Majestic, or so much of the business as he deems appropriate, and to pay or defer payment of some or all proper claims, expenses, liabilities and obligations of Majestic, in whole or in part, accruing prior or subsequent to his appointment. The Conservator continued to operate Majestic’s business in substantially the manner the company was operating prior to conservation, solely for the purpose of preserving Majestic’s business assets and going-concern value in order to facilitate a Plan of Rehabilitation for Majestic (the “Plan”).

Immediately after the entry of the Conservation Order, the Conservator filed a motion seeking court approval of the Plan. Court approval of the Plan was granted on June 2, 2011 and the transactions contemplated by the Plan closed on July 1, 2011. The Plan provided for the assumption of 100% of Majestic’s workers’ compensation claim liabilities by an A-rated insurance company affiliate of AmTrust North America, Inc. (“AmTrust”) via a Loss Portfolio Transfer and Quota Share Reinsurance Agreement (the “Reinsurance Agreement”). Under the Reinsurance Agreement, AmTrust (through an insurance company affiliate, Technology Insurance Company) has assumed the majority of Majestic’s assets and liabilities relating to its workers’ compensation business. Majestic’s in-force policies and expired policies with reported claims have been novated to Technology Insurance Company. The Reinsurance Agreement also provides that all reinsurance contracts providing coverage for the business written by Majestic shall inure to the benefit of AmTrust.

Pursuant to the Conservation Order, continued prosecution of the lawsuits and the filing of any other claims, lawsuits or actions against the Company outside of the conservation proceedings pending in the Superior Court of the State of California, County of San Francisco (the “Conservation Court”), is enjoined. Alternative remedies for the assertion of any and all such claims are provided for under the Conservator’s Rehabilitation Plan. The Rehabilitation Plan provides that the Conservator may request the Conservation Court to establish a claims bar date for filing proofs of claim against

Majestic by non-policyholder creditors. The Rehabilitation Plan further provides that the Conservator shall administer, investigate, adjust and determine all such proofs of claim in a manner consistent with California Insurance Code Sections 1010 through 1062. In accordance with these provisions of the Rehabilitation Plan, the Conservation Court has established a claims bar date of January 31, 2012 for filing non-policyholder proofs of claim with the Conservator. Prior to the claims bar date, the Conservator received a total of 86 proofs of claim which set forth claims of non-policyholder creditors in the aggregate amount of \$205 million. The Conservator is reviewing all such proofs of claim for the purpose of determining such claims as provided in the Rehabilitation Plan.

Majestic solicited potential purchasers for the insurance company, together with certain residual assets and licenses, to be sold as a clean “shell”, free and clear of pre-acquisition liabilities. The request for proposal (RFP) required bids to be received by August 31, 2012. The request for proposal (RFP) process was completed shortly thereafter by selecting a winning bid in the amount of \$500 thousand. Agreements have been negotiated, signed, and filed with the court.

Majestic Ins Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|-------------------------------------|-------------------|-------------------|
| Cash and investments | \$14,895,600 | \$12,936,800 |
| Other assets | 1,877,700 | 1,877,700 |
| Total assets | 16,773,300 | 14,814,500 |
| Liabilities | 12/31/2011 | 12/31/2012 |
| Secured claims and accrued expenses | 2,372,300 | 1,203,300 |
| All other claims | 629,500 | 590,800 |
| Total liabilities | 3,001,800 | 1,794,100 |
| Net assets (deficiency) | 13,771,500 | 13,020,400 |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|----------------------------------|-----------------------|------------------|
| Investment income | \$8,181,000 | \$650,200 |
| Other income | 1,029,400 | 4,900 |
| Total income | 9,210,400 | 655,100 |
| Expenses | 2011 | 2012 |
| Loss and claims expenses | 50,456,100 | 1,940,200 |
| Net loss from premium write-offs | 2,525,200 | (534,000) |
| Total expenses | 52,981,300 | 1,406,200 |
| Net income (loss) | (\$43,770,900) | (751,100) |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|---------------------|
| Beginning monetary assets at takeover ¹¹ | \$14,895,600 |
| Recoveries, net of expenses | (1,958,800) |
| Distributions | - |
| Monetary assets available for distribution | \$12,936,800 |

¹⁰Assets and liabilities of Majestic Ins. Co. and its operating income and expenses have been audited using statutory basis of accounting as of 12/31/2012.

¹¹ As of December 31, 2011, when Majestic's estate accounting was transferred to the CLO.

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

Enterprise Insurance Company

Conservation Order: November 26, 1985
Liquidation Order: February 24, 1987

2012 Report

The Mission Insurance Companies' insolvency proceedings began with a court-ordered conservation of the Mission entity on October 31, 1985 with the balance of the entities being conserved in November 1985. All were placed into conservation due to their hazardous financial condition. Efforts to rehabilitate the companies did not succeed, and on February 24, 1987, the companies were ordered into liquidation. Ancillary proceedings in California for HAIC and MRC were initiated concurrent with the Missouri Insurance Director's obtaining a receivership order as the domiciliary liquidator.

In accordance with a 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 2012, the general creditors of the Mission and Enterprise estates 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. With guidance and advice from tax counsel, the estates have established proper tax reserves for certain open tax years. During 2011 Covanta commenced an audit with the IRS of the consolidated group returns for a number of tax years. The Estate's expect to hear the final conclusion to the audit sometime in 2013.

Mission Ins Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|---|------------------------|------------------------|
| Cash and investments | \$103,987,600 | \$106,028,900 |
| Recoverable from reinsurers | 21,586,400 | 21,586,400 |
| Other assets | 23,979,500 | 23,816,400 |
| Total assets | 149,553,500 | 151,431,700 |
| | | |
| Liabilities | 12/31/2011 | 12/31/2012 |
| Secured claims and accrued expenses | 79,348,700 | 78,763,100 |
| Claims against policies, before distributions | 846,832,600 | 846,832,600 |
| Less distributions to policyholders | (846,832,600) | (846,832,600) |
| All other claims | 198,438,500 | 198,438,500 |
| Total liabilities | 277,787,200 | 277,201,600 |
| Net assets (deficiency) | (\$128,233,700) | (\$125,769,900) |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|--------------------|--------------------|
| Investment income | \$1,659,000 | \$3,049,100 |
| Salvage and other recoveries | 345,000 | 98,400 |
| Total income | 2,004,000 | 3,147,500 |
| | | |
| Expenses | 2011 | 2012 |
| Loss and claims expenses | 47,700 | 163,100 |
| Administrative expenses | 468,400 | 520,700 |
| Total expenses | 516,100 | 683,800 |
| Net income (loss) | \$1,487,900 | \$2,463,700 |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|----------------------|
| Beginning monetary assets at takeover | \$133,667,000 |
| Recoveries, net of expenses | 1,084,969,900 |
| Distributions | (1,112,608,000) |
| Monetary assets available for distribution | \$106,028,900 |

Mission National Ins Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|-----------------------------|-------------------|-------------------|
| Cash and investments | \$23,016,800 | \$23,674,900 |
| Recoverable from reinsurers | 5,119,900 | 5,119,900 |
| Other assets | 89,300 | 48,400 |
| Total assets | 28,226,000 | 28,843,200 |

| Liabilities | 12/31/2011 | 12/31/2012 |
|---|------------------------|------------------------|
| Secured claims and accrued expenses | 17,756,900 | 17,755,200 |
| Claims against policies, before distributions | 596,098,500 | 596,098,500 |
| Less distributions to policyholders | (499,851,900) | (499,851,900) |
| All other claims | 16,838,100 | 16,838,100 |
| Total liabilities | 130,841,600 | 130,839,900 |
| Net assets (deficiency) | (\$102,615,600) | (\$101,996,700) |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|----------------|----------------|
| Investment income | \$366,300 | \$679,800 |
| Salvage and other recoveries | - | 100 |
| Total income | 366,300 | 679,900 |

| Expenses | 2011 | 2012 |
|--------------------------|------------------|------------------|
| Loss and claims expenses | (258,800) | (14,600) |
| Administrative expenses | 70,700 | 75,600 |
| Total expenses | (188,100) | 61,000 |
| Net income (loss) | \$554,400 | \$618,900 |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|---------------------|
| Beginning monetary assets at takeover | \$18,289,000 |
| Recoveries, net of expenses | 532,315,100 |
| Distributions | (526,929,200) |
| Monetary assets available for distribution | \$23,674,900 |

Enterprise Ins Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|---|-------------------|-------------------|
| Cash and investments | \$7,245,600 | \$7,435,300 |
| Total assets | 7,245,600 | 7,435,300 |
| Liabilities | | |
| Secured claims and accrued expenses | 1,240,500 | 1,240,600 |
| Claims against policies, before distributions | 120,573,400 | 120,573,400 |
| Less distributions to policyholders | (120,573,400) | (120,573,400) |
| All other claims | 30,780,900 | 30,780,900 |
| Total liabilities | 32,021,400 | 32,021,500 |
| Net assets (deficiency) | (\$24,775,800) | (\$24,586,200) |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|-------------|-------------|
| Investment income | \$114,400 | \$213,700 |
| Salvage and other recoveries | 148,400 | 9,600 |
| Total income | 262,800 | 223,300 |
| Expenses | | |
| Loss and claims expenses | - | - |
| Administrative expenses | 32,700 | 33,600 |
| Total expenses | 32,700 | 33,600 |
| Net income (loss) | \$230,100 | \$189,700 |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|--|---------------|
| Beginning monetary assets at takeover | \$3,281,000 |
| Recoveries, net of expenses | 130,106,800 |
| Distributions | (125,952,500) |
| Monetary assets available for distribution | \$7,435,300 |

Pacific National Insurance Company

Conservation Order: May 14, 2003
Liquidation Order: August 5, 2003

2012 Report

Pacific National Insurance Company (“PNIC”) is a subsidiary of the Highlands Insurance Group. PNIC’s principal business lines include workers’ compensation, commercial multiple-peril, general liability, and commercial automobile insurance. PNIC wrote business exclusively in California.

In October 2002, Highlands Insurance Group and five of its non-insurance subsidiaries commenced Chapter 11 bankruptcy proceedings in the U.S. Bankruptcy Court in the District of Delaware.

On May 14, 2003, the Commissioner was appointed as Conservator of PNIC and on August 5, 2003, the Superior Court appointed the Commissioner as Liquidator of PNIC. Upon liquidation, covered claims were transferred to the appropriate insurance guaranty associations. PNIC’s assets consist primarily of cash and reinsurance receivables. The “Claims Bar Date,” the final date to submit a claim against the Estate, was July 30, 2004.

Highlands Insurance Company (“HIC”) in New Jersey, a subsidiary of Highlands Insurance Group, continues to handle routine administrative services for PNIC under an inter-company agreement. HIC was placed in conservation by the Texas Department of Insurance in November 2003. The CLO continues to work with the Texas Department of Insurance on data transfer/storage and reinsurance collections.

The Estate was successful in commuting a significant reinsurance treaty completing the transaction and recovery in time to prepare for and release a \$19 million early access distribution to the California Insurance Guarantee Association in October 2011. The Estate team continues to work to collect the remaining reinsurance recoveries in 2013 and position the estate for closure thereafter.

Pacific National Ins Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|---|-----------------------|-----------------------|
| Cash and investments | \$3,995,900 | \$4,191,800 |
| Recoverable from reinsurers | 2,918,800 | 2,604,900 |
| Total assets | 6,914,700 | 6,796,700 |
| | | |
| Liabilities | 12/31/2011 | 12/31/2012 |
| Secured claims and accrued expenses | 838,200 | 1,559,900 |
| Claims against policies, before distributions | 115,755,600 | 113,911,600 |
| Less distributions to policyholders | (52,416,400) | (52,416,400) |
| All other claims | 246,400 | 246,400 |
| Total liabilities | 64,423,800 | 63,301,500 |
| Net assets (deficiency) | (\$57,509,100) | (\$56,504,800) |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|--------------------|--------------------|
| Investment income | \$195,300 | \$119,700 |
| Salvage and other recoveries | 765,500 | 548,200 |
| Total income | 960,800 | 667,900 |
| | | |
| Expenses | 2011 | 2012 |
| Loss and claims expenses | (5,278,900) | (529,200) |
| Administrative expenses | 206,400 | 192,800 |
| Total expenses | (5,072,500) | (336,400) |
| Net income (loss) | \$6,033,300 | \$1,004,300 |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|--------------------|
| Beginning monetary assets at takeover | \$36,519,100 |
| Recoveries, net of expenses | 20,089,100 |
| Distributions | (52,416,400) |
| Monetary assets available for distribution | \$4,191,800 |

**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

2012 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, Court found that each of the Superior National Estates was insolvent and that it would be futile to proceed as Conservator; on that basis, the Court terminated the Insurance Commissioner’s status as conservator of the five insurers and ordered and appointed the Commissioner to serve as Liquidator of the insurers.

The charge in liquidating the Superior National Estates was to marshal assets, pay claims and resolve the vast business affairs as efficiently as possible. In this regard, the Liquidator consolidated the Superior National Estates’ operations into the Conservation and Liquidation Office (San Francisco) in September 2003.

In 2012 the Superior National Estates released its tenth early access distribution to Guaranty Associations. The Estates are planning an eleventh early access distribution in 2013.

Also in 2012, the Superior National Estates obtained court approval of an indemnity settlement agreement with the SNTL Litigation Trust and the Oversight Committee of the SNTL Litigation Trust.

Under the most optimistic estimates, SNICL has insufficient assets to fully pay the policyholder claims. Consequently, once all asset recoveries are fully monetized, the Estate will seek court approval not to review any claims below the policyholder class.

The largest remaining asset on the books of the estates are reinsurance recoverables of approximately \$165,000,000 (includes IBNR). The Estates’ continuing and ultimate goal is to fully resolve its reinsurance recoverables through treaty commutations since Workers Compensation claims are such long tailed claims that conceivably there could be reinsurance billing for the next 50 years. Once reinsurance has been resolved, there are no significant issues remaining and the Liquidator can seek closure.

California Compensation Ins Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|---|--------------------------|--------------------------|
| Cash and investments | \$75,751,500 | \$38,436,000 |
| Recoverable from reinsurers | 73,872,700 | 74,356,200 |
| Other assets | 2,200 | 1,800 |
| Total assets | 149,626,400 | 112,794,000 |
| Liabilities | | |
| Secured claims and accrued expenses | 21,964,800 | 5,360,700 |
| Claims against policies, before distributions | 2,045,294,500 | 2,062,676,300 |
| Less distributions to policyholders | (840,907,800) | (875,588,200) |
| All other claims | 119,308,000 | 119,307,600 |
| Total liabilities | 1,345,659,500 | 1,311,756,400 |
| Net assets (deficiency) | (\$1,196,033,100) | (\$1,198,962,400) |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|-----------------------|-----------------------|
| Investment income | \$2,001,800 | \$1,874,700 |
| Litigation recoveries | - | 2,386,300 |
| Salvage and other recoveries | 3,948,300 | 5,347,300 |
| Total income | 5,950,100 | 9,608,300 |
| Expenses | | |
| Loss and claims expenses | 60,771,200 | 21,331,500 |
| Administrative expenses | 1,322,800 | 1,253,700 |
| Total expenses | 62,094,000 | 22,585,200 |
| Net income (loss) | (\$56,143,900) | (\$12,976,900) |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|---------------------|
| Beginning monetary assets at takeover | \$165,879,200 |
| Recoveries, net of expenses | 748,145,000 |
| Distributions | (875,588,200) |
| Monetary assets available for distribution | \$38,436,000 |

Combined Benefits Ins Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|---|----------------------|----------------------|
| Cash and investments | \$13,297,400 | \$12,969,400 |
| Recoverable from reinsurers | 216,400 | 205,300 |
| Total assets | 13,513,800 | 13,174,700 |
| | | |
| Liabilities | 12/31/2011 | 12/31/2012 |
| Secured claims and accrued expenses | 204,200 | 48,000 |
| Claims against policies, before distributions | 34,211,800 | 35,664,000 |
| Less distributions to policyholders | (21,482,200) | (22,054,800) |
| All other claims | 6,713,200 | 6,701,800 |
| Total liabilities | 19,647,000 | 20,359,000 |
| Net assets (deficiency) | (\$6,133,200) | (\$7,184,300) |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|--------------------|----------------------|
| Investment income | \$211,000 | \$379,500 |
| Litigation recoveries | - | - |
| Salvage and other recoveries | 276,800 | 4,100 |
| Total income | 487,800 | 383,600 |
| | | |
| Expenses | 2011 | 2012 |
| Loss and claims expenses | 1,384,000 | 1,455,900 |
| Administrative expenses | 73,900 | 73,200 |
| Total expenses | 1,457,900 | 1,529,100 |
| Net income (loss) | (\$970,100) | (\$1,145,500) |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|---------------------|
| Beginning monetary assets at takeover | \$11,115,400 |
| Recoveries, net of expenses | 23,908,800 |
| Distributions | (22,054,800) |
| Monetary assets available for distribution | \$12,969,400 |

Superior National Ins Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|---|------------------------|------------------------|
| Cash and investments | \$32,851,400 | \$29,402,100 |
| Recoverable from reinsurers | 47,099,100 | 47,466,700 |
| Other assets | 19,800 | 19,400 |
| Total assets | 79,970,300 | 76,888,200 |
| Liabilities | 12/31/2011 | 12/31/2012 |
| Secured claims and accrued expenses | 5,045,000 | 1,240,500 |
| Claims against policies, before distributions | 884,667,000 | 887,194,000 |
| Less distributions to policyholders | (391,018,100) | (394,312,000) |
| All other claims | 28,745,900 | 28,724,300 |
| Total liabilities | 527,439,800 | 522,846,800 |
| Net assets (deficiency) | (\$447,469,500) | (\$445,958,600) |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|-----------------------|--------------------|
| Investment income | \$1,332,200 | \$604,600 |
| Litigation recoveries | - | 295,200 |
| Salvage and other recoveries | 3,495,100 | 4,186,400 |
| Total income | 4,827,300 | 5,086,200 |
| Expenses | 2011 | 2012 |
| Loss and claims expenses | 33,363,100 | 5,410,000 |
| Administrative expenses | 434,600 | 475,100 |
| Total expenses | 33,797,700 | 5,885,100 |
| Net income (loss) | (\$28,970,400) | (\$798,900) |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|---------------------|
| Beginning monetary assets at takeover | \$68,622,300 |
| Recoveries, net of expenses | 355,091,800 |
| Distributions | (394,312,000) |
| Monetary assets available for distribution | \$29,402,100 |

Superior Pacific Casualty Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|---|------------------------|------------------------|
| Cash and investments | \$3,608,400 | \$2,424,300 |
| Recoverable from reinsurers | 37,177,600 | 34,222,800 |
| Total assets | 40,786,000 | 36,647,100 |
| | | |
| Liabilities | 12/31/2011 | 12/31/2012 |
| Secured claims and accrued expenses | 72,800 | 17,900 |
| Claims against policies, before distributions | 224,074,200 | 225,574,800 |
| Less distributions to policyholders | (38,096,100) | (39,969,700) |
| All other claims | 62,503,300 | 62,503,300 |
| Total liabilities | 248,554,200 | 248,126,300 |
| Net assets (deficiency) | (\$207,768,200) | (\$211,479,200) |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|--------------------|----------------------|
| Investment income | \$48,600 | \$97,500 |
| Salvage and other recoveries | 110,600 | 480,600 |
| Total income | 159,200 | 578,100 |
| | | |
| Expenses | 2011 | 2012 |
| Loss and claims expenses | (3,519,500) | 4,042,600 |
| Administrative expenses | 301,600 | 280,000 |
| Total expenses | (3,217,900) | 4,322,600 |
| Net income (loss) | \$3,377,100 | (\$3,744,500) |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|--------------------|
| Beginning monetary assets at takeover | \$58,666,300 |
| Recoveries, net of expenses | (16,272,300) |
| Distributions | (39,969,700) |
| Monetary assets available for distribution | \$2,424,300 |

Commercial Compensation Casualty Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|---|-----------------------|-----------------------|
| Cash and investments | \$13,443,000 | \$12,969,000 |
| Recoverable from reinsurers | 7,477,300 | 7,446,000 |
| Other assets | 500 | - |
| Total assets | 20,920,800 | 20,415,000 |
| Liabilities | 12/31/2011 | 12/31/2012 |
| Secured claims and accrued expenses | 1,770,200 | 939,900 |
| Claims against policies, before distributions | 137,882,600 | 138,714,300 |
| Less distributions to policyholders | (93,984,300) | (94,544,200) |
| All other claims | 13,754,500 | 13,754,500 |
| Total liabilities | 59,423,000 | 58,864,500 |
| Net assets (deficiency) | (\$38,502,200) | (\$38,449,500) |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|----------------------|--------------------|
| Investment income | \$357,200 | \$369,500 |
| Salvage and other recoveries | 608,200 | 189,300 |
| Total income | 965,400 | 558,800 |
| Expenses | 2011 | 2012 |
| Loss and claims expenses | 5,228,400 | 952,800 |
| Administrative expenses | 59,100 | 67,700 |
| Total expenses | 5,287,500 | 1,020,500 |
| Net income (loss) | (\$4,322,100) | (\$461,700) |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|---------------------|
| Beginning monetary assets at takeover | \$6,420,700 |
| Recoveries, net of expenses | 101,092,500 |
| Distributions | (94,544,200) |
| Monetary assets available for distribution | \$12,969,000 |

Western Employers Insurance Company

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

2012 Report

Western Employers Insurance Company (“WEIC”) began as a New York-domiciled insurer known as Leatherby Insurance Company and was re-domesticated to California in the late 1970’s. The company was licensed in all 50 states and D.C. and wrote primarily workers’ compensation and commercial multi-peril insurance. After four years of attempted self-liquidation, WEIC determined it could no longer continue to liquidate without the assistance of the California Department of Insurance. An order placing WEIC into liquidation was entered on April 19, 1991.

WEIC’s primary objective will be to resolve all asset recoveries, principally reinsurance assets at this juncture, determine final estate liability and position the Estate for closure by 2017. A significant requirement to meet that objective is to determine how to quantify the remaining long-tail exposure.

In 2010 the San Francisco Superior Court set a deadline by which all holders of claims, other than workers’ compensation claims, must submit detailed claim updates which set forth the facts regarding the further developments of those claims. Currently all claims that were submitted with the update continue to be reviewed.

Two distinct problems slow the claims determination process. First, is the fact that claims must be liquidated before they can be approved, and WEIC wrote a significant number of excess and umbrella policies for environmental type exposures, and the losses continue to accumulate but have not reached an attachment point yet. Secondly, we have made an initial reporting to the Federal Department of Justice in an attempt to complete the Federal Claim Waiver process to insulate the estate from any potential of latent liability assessed by the Federal Government.

Western Employers Ins Co

ASSETS AND LIABILITIES

As of December 31, 2011 and December 31, 2012

| Assets | 12/31/2011 | 12/31/2012 |
|---|---------------------|---------------------|
| Cash and investments | \$127,666,100 | \$130,421,100 |
| Recoverable from reinsurers | 16,269,800 | 16,598,300 |
| Total assets | 143,935,900 | 147,019,400 |
| | | |
| Liabilities | 12/31/2011 | 12/31/2012 |
| Secured claims and accrued expenses | 1,000 | 351,400 |
| Claims against policies, before distributions | 180,490,700 | 181,628,500 |
| Less distributions to policyholders | (68,190,000) | (68,190,000) |
| All other claims | 6,377,300 | 3,040,100 |
| Total liabilities | 118,679,000 | 116,830,000 |
| Net assets (deficiency) | \$25,256,900 | \$30,189,400 |

INCOME AND EXPENSES

For Year Ended December 31, 2011 and 2012

| Income | 2011 | 2012 |
|------------------------------|---------------------|--------------------|
| Investment income | \$2,101,400 | \$3,449,500 |
| Salvage and other recoveries | 20,000 | 92,000 |
| Total income | 2,121,400 | 3,541,500 |
| | | |
| Expenses | 2011 | 2012 |
| Loss and claims expenses | (31,957,000) | (2,415,300) |
| Administrative expenses | 641,000 | 1,024,300 |
| Total expenses | (31,316,000) | (1,391,000) |
| Net income (loss) | \$33,437,400 | \$4,932,500 |

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

| | |
|---|----------------------|
| Beginning monetary assets at takeover | \$74,867,900 |
| Recoveries, net of expenses | 123,743,200 |
| Distributions | (68,190,000) |
| Monetary assets available for distribution | \$130,421,100 |

Section 3 – Cross Reference to California Insurance Code (CIC)

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..... | 203 |
| (b) Whether such persons have resumed business or have been liquidated or have been mutualized..... | 203 |
| (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. | 187, 193, 194 |
| (2) Annual operating goals and results. | 188, 190 |
| (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. | 191, 195 |
| (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. | 196-198 |
| (5) An accounting of total claims by estate. | 199 |
| (6) A list of current year and cumulative distributions by class of creditor for each estate..... | 202 |
| (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.... | 204-243 |
| (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..... | 204-243 |
| (2) The status of the conservation and liquidation process. | 204-243 |
| (3) Financial statements, including current and cumulative distributions, comparing current calendar year to prior year..... | 204-243 |