

CALIFORNIA DEPARTMENT OF INSURANCE  
2007 ANNUAL REPORT  
OF THE INSURANCE COMMISSIONER



**DEPARTMENT OF INSURANCE**

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July 31, 2008

The Honorable Arnold Schwarzenegger  
Governor of California  
State Capitol Building  
Sacramento, CA 95814

Dear Governor Schwarzenegger:

I am pleased to present you the *2007 Annual Report of the Insurance Commissioner* as required by California Insurance Code ("CIC") section 12922.

To benefit California's insurance consumers, I have collected and analyzed as much information as possible. Accordingly, this *Annual Report* includes the information mandated by the following CIC statutes:

- §1060 - insurer insolvency and delinquency proceedings;
- §1872.83(h) - workers' compensation fraud-fighting efforts and results;
- §1872.85(d) - activities of the Fraud Division investigating and prosecuting fraudulent disability insurance claims;
- §1872.9 - activities undertaken to reduce fraud under the Insurance Frauds Prevention Act;
- §1874.8(f) - results of the Organized Automobile Fraud Activity Interdiction Program;
- §10089.83(a) - program statistics about the Department's mediation of claims disputes;
- §12921.1(a)(10) - information about the Department's investigations of consumer complaints about claims handling by insurers;
- §12921.4(b) - evaluation of complaint patterns and actions taken with respect to those complaints;
- §12962 - analysis of programs to: ensure the availability of liability insurance, prevent arbitrary rates and practices, and reduce the number of uninsured motorists;
- §12967(e) - progress in resolution of the insurance claims of Holocaust survivors and their beneficiaries.

Finally, the report presents synopses of various reports filed with the Department and a summary of California's insurance industry and interests.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Poizner", written over a horizontal line.

STEVE POIZNER  
Insurance Commissioner

**STATE OF CALIFORNIA – DEPARTMENT OF INSURANCE  
2007 ORGANIZATIONAL CHART**

**INSURANCE COMMISSIONER  
CHIEF OF STAFF**





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**CALIFORNIA DEPARTMENT OF INSURANCE**  
2007 ANNUAL REPORT  
OF THE INSURANCE COMMISSIONER

## CONSERVATION & LIQUIDATION OFFICE

The following table summarizes the activities of the Conservation & Liquidation Office (CLO), (also interchangeably referred to in this report as “the Commissioner” and “the Liquidator”) and displays Estates opened and closed during 2007 and Estates open at December 31, 2007. The CLO acts on behalf of the Insurance Commissioner regarding insurance companies or agencies under his direction and control as Conservator or Liquidator.

Following the tabulations are summary paragraphs describing the status of each Estate. The financial information presented is a snapshot of the estates’ activities and financial position as of December 31, 2006 and December 31, 2007. This financial information reflects the financial position of each estate in the custody of the Commissioner, as Liquidator. The Statements of Net Assets have been prepared on a liquidation basis of accounting. Under the liquidation basis of accounting, assets reported on the financial statements are assets determined to be collectible. In the first few years of a liquidation, the liabilities are estimates that will change during the course of the liquidation depending on the types of business written by the company and the complexity of the company’s activities and organization. In addition, no

estimates for future administrative expenses are included in the liabilities.

Changes in estimated loss and reinsurance recoverables contained in Statements of Changes in Net Assets are the result of ongoing evaluations of ultimate insurance losses and amounts recoverable from reinsurers. These amounts can change significantly from time to time based on updated actuarial reviews of estate claim liabilities and ongoing credit reviews of reinsurers.

The actual distributions to the various classes of claimants will depend upon a variety of factors including, among other things, the dollar amount of future administrative expenses; the proceeds from the sale of assets; the amount of reinsurance and other assets collected; the outcome of any third party litigation; and the amount for which the claims are evaluated and accepted. However, actual distributions are not determined until all assets have been converted into cash, all claims have been evaluated and allowed, and the distributions percentages are approved by the Court. The length of time it takes to liquidate a company and petition the Court for a final distribution is directly related to the type and complexity of each estate’s assets and liabilities, and whether the Liquidator pursues asset recoveries through litigation.

### Conservation or Liquidation Estates Opened During the Year 2007

Estate Name	Conservation	Liquidation
None	N/A	N/A

**Conservation or Liquidation Estates Closed During the Year 2007**

<b>Estate Name</b>	<b>Conservation</b>	<b>Liquidation</b>
<b>Domestic:</b> S&H Insurance Company Closed: 04/30/07	01/28/85	04/16/85
<b>Foreign:</b> None	N/A	N/A

**California Insurers – Estates in Liquidation or Conservation as of December 31, 2007**

<b>Estate Name</b>	<b>Date Conserved</b>	<b>Date Liquidated</b>
Alistar Insurance Company	04/11/02	10/24/02
California Compensation Ins. Co.	03/06/00	09/26/00
Citation General Insurance Company	07/21/95	08/24/95
Combined Benefits Ins. Co.	03/06/00	09/26/00
Commercial Compensation Cas. Co.	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
Frontier Pacific Insurance Company	09/07/01	11/30/01
Golden Eagle Insurance Company	01/31/97	02/01/98
Great States Insurance Company	03/30/01	05/08/01
HHH America Comp. & Liab. Ins. Co.	03/30/01	05/08/01
Mission Insurance Company	10/31/85	02/24/87
Mission National Insurance Company	10/31/85	02/24/87
Municipal Mutual Insurance Company	*	10/31/06
National Automobile Casualty Ins. Co.	03/15/02	04/23/02
Pacific National Ins. Co.	05/14/03	08/05/03
Paula Insurance Company	04/26/02	06/21/02
Sable Insurance Company	05/10/01	07/17/01
Superior National Ins. Co.	03/06/00	09/26/00
Superior Pacific Casualty Co.	03/06/00	09/26/00
Western Employers Insurance Company	04/02/91	04/19/91
Western Employers Ins. Co. of America	04/25/91	05/07/91
Western Growers Ins. Co.	*	01/17/03
Western International Insurance Company	08/10/92	09/09/92

**Insurers Domiciled In Foreign States –  
Estates in Liquidation or Conservation as of December 31, 2006** None

\* No Conservation Order obtained

## Status of California Estates

### Alistar Insurance Company

Conservation Order: April 11, 2002

Liquidation Order: October 24, 2002

#### *2007 Report*

Alistar Insurance Company (Alistar) was a non-standard Automobile and Workers' Compensation insurance company that was domiciled and wrote business in California. Alistar also wrote bail bond business which was sold to Lincoln General Insurance prior to liquidation. The "Claims Bar Date", or the final date to submit a claim against the Estate, was July 31, 2003.

During 2007, the Estate completed the adjudication of all over-cap and non-covered Proof of Claims (POCs). Alistar also completed commutation settlements with seven reinsurers.

The Estate's immediate goal is to resolve all remaining reinsurance recoveries and determine the final Insurance Guarantee Association (IGA) - Class 2 (omnibus claim that encompasses policyholder claims handled by IGAs) liability by second quarter 2008. Additionally, the Estate will seek to make a final distribution by June 2009.

**935 ALISTAR INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$7,526,000	\$10,875,000 <sup>a</sup>
Recoverable from reinsurers	7,715,000	5,633,000
Accrued interest receivable and other assets	74,000	76,000
	<b>15,315,000</b>	<b>16,584,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$344,000	\$7,526,000
Claims against policies, including guaranty associations, before distributions	35,162,000	7,526,000
Early access and other distributions	(8,073,000)	(7,526,000)
All other claims	27,828,000	7,526,000
	<b>27,828,000</b>	<b>28,716,000</b>
<b>Net assets (deficiency)</b>	<b>(\$12,513,000)</b>	<b>(\$12,132,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>(\$12,513,000)</b>
Revenues, including net investment income	\$1,880,000	
Administrative expenses	(448,000)	
Changes in estimated loss and reinsurance recoverable	(1,051,000)	
Increase (decrease) in net assets		381,000
Net assets as of 12/31/2007		<b>(\$12,132,000)</b>

<sup>a</sup> = Reinsurance treaties commuted.

**Citation General Insurance Company****Conservation Order: July 21, 1995****Liquidation Order: August 24, 1995***2007 Report*

Citation General Insurance Company (Citation) was the successor to Canadian Insurance Company and Canadian Insurance Company of California via an Assumption Agreement dated February 13, 1986. Citation wrote primarily Medical Malpractice, workers' compensation and healthcare insurance. Citation also wrote contractors' General Liability policies covering construction defects and other losses. Citation was licensed to conduct business in California; Nevada; Arizona; South Dakota; and Washington. The "Claims Bar Date", or the final date to submit a claim against the Estate, was September 9, 1996.

During 2007, the Estate completed the adjudication of all over-cap and non-covered Proof of Claims (POCs).

The Estate's primary objective will be to complete any final reinsurance collections and position the Estate for a final distribution in 2008.

**998 CITATION GENERAL INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$17,464,000	\$18,328,000
Recoverable from reinsurers	341,000	249,000
Accrued interest receivable and other assets	96,000	108,000
	<b>17,901,000</b>	<b>18,685,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$5,363,000	\$5,364,000
Claims against policies, including guaranty associations, before distributions	18,858,000	18,136,000
Early access and other distributions	(9,655,000)	(9,655,000)
All other claims	791,000	1,811,000
	<b>15,357,000</b>	<b>15,656,000</b>
<b>Net assets (deficiency)</b>	<b>(\$2,544,000)</b>	<b>(\$3,029,000) <sup>b</sup></b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>\$2,544,000</b>
Revenues, including net investment income	\$1,061,000	
Administrative expenses	(247,000)	
Changes in estimated loss and reinsurance recoverable	(329,000)	
Increase (decrease) in net assets		485,000
Net assets as of 12/31/2007		<b>(\$3,029,000)</b>

<sup>b</sup> = Assets in excess of liabilities will first be distributed to priority class claimants on a pro-rata basis pursuant to Insurance Code Sec. 1033. Residual amounts, if any, will then be remitted to equity shareholders of the estate. Reinsurance treaties commuted.

**Executive Life Insurance Company****Conservation Order:** April 11, 1991**Liquidation Order:** December 6, 1991*2007 Report*

Executive Life Insurance Company (ELIC) was placed into conservation in April 1991 primarily as a result of significant value declines in its high-yield investment portfolio. A comprehensive Rehabilitation Plan was adopted, heavily litigated and ultimately confirmed by the Court in 1993. As part of the Plan, ELIC policyholders could elect to either accept new coverage (Opt-In) from Aurora National Life Assurance Company (Aurora), or to “opt-out” and surrender their policies for cash. Over the years, three enhancement trusts were established to collect and distribute ELIC assets to policyholders that opted out, and for Aurora to distribute cash dividends to policyholders and/or to enhance the policy values for some of the ELIC policyholders that opted in.

Prior to the Commissioner’s proposed Opt-In distribution of the court’s awards in the Commissioner’s civil lawsuit against Altus finance and others, the National Organization of Life & Health Guaranty Association (NOLHGA) challenged the proposed distribution methodology and triggered an arbitration proceeding in accordance with the provisions of the ELIC Enhancement Agreement (Agreement). The Commissioner proposed that the court approve the application of Article 10 of the Agreement while NOLHGA asserted that the provisions of Article 17 were the appropriate application.

In early 2007, the Commissioner prevailed in the arbitration proceedings and, as a result, approximately \$311 million dollars of Altus Litigation proceeds were distributed to Opt-In policyholders on October 1, 2007.

At the conclusion of the civil lawsuit, the court awarded net-restitution of \$131,092,020, and the

jury awarded \$700 million dollars in favor of the Commissioner. The court subsequently vacated the jury award. Defendants, Artemis et al, appealed the restitution award, while the Commissioner appealed the judge’s decision of the jury award. At this time, the Estate’s remaining primary objective is to await a ruling on the two appeals pending before the U. S. 9th Circuit Court. If the outcome of the appeals is favorable, the Commissioner will distribute the awards as soon as possible thereafter.

**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 policy. Distribution of \$211 million dollars of Altus Litigation Funds was made to Opt-Out policyholders in February 2006. Presently the remaining assets of the Opt-Out Trust consists of distributions that are allocated to policyholders with whom contact has been lost and a one-third recovery of a default judgment in the name of defendant, Mutuelle Assurance Artisanale De France (MAAF). Funds for those for whom contact has been lost will be escheated to the last known state of residence. Since the Opt-Out distribution in February 2006, the settlement proceeds of MAAF’s default judgment became available for distribution to Opt-Out policyholders. As the costs to effect a distribution of this size outweigh the benefits to the Opt-Outs, the Commissioner determined that MAAF funds would be distributed when the results of the appeal in the Commissioner’s civil lawsuit against Artemis et al is finalized.

**FEC Litigation Trust**

This trust was established September 1992 between First Executive Corporation (FEC), the parent company of Executive Life Insurance Company (ELIC) and the Commissioner in

his capacity as conservator, rehabilitator, and liquidator of ELIC. The purpose of this trust was to collect the proceeds of certain litigation claims and to distribute the proceeds to former ELIC policyholders in accordance with the terms of the trust. The present balance of the funds represents prior distributions to those policyholders with whom contact has been lost. The Commissioner plans to escheat the funds to the policyholders' last state of record and close the trust.

### **Holdback Trust**

This trust is a grantor trust of Aurora National Life Assurance Company (Aurora) administered by the Commissioner as trustee. It was created in 1994 to hold ELIC assets while certain litigation challenges to the terms of the Rehabilitation Plan were pending an appeal. When all legal challenges were resolved, all funds in the Holdback Trust were distributed except for funds that are due to ELIC policyholders that could not be located. Since 1998, the Commissioner vigorously continued to attempt to locate the missing policyholders. Presently, with Aurora's assistance, the Holdback Trust is scheduled for closure. Aurora plans to escheat the unclaimed funds to the policyholder's state of last record.

**617 EXECUTIVE LIFE INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$356,233,000	\$58,259,000
Recoverable from reinsurers	904,000	
Accrued interest receivable and other assets	2,405,000	1,893,000
	<b>359,542,000</b>	<b>60,152,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$3,225,000	\$7,888,000
Claims against policies, including guaranty associations, before distributions	2,998,732,000	2,998,671,000
Early access and other distributions	(420,617,000)	(737,276,000)
All other claims	428,000	428,000
	<b>2,581,768,000</b>	<b>2,269,711,000</b>
<b>Net assets (deficiency)</b>	<b>(\$2,222,226,000)</b>	<b>(\$2,209,559,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		(\$2,222,226,000)
Revenues, including net investment income	\$12,258,000	
Administrative expenses	(1,207,000) <sup>c</sup>	
Changes in estimated loss and reinsurance recoverable	(798,000)	
Increase (decrease) in net assets		12,667,000
Net assets as of 12/31/2007		<b>(\$2,209,559,000)</b>

<sup>c</sup> = Admin expenses of \$2.8 million less \$4 million reimbursement for litigation costs from NOLHGA per settlement agreement.

**615 ELIC OPT OUTTRUST****Statement of Assets and Liabilities**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$12,319,000	\$21,172,000
Accrued interest receivable and other assets	22,000	318,000
<b>Total</b>	<b>12,341,000</b>	<b>21,490,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$8,154,000	\$17,190,000 <sup>d</sup>
Early access and other distributions	(2,964,000)	(2,788,000)
All other claims	1,223,000	1,512,000
<b>Total</b>	<b>(\$12,341,000)</b>	<b>(\$21,490,000)</b>

**Operating Income and Expenses**

For Year Ended December 31, 2007

Net assets as of 12/31/2006	\$412,000
Increase (decrease) in net assets	(319,000)
<b>Net assets</b>	<b>\$93,000</b>

<sup>d</sup> = Funds to be disbursed to policyholders pursuant to MAAF settlement.

**616 ELIC FEC LITIGATION TRUST****Statement of Assets and Liabilities**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$1,893,000	\$787,000
Accrued interest receivable and other assets	10,000	304,000
<b>Total</b>	<b>1,903,000</b>	<b>1,091,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$452,000	\$115,000
Early access and other distributions	1,378,000	909,000
All other claims	73,000	67,000
<b>Total</b>	<b>\$1,903,000</b>	<b>\$1,091,000</b>

**Operating Income and Expenses**

For Year Ended December 31, 2007

Net assets as of 12/31/2006	\$69,000
Increase (decrease) in net assets	(7,000)
<b>Net assets</b>	<b>\$62,000</b>

**614 ELIC HOLDBACK TRUST****Statement of Assets and Liabilities**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$4,591,000	\$1,716,000
Accrued interest receivable and other assets	1,000	301,000
<b>Total</b>	<b>4,592,000</b>	<b>2,017,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$3,231,000	\$540,000
Early access and other distributions	1,285,000	1,048,000)
All other claims	76,000	429,000
<b>Total</b>	<b>\$4,592,000</b>	<b>\$2,017,000</b>

**Operating Income and Expenses**

For Year Ended December 31, 2007

Net assets as of 12/31/2006	\$120,000
Increase (decrease) in net assets	(67,000)
<b>Net assets</b>	<b>\$53,000</b>

**Fremont Indemnity Company****Conservation Order: June 04, 2003****Liquidation Order: July 02, 2003***2007 Report*

Fremont Indemnity Company (Fremont) was placed into conservation on June 4, 2003. The Commissioner filed a Consolidated Application for Liquidation and Fremont was ordered into liquidation on July 2, 2003. Fremont was authorized as a multi-line Property & Casualty insurer, but 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. The “Claims Bar Date”, or the final date to submit a claim against the Estate, was June 30, 2004.

The Estate continues to pursue legal recovery from the parent company as well as the former officers and directors. The D&O suit is expected to go to trial in the summer of 2008. The NOL cases have been remanded to the Superior Court and placed with a new judge. The Commissioner continues to assess any opportunity to settle both cases.

The Estate completed its fourth early access distribution in 2007, and continues to determine the magnitude of the Class 2 Non-IGA covered liability.

The Estate continues to bill and collect on active reinsurance treaties, as well as seeking commutations where advantageous.

The Estate anticipates releasing its fifth early access distribution during 2008.

**950 FREMONT INDEMNITY INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$199,388,000	\$92,412,000
Recoverable from reinsurers	354,200,000	263,744,000
Accrued interest receivable and other assets	88,966,000	84,002,000
	<b>642,554,000</b>	<b>440,158,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$21,754,000	\$21,903,000
Claims against policies, including guaranty associations, before distributions	2,258,692,000	2,340,292,000
Early access and other distributions	(615,383,000)	(760,290,000)
All other claims	361,764,000	341,076,000
	<b>2,026,827,000</b>	<b>1,942,981,000</b>
<b>Net assets (deficiency)</b>	<b>(\$1,384,273,000)</b>	<b>(\$1,502,823,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>(\$1,384,273,000)</b>
Revenues, including net investment income	\$21,854,000	
Administrative expenses	(9,862,000)	
Changes in estimated loss and reinsurance recoverable	(130,542,000)	
Increase (decrease) in net assets		(118,550,000)
Net assets as of 12/31/2007		<b>(\$1,502,823,000)</b>

**Frontier Pacific Insurance Company****Conservation Order: September 7, 2001****Liquidation Order: November 30, 2001***2007 Report*

Frontier Pacific Insurance Company (FPIC), a California-domiciled Property and Casualty company, was conserved by the Commissioner on September 7, 2001. In August 2001, FPIC's parent company, Frontier Insurance Company (FIC) of New York, voluntarily entered rehabilitation under the control of the New York Insurance Bureau. As a result of the FIC rehabilitation, certain reinsurance recoverables due to FPIC from FIC were not received and could therefore no longer be carried on the books of FPIC. An examination by the California Department of Insurance's Financial Analysis Division found that the disallowance of the FIC reinsurance credit in the amount of \$12,842,609 resulted in a negative surplus of \$5,289,000 on FPIC's books.

Following the conservation, the Commissioner determined that FPIC's financial condition was such that rehabilitation was futile and the Order of Liquidation was entered on November 30, 2001. FPIC operations were transferred to the CLO in October 2005. The Liquidator is continuing negotiations with the New York Liquidation Bureau regarding the disposition of collateral which secures joint and several obligations of FPIC and FIC. The Liquidator is also continuing to collaborate with the New York Liquidation Bureau to reconcile and collect on many group reinsurance programs that were historically maintained by FIC, as well as amounts due from FPIC's largest reinsurer NICO. The "Claims Bar Date", or the final date to submit a claim against the Estate, was August 30, 2002.

The Estate is positioned to pursue the sale of the book of business through the NYLB's rehabilitation of FIC, or to pursue final asset recoveries and position the Estate for closure in 2010.

The Commissioner has filed a declaratory relief action with the court to determine the Estate's obligations associated with certain affiliated reinsurance relationships. Efforts to resolve the dispute directly with the reinsurer have been unsuccessful.

**656 FRONTIER PACIFIC INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$17,260,000	\$17,568,000
Recoverable from reinsurers	47,003,000	47,003,000
Accrued interest receivable and other assets	5,289,000	3,850,000
	<b>69,552,000</b>	<b>68,421,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$780,000	\$613,000
Claims against policies, including guaranty associations, before distributions	\$53,734,000	\$53,531,000
Early access and other distributions		
All other claims	26,904,000	22,784,000 <sup>e</sup>
	<b>81,418,000</b>	<b>76,928,00</b>
<b>Net assets (deficiency)</b>	<b>(\$11,866,000)</b>	<b>(\$8,507,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>(\$11,866,000)</b>
Revenues, including net investment income	\$1,117,000	
Administrative expenses	(968,000)	
Changes in estimated loss and reinsurance recoverable	3,210,000	
Increase (decrease) in net assets		3,359,000
Net assets as of 12/31/2007		<b>(\$8,507,000)</b>

<sup>e</sup> = Adjusted general claimant liabilities following revaluation of valid proofs of claim.

**Golden Eagle Insurance Company****Conservation Order:** January 31, 1997**Rehabilitation/Liquidation****Plan Approved:** August 4, 1997**Liquidation Order:** February 13, 1998*2007 Report*

The Court-sanctioned Golden Eagle Insurance Company Liquidating Trust (The Trust) manages the liquidation of Golden Eagle Insurance Company. The Trust was created as of the entry of the Liquidation Order. The Liquidation Order does not contain a formal finding of insolvency, and thus the Insurance Guaranty Associations have not been triggered.

The Trust was responsible for the management of third-party claim administrators and reinsurers (affiliates of Liberty Mutual Insurance Company) who are responsible for the adjustment and payment of covered policyholder claims. The Trust also manages the residual assets of the liquidated Estate and administers proofs of claims filed by general creditors.

The Trust purchased sufficient reinsurance coverage to cover the remaining workers' compensation exposure and implemented a final closing plan that transferred the remaining affairs, associated with the discontinued insurance operations, to the CLO. Future Estate administration primarily entails monitoring of policyholder claim runoff.

The Golden Eagle Trust was officially closed on March 28, 2007. All remaining liquidation responsibilities were transferred into CLO.

**716 GOLDEN EAGLE INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$2,029,000	\$2,049,000
Recoverable from reinsurers		
Accrued interest receivable and other assets	5,000	1,000
	<b>2,034,000</b>	<b>2,050,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$2,009,000	\$0
Claims against policies, including guaranty associations, before distributions		
Early access and other distributions		
All other claims		
	<b>2,009,000</b>	
<b>Net assets (deficiency)</b>	<b>(\$25,000)</b>	<b>(\$2,050,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		\$25,000
Revenues, including net investment income	\$86,000	
Administrative expenses	(70,000)	
Changes in estimated loss and reinsurance recoverable	2,009,000	
Increase (decrease) in net assets		2,025,000
Net assets as of 12/31/2007		<b>\$2,050,000</b>

**HIH America Comp. & Liab. Ins. Co.****Conservation Order: March 30, 2001****Liquidation Order: May 8, 2001***2007 Report*

HIH America Compensation Liability Insurance Company (HIH) was domiciled in California and was licensed to transact business in 31 states. HIH wrote only Workers' Compensation insurance. The principal states where HIH conducted business were California; Illinois; Michigan; Hawaii; Nevada; Colorado; and Wisconsin. The "Claims Bar Date", or the final date to submit a claim against the Estate was December 2, 2001.

During 2007, HIH Oregon closed its ancillary receivership and transferred all remaining assets to HIH.

The Superior Access Arbitration Final award was confirmed on December 4, 2007. Upon entry of the order confirming the award, counsel will file a Proposed Judgment in the amount of \$1.485 million. Collections will commence in 2008.

The Estate's immediate goals are to resolve inter-company collection matters with the Hawaii affiliate and the Australia parent company. The Estate will seek final asset collections and closure by 2009.

**777 HIH AMERICA COMP. & LIABILITY INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$42,829,000	\$45,735,000
Recoverable from reinsurers	1,880,000	1,626,000
Accrued interest receivable and other assets	24,256,000	23,369,000
	<b>68,965,000</b>	<b>70,730,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$18,000	\$44,000
Claims against policies, including guaranty associations, before distributions	630,361,000	646,678,000
Early access and other distributions	(279,669,000)	(279,669,000)
All other claims	8,250,000	\$2,119,000 <sup>f</sup>
	<b>358,960,000</b>	<b>369,172,000</b>
<b>Net assets (deficiency)</b>	<b>(\$289,995,000)</b>	<b>(\$298,442,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>(\$289,995,000)</b>
Revenues, including net investment income	\$5,323,000	
Administrative expenses	(1,087,000)	
Changes in estimated loss and reinsurance recoverable	(12,683,000)	
Increase (decrease) in net assets		(8,447,000)
Net assets as of 12/31/2007		<b>(\$298,442,000)</b>

<sup>f</sup> = Adjusted general claimant liabilities following revaluation of valid proofs of claim.

**Great States Insurance Company****Conservation Order: March 30, 2001****Liquidation Order: May 8, 2001***2007 Report*

Great States Insurance Company was domiciled in California and was licensed to transact business in 14 states. Great States offered 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 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. AHA is the entity that has issued the surety bond and they have off-set rights related to reinsurance recoveries by Great States.

The reinsurance offset issue with AHA is resolved. As of 6/30/06, \$700,000 is to be netted out of the \$2 million outstanding balance, which leaves \$1.3 million in billable award claims to the surety. All collections inure directly to CIGA.

The Estate has completed actuarial work in an effort to commute the remaining reinsurance contracts. Once all reinsurance assets are recovered, the Estate will determine final Class 2 liability and seek a final distribution.

**778 GREAT STATES INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$5,981,000	\$6,430,000
Recoverable from reinsurers	13,061,000	14,374,000
Accrued interest receivable and other assets	255,000	248,000
	<b>19,297,000</b>	<b>21,052,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$41,000	\$29,000
Claims against policies, including guaranty associations, before distributions	70,958,000	76,808,000 <sup>g</sup>
Early access and other distributions	(10,050,000)	(10,050,000)
All other claims	11,971,000	11,917,000
	<b>72,920,000</b>	<b>78,704,000</b>
<b>Net assets (deficiency)</b>	<b>(\$53,623,000)</b>	<b>(\$57,652,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>(\$53,623,000)</b>
Revenues, including net investment income	\$4,501,000	
Administrative expenses	(232,000)	
Changes in estimated loss and reinsurance recoverable	(8,298,000)	
Increase (decrease) in net assets		(4,029,000)
Net assets as of 12/31/2007		<b>(\$57,652,000)</b>

<sup>g</sup> = Increase in reported losses and ALAE reserves by various insurance guaranty associations.

**Mission Insurance Company**

**Conservation Order:** October 31, 1985  
**Liquidation Order:** February 24, 1987

**Mission National Insurance Company**

**Conservation Order:** October 31, 1985  
**Liquidation Order:** February 24, 1987

**Enterprise Insurance Company**

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

*2007 Report*

The insolvency of Mission Insurance Company and affiliated insurers was the largest Property and Casualty insurer failure at the time of conservation. The Mission Companies wrote complicated Primary, Excess, and Surplus insurance and reinsurance, much of which is long-tail in nature.

The Mission group of companies consisted of five affiliates: Mission Insurance Company (MIC), Mission National Insurance Company (MNIC) and Enterprise Insurance Company (EIC) which are California-domiciled companies. Holland-America Insurance Company (HAIC) and Mission Reinsurance Corporation (MRC) are domiciled in Missouri. HAIC wrote Property & Casualty business while MRC reinsured Property & Casualty business. These companies are direct or indirect subsidiaries of the Mission Insurance Group, Inc., which was later renamed as Danielson Holding Corporation (DHC), now known as Covanta Holding Corporation.

The Mission Insurance Companies' insolvency proceedings began with a court-ordered conservation on October 31, 1985 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.

On January 24, 2006 the court approved the Commissioner's Motion to Approve Rehabilitation Plan and Implementation Agreement and Motion for Approval of the Final Distribution and Accounting. It is expected, however, that these Estates will be reopened to distribute the remainder of reserved assets in the coming years.

The Mission and Mission National Final Distributions were completed in 2006 which totaled in excess of \$509 million. The Liquidator filed a Declaration of Compliance to conditionally close these two estates on July 24, 2006.

During 2007, the Mission Estates filed status conference reports in April, September, and December.

Claw-back of excess funding was resolved with the State of Oregon and a final payment of \$13.5 million and additional interest was received in July 2007. Also, the New Hampshire IGA released a claw-back payment in August 2007 for approximately \$360,000.

The Estate's goal is to efficiently monitor "post-closing" collections and distribute available funds and stock assets in accordance with the closing plan.

**Enterprise Insurance Company***2007 Report*

Enterprise Insurance Company (EIC) was a California-domiciled company affiliate of Mission Insurance Company. The liquidation of Enterprise was administered in connection with the Mission Insurance Company Trusts (Trusts).

The Commissioner sought and received court approval of the Motion to Re-open Proceedings on EIC and the Motion to Approve Reconciliation of Distributions to the California Insurance Guarantee Association. Also, the Estate completed its Final Distribution on August 4, 2006 in the amount of \$46.4 million, and the Declaration of Compliance was filed with the court on December 29, 2006 for the Estate re-closure.

The Estate's goal is to efficiently monitor "post-closing" collections and distribute available funds and stock assets in accordance with the closing plan.

## 672 MISSION INS CO

### Statement of Net Assets

As of December 31, 2006 and 2007

Assets	2006	2007
Cash & Investments	\$146,213,000	\$139,523,000
Recoverable from reinsurers	11,174,000	10,810,000
Accrued interest receivable and other assets	56,886,000	72,310,000 <sup>h</sup>
	<b>214,273,000</b>	<b>222,643,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$82,381,000	\$79,417,000
Claims against policies, including guaranty associations, before distributions	839,120,000	839,160,000
Early access and other distributions	(849,051,000)	(836,497,000)
All other claims	321,650,000	301,525,000
	<b>394,100,000</b>	<b>383,605,000</b>
<b>Net assets (deficiency)</b>	<b>(\$179,827,000)</b>	<b>(\$160,962,000)</b>

### Changes in Net Assets

For Year Ended December 31, 2007

Net assets as of 12/31/2006		(\$179,827,000)
Revenues, including net investment income	\$15,005,000	
Administrative expenses	(654,000)	
Changes in estimated loss and reinsurance recoverable	4,514,000)	
Increase (decrease) in net assets		18,865,000
Net assets as of 12/31/2007		<b>(\$160,962,000)</b>

<sup>h</sup> = Receivable from affiliate Holland America Ins Co adjusted upward by \$15 million.

**170 MISSION NATIONAL INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$65,540,000	\$116,101,000
Recoverable from reinsurers	1,087,000	1,079,000
Accrued interest receivable and other assets	209,000	806,000
	<b>66,836,000</b>	<b>117,986,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$18,890,000	\$16,529,000 <sup>i</sup>
Claims against policies, including guaranty associations, before distributions	399,172,000	399,174,000
Early access and other distributions	(401,837,000)	(399,747,000)
All other claims	(272,000)	
	<b>15,953,000</b>	<b>15,956,000</b>
<b>Net assets (deficiency)</b>	<b>(\$50,883,000)</b>	<b>(\$102,030,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>(\$50,883,000)</b>
Revenues, including net investment income	\$7,292,000	
Administrative expenses	(154,000)	
Changes in estimated loss and reinsurance recoverable	(44,009,000)	
Increase (decrease) in net assets		51,147,000
Net assets as of 12/31/2007		<b>(\$102,030,000)</b>

<sup>i</sup> = Unclaimed funds payable to claimants with bad addresses reduced following data reconciliation and reissues.

**540 ENTERPRISE INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$5,024,000	\$1,974,000
Recoverable from reinsurers		
Accrued interest receivable and other assets	33,000	9,000
	<b>5,057,000</b>	<b>1,983,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$598,000	\$1,095,000
Claims against policies, including guaranty associations, before distributions	120,573,000	120,573,000
Early access and other distributions	(120,586,000)	(120,573,000)
All other claims	36,038,000	35,633,000
	<b>36,623,000</b>	<b>36,728,000</b>
<b>Net assets (deficiency)</b>	<b>(\$31,566,000)</b>	<b>(\$34,745,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		(\$31,566,000)
Revenues, including net investment income	\$32,418,000	
Administrative expenses	(32,000)	
Changes in estimated loss and reinsurance recoverable	(35,565,000)	
Increase (decrease) in net assets		(3,179,000)
Net assets as of 12/31/2007		<b>(\$34,745,000)</b>

**Municipal Mutual Insurance Company****Supervision Agreement Date: August 18, 2003****Liquidation Order: October 31, 2006***2007 Report*

Municipal Mutual Insurance Company, a Liability and Workers' Compensation insurance company, was placed in informal administrative supervision in August of 2003. The company ceased writing business in April of 2003 and was liquidated on October 31, 2006 and all claims were transferred to CIGA for handling and payment.

The Commissioner obtained an Order to limit the Proof of Claim process to only the GL policies issued by Municipal Mutual and to the California Insurance Guarantee Association (CIGA). This order will allow CIGA to accept policyholder claims in the future. Collection of reinsurance is the only reason the estate is open. The CLO is collecting balances due, and has initiated overtures to commute all remaining reinsurance treaties.

**222 MUNICIPAL MUTUAL INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	(\$93,000)	\$311,000
Recoverable from reinsurers		1,673,000
Accrued interest receivable and other assets	16,000	1,000
	<b>77,000</b>	<b>1,985,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$32,000	\$26,000
Claims against policies, including guaranty associations, before distributions		7,758,000
Early access and other distributions		
All other claims		
	<b>32,000</b>	<b>7,784,000</b>
<b>Net assets (deficiency)</b>	<b>(\$109,000)</b>	<b>(\$5,799,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		(\$109,000)
Revenues, including net investment income	\$83,000	
Administrative expenses	(152,000)	
Changes in estimated loss and reinsurance recoverable	(5,621,000)	
Increase (decrease) in net assets		5,690,000
Net assets as of 12/31/2007		<b>(\$5,799,000)</b>

## National Automobile & Casualty Insurance Company

Conservation Order: **March 15, 2002**

Liquidation Order: **April 23, 2002**

### *2007 Report*

National Automobile & Casualty Insurance Company (NACIC) specialized in Private Passenger; Automobile Liability; Physical Damage; Homeowner; Fire, Liability, Common Carrier Liability; Surety and other miscellaneous classes of insurance. NACIC was licensed to write business in eight states. Since liquidation, all guaranty associations continue to pay and report on covered claims. The “Claims Bar Date”, or the final date to submit a claim against the Estate, was December 20, 2002.

During 2007, NACIC completed the adjudication of all Class 2 over-cap and non-covered POCs and completed and obtained court approval of the claims valuation agreements with three IGAs. The Estate completed commutation settlements with the remaining reinsurance contracts.

The Estate’s immediate goal is to determine total estate liability including Class 7 general creditor claims by second quarter 2008. Thereafter, the Estate will seek to complete a final distribution in 2008.

**878 NATIONAL AUTOMOBILE INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$21,725,000	\$24,407,000
Recoverable from reinsurers	172,000	
Accrued interest receivable and other assets	6,449,000	142,000
	<b>28,346,000</b>	<b>24,549,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$307,000	\$311,000
Claims against policies, including guaranty associations, before distributions	22,778,000	22,155,000
Early access and other distributions	(391,000)	(391,000)
All other claims	5,200,000	4,954,000
	<b>27,894,000</b>	<b>27,029,000</b>
<b>Net assets (deficiency)</b>	<b>(\$452,000)</b>	<b>(\$2,480,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		\$452,000
Revenues, including net investment income	\$1,887,000	
Administrative expenses	(370,000)	
Changes in estimated loss and reinsurance recoverable	(4,449,000)	
Increase (decrease) in net assets		2,932,000
Net assets as of 12/31/2007		<b>(\$2,480,000)</b>

**Pacific National Ins. Co. / Pacific Automobile Ins. Co.****Conservation Order:** May 14, 2003**Liquidation Order:** August 5, 2003*2007 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 in only 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", or 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 and reinsurance collections.

PNIC filed a Status Conference Report which was heard in November 2007. The Excess of Loss Treaties billed approximately \$424,000, and received \$351,000 as of year-end 2007.

The Estate's immediate goal is to resolve claims data issues in support of asset recovery. The Estate's ultimate objective will be to resolve all asset collections in 2008 and position the Estate for a Final Distribution in 2009.

**913 PACIFIC NATIONAL INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$11,446,000	\$13,213,000
Recoverable from reinsurers	5,439,000	6,965,000
Accrued interest receivable and other assets	1,133,000	83,000
	<b>18,018,000</b>	<b>20,261,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$18,000	\$109,000
Claims against policies, including guaranty associations, before distributions	99,480,000	104,293,000
Early access and other distributions	23,416,000	23,416,000
All other claims	1,086,000	(886,000)
	<b>77,168,000</b>	<b>80,100,00</b>
<b>Net assets (deficiency)</b>	<b>(\$59,150,000)</b>	<b>(\$59,839,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>(\$59,150,000)</b>
Revenues, including net investment income	\$914,000	
Administrative expenses	(337,000)	
Changes in estimated loss and reinsurance recoverable	(1,266,000)	
Increase (decrease) in net assets		(689,000)
Net assets as of 12/31/2007		<b>(\$59,839,000)</b>

**Paula Insurance Company****Conservation Order:** April 26, 2002**Liquidation Order:** June 21, 2002*2007 Report*

Paula Insurance Company, a wholly-owned subsidiary of Paula Financial, wrote Workers' Compensation coverage for labor-intensive agribusinesses located in eight states. All Paula policies were cancelled as of July 21, 2002. The "Claims Bar Date", or the final date to submit a claim against the Estate, was March 31, 2003.

An interim distribution was completed in June 2007 to IGAs and other Class 2 claimants for approximately \$14 million.

The Estate's ultimate goal is to collect final asset recoveries and position the Estate for a Final Distribution and Closure in 2008.

**290 PAULA INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$62,299,000	\$53,292,000
Recoverable from reinsurers	3,057,000	k
Accrued interest receivable and other assets	1,735,000	736,000
	<b>67,091,000</b>	<b>54,028,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$1,945,000	\$62,000
Claims against policies, including guaranty associations, before distributions	295,574,000	290,206,000
Early access and other distributions	(71,805,000)	(85,861,000)
All other claims	6,002,000	2,990,000
	<b>231,716,000</b>	<b>207,397,000</b>
<b>Net assets (deficiency)</b>	<b>(\$164,625,000)</b>	<b>(\$153,369,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>(\$164,625,000)</b>
Revenues, including net investment income	\$4,371,000	
Administrative expenses	(960,000)	
Changes in estimated loss and reinsurance recoverable	(7,845,000)	
Increase (decrease) in net assets		11,256,000
Net assets as of 12/31/2007		<b>(\$153,369,000)</b>

k = Reinsurance treaties commuted in 2007.

**S & H Insurance Company**

<b>Conservation Order:</b>	<b>January 28, 1985</b>
<b>Liquidation Order:</b>	<b>April 16, 1985</b>
<b>Closure Order:</b>	<b>April 30, 2007</b>

*2007 Report*

S & H Insurance Company wrote Surety and Property/Casualty insurance. S&H became insolvent when the company's former president won a judgment against the S&H in the amount of \$8 million, resulting in a substantial decrease in the capital of the company.

The Estate resolved a final Order to Show Cause and settled its tax liability to its parent. The Estate completed its Final Distribution in September 2006 and then petitioned and received court approval to close the Estate on April 30, 2007.

**Sable Insurance Company**

<b>Conservation Order:</b>	<b>May 10, 2001</b>
<b>Liquidation Order:</b>	<b>July 17, 2001</b>

*2007 Report*

Sable Insurance Company is a California-domiciled wholly-owned subsidiary of Sable Insurance Holding Company. Sable Insurance Company wrote Workers' Compensation and Property and Casualty insurance and was licensed to write business in California. The "Claims Bar Date", or the final date to submit a claim against the Estate, was June 30, 2002.

A significant portion of Sable's assets consist of reinsurance receivables which are not immediately collectible due to the insolvency of a primary reinsurer, Reliance.

The CLO initiated final settlement discussion with the participating IGAs in 2006. The Estate's primary objectives are to resolve all reinsurance recoveries, determine ultimate liability and position the Estate for a Final Distribution in 2009.

**501 SABLE INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$13,625,000	\$14,927,000
Recoverable from reinsurers	5,047,000	308,000
Accrued interest receivable and other assets	77,000	92,000
	<b>18,749,000</b>	<b>15,327,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$1,000	\$361,000
Claims against policies, including guaranty associations, before distributions	51,262,000	52,193,000
Early access and other distributions	(6,661,000)	(6,661,000)
All other claims	6,548,000	19,000
	<b>51,150,000</b>	<b>45,912,000</b>
<b>Net assets (deficiency)</b>	<b>(\$32,401,000)</b>	<b>(\$30,585,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>(\$32,401,000)</b>
Revenues, including net investment income	\$1,591,000	
Administrative expenses	(282,000)	
Changes in estimated loss and reinsurance recoverable	507,000	
Increase (decrease) in net assets		1,816,000
Net assets as of 12/31/2007		<b>(\$30,585,000)</b>

| = Reinsurance recoverable less adjusted allowance for amounts deemed uncollectible.

**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

*2007 Report*

On March 6, 2000, the Los Angeles Superior Court appointed the Commissioner as Conservator of Superior National Insurance Company, Superior Pacific Casualty Company, California Compensation Insurance Company, and Combined Benefits Insurance Company. On June 9, 2000, the Court appointed the Commissioner as Conservator of Commercial Compensation Casualty Company. On September 26, 2000, the Court appointed the Commissioner as Liquidator for these five insurance companies (collectively, the “Superior National Insurance Companies in Liquidation” or “SNICIL”). The reported value of the property and assets of the SNICIL entities at the time of liquidation exceeded \$1.4 billion.

On August 17, 2000, the Commissioner and Lumbermen’s Mutual Casualty Company, an Illinois corporation doing business as Kemper Insurance Companies (Kemper), among other parties, entered into the Superior National Insurance Companies Rehabilitation Agreement. On September 26, 2000, the Los Angeles County Superior Court issued the Final Order Approving the Rehabilitation Plan.

Under the most optimistic estimates, SNICIL will not have sufficient assets to fully pay the Class 2 policyholder claims. Consequently, once asset recoveries and liabilities are determined, the Estate will seek court approval to reject all potential claims below Class 2. The “Claims Bar Date”, or

the final date to submit a claim against the Estates, was May 25, 2001.

On February 18, 2007, the arbitration panel hearing the U.S. Life dispute entered its Final Award finding that all amounts billed to U.S. Life are properly ceded and due, and ordered payment of \$443,515,724, plus interest at the daily rate of \$81,242.36 computed from January 1, 2007.

A judgment was entered on June 25, 2007 confirming Final Arbitration Award but amending the interest rate to the federal interest rate from date of entry of Judgment. U.S. Life appealed the judgment and the transcript was filed with Ninth Circuit Appellate Court. The Commissioner’s request to expedite hearing of appeal was denied. No date has been set for hearing of the appeal. U.S. Life has posted a surety bond in the amount of \$600 million to preclude the Commissioner from executing on judgment.

A fifth Early Access Distribution to IGA’s totaling approximately \$50 million was made August 2007.

The Estate is working to determine all non-guaranty association policyholders’ liabilities by year-end 2008. The Estate’s ultimate goal is to resolve its reinsurance program, complete final asset recoveries and position the Estate for closure.

**301 CALIFORNIA COMPENSATION INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$90,780,000	\$64,393,000
Recoverable from reinsurers	407,226,000	389,073,000
Accrued interest receivable and other assets	3,871,000	1,888,000
	<b>501,877,000</b>	<b>455,354,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$3,565,000	\$7,749,000
Claims against policies, including guaranty associations, before distributions	1,656,027,000	1,616,506,000
Early access and other distributions	(371,671,000)	(414,404,000)
All other claims	150,984,000	117,748,000
	<b>1,438,905,000</b>	<b>1,327,599,000</b>
<b>Net assets (deficiency)</b>	<b>(\$937,028,000)</b>	<b>(\$872,245,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		(\$937,028,000)
Revenues, including net investment income	\$29,977,000	
Administrative expenses	(2,126,000)	
Changes in estimated loss and reinsurance recoverable	36,932,000	
Increase (decrease) in net assets		64,783,000
Net assets as of 12/31/2007		(\$872,245,000)

**302 COMBINED BENEFITS INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$5,295,000	\$2,847,000
Recoverable from reinsurers	10,183,000	11,541,000
Accrued interest receivable and other assets	325,000	244,000
	<b>15,803,000</b>	<b>14,632,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$53,000	\$140,000
Claims against policies, including guaranty associations, before distributions	31,123,000	29,407,000
Early access and other distributions	(14,108,000)	(17,216,000)
All other claims	4,709,000	4,093,000
	<b>21,777,000</b>	<b>16,424,000</b>
<b>Net assets (deficiency)</b>	<b>(\$5,974,000)</b>	<b>(\$1,792,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>(\$5,974,000)</b>
Revenues, including net investment income	\$1,562,000	
Administrative expenses	(91,000)	
Changes in estimated loss and reinsurance recoverable	2,711,000	
Increase (decrease) in net assets		4,182,000
Net assets as of 12/31/2007		<b>(\$1,792,000)</b>

**304 SUPERIOR NATIONAL INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$17,464,000	\$8,266,000
Recoverable from reinsurers	161,368,000	175,270,000
Accrued interest receivable and other assets	121,175,000	13,319,000
	<b>300,007,000</b>	<b>196,855,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$1,928,000	\$1,853,000
Claims against policies, including guaranty associations, before distributions	845,628,000	758,579,000
Early access and other distributions	(83,988,000)	(108,339,000)
All other claims	20,466,000	28,630,000
	<b>784,034,000</b>	<b>680,723,000</b>
<b>Net assets (deficiency)</b>	<b>(\$484,027,000)</b>	<b>(\$483,868,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>(\$484,027,000)</b>
Revenues, including net investment income	\$20,326,000	
Administrative expenses	(1,085,000)	
Changes in estimated loss and reinsurance recoverable	(19,082,000)	
Increase (decrease) in net assets		159,000
Net assets as of 12/31/2007		<b>(\$483,868,000)</b>

**305 SUPERIOR PACIFIC CASUALTY CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$15,414,000	\$9,706,000
Recoverable from reinsurers	17,628,000	21,587,000
Accrued interest receivable and other assets	21,755,000	100,000
	<b>54,797,000</b>	<b>31,393,000</b>
 <b>Liabilities</b>		
Secured claims and accrued expenses	\$5,000	\$1,047,000
Claims against policies, including guaranty associations, before distributions	144,793,000	161,773,000
Early access and other distributions	(17,372,000)	(25,631,000)
All other claims	64,734,000	68,313,000
	<b>192,160,000</b>	<b>205,502,000</b>
 <b>Net assets (deficiency)</b>	<b>(\$137,363,000)</b>	<b>(\$174,109,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>(\$137,363,000)</b>
Revenues, including net investment income	\$3,031,000	
Administrative expenses	(386,000)	
Changes in estimated loss and reinsurance recoverable	(39,391,000)	
 Increase (decrease) in net assets		 (36,746,000)
Net assets as of 12/31/2007		<b>(\$174,109,000)</b>

**306 COMMERCIAL COMPENSATION CASUALTY CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$3,948,000	\$2,930,000
Recoverable from reinsurers	41,982,000	43,421,000
Accrued interest receivable and other assets	43,242,000	982,000
	<b>89,172,000</b>	<b>47,333,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$142,000	\$1,769,000
Claims against policies, including guaranty associations, before distributions	168,925,000	126,323,000
Early access and other distributions	(43,639,000)	(47,546,000)
All other claims	15,717,000	10,731,000
	<b>141,145,000</b>	<b>91,277,000</b>
<b>Net assets (deficiency)</b>	<b>(\$51,973,000)</b>	<b>(\$43,944,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>(\$51,973,000)</b>
Revenues, including net investment income	\$2,703,000	
Administrative expenses	(133,000)	
Changes in estimated loss and reinsurance recoverable	5,459,000	
Increase (decrease) in net assets		8,029,000
Net assets as of 12/31/2007		<b>(\$43,944,000)</b>

**Western Employers Insurance Company**  
**Conservation Order:** April 2, 1991  
**Liquidation Order:** April 19, 1991

**Western Employers Insurance Company  
of America**  
**Conservation Order:** April 25, 1991  
**Liquidation Order:** May 7, 1991

### *2007 Report*

Western Employers Insurance Company (WEIC) was a New York-domiciled insurer known as Letherby Insurance Company and was re-domesticated to California in the late 1970's. The company was licensed in 38 states and wrote primarily Workers' Compensation and Multi-Peril insurance. After four years of self-liquidation, WEIC determined it could no longer continue liquidation without the assistance of the California Department of Insurance.

Western Employers Insurance Company of America (WEICA) is a wholly-owned subsidiary of WEIC. WEICA was licensed in eight states, with its principal place of business located in Fullerton, California. The company wrote only Workers' Compensation insurance. WEICA was included in its parent company's self-liquidation process. The "Claims Bar Date", or the final date to submit a claim against the Estate, was November 15, 1991.

Both the WEIC and WEICA Estates are in the process of determining the Estate's ultimate liability.

The Estate's primary objective will be to resolve all asset recoveries, determine final estate liability and position the estate for closure by 2009. A significant requirement to meet that objective is to determine how to quantify the remaining long-tail exposure. The Estate will consider seeking a court order to establish a new claims-bar date after which no new claims will be honored.

**433 WESTERN EMPLOYERS INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$86,889,000	\$92,363,000
Recoverable from reinsurers	19,543,000	19,178,000
Accrued interest receivable and other assets	22,746,000	23,025,000
	<b>129,178,000</b>	<b>134,566,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$4,000	\$10,000
Claims against policies, including guaranty associations, before distributions	118,046,000	205,252,000 <sup>m</sup>
Early access and other distributions	(63,030,000)	(63,030,000)
All other claims	45,000	3,480,000 <sup>n</sup>
	<b>55,065,000</b>	<b>145,712,000</b>
<b>Net assets (deficiency)</b>	<b>(\$74,113,000)</b>	<b>(\$11,146,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>\$74,113,000</b>
Revenues, including net investment income	\$5,713,000	
Administrative expenses	(712,000)	
Changes in estimated loss and reinsurance recoverable	(90,260,000)	
Increase (decrease) in net assets		(85,259,000)
Net assets as of 12/31/2007		<b>(\$11,146,000)</b>

<sup>m</sup> = Increase in over-cap claim liabilities.<sup>n</sup> = Approved general creditor claims.

**434 WESTERN EMPLOYERS INS CO OF AMERICA****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$10,052,000	\$10,619,000
Recoverable from reinsurers		
Accrued interest receivable and other assets	756,000	785,000
	<b>10,808,000</b>	<b>11,404,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$0	\$0
Claims against policies, including guaranty associations, before distributions	1,891,000	1,891,000
Early access and other distributions	(1,639,000)	(1,639,000)
All other claims	10,331,000	10,332,000
	<b>10,583,000</b>	<b>10,584,000</b>
<b>Net assets (deficiency)</b>	<b>(\$225,000)</b>	<b>(\$820,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		\$225,000
Revenues, including net investment income	\$634,000	
Administrative expenses	(38,000)	
Changes in estimated loss and reinsurance recoverable	(1,000)	
Increase (decrease) in net assets		595,000
Net assets as of 12/31/2007		<b>\$820,000</b>

**Western Growers Insurance Company**  
**Liquidation Order: January 17, 2003**

*2007 Report*

On January 17, 2003, the Orange County Superior Court entered an Order of Liquidation for Western Growers Insurance Company. WGIC wrote Workers' Compensation business in California and Arizona.

In 2004, the Commissioner obtained a court order to forego the comprehensive Proof of Claim process saving the Estate significant cost yet still protecting all recovery rights of the two participating guaranty associations. The Liquidator continues to bill, collect, and seek commutation of remaining reinsurance coverage.

During 2007, the Estate continued its aggressive plan to commute the remaining reinsurance contracts and schedule a final distribution. One reinsurance contract remains. The Estate will seek a settlement of that contract and move to distribute all assets to CIGA and close the Estate in 2008.

**698 WESTERN GROWERS INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$6,063,000	\$13,788,000 ○
Recoverable from reinsurers	4,899,000	3,672,000
Accrued interest receivable and other assets	66,000	105,000
	<b>11,028,000</b>	<b>17,565,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$93,000	\$205,000
Claims against policies, including guaranty associations, before distributions	53,340,000	51,257,000
Early access and other distributions	(2,587,000)	(2,587,000)
All other claims	(1,000)	
	<b>50,845,000</b>	<b>48,875,000</b>
<b>Net assets (deficiency)</b>	<b>(\$39,817,000)</b>	<b>(\$31,310,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		(\$39,817,000)
Revenues, including net investment income	\$719,000	
Administrative expenses	(378,000)	
Changes in estimated loss and reinsurance recoverable	8,166,000	
Increase (decrease) in net assets		8,507,000
Net assets as of 12/31/2007		(\$31,310,000)

○ = Reinsurance treaties commuted.

**Western International Insurance Company**  
**Conservation Order:** August 10, 1992  
**Liquidation Order:** September 9, 1992

### *2007 Report*

Western International Insurance Company (WIIC) was domiciled and licensed in California. The company wrote primarily Property and Casualty insurance. WIIC was conserved on August 10, 1992 and placed into liquidation on September 9, 1992. CIGA is the only guaranty association affected. All CIGA claims and CLO in-house claims have already been adjusted. There are not sufficient funds to pay Class 1 & 2 claims. General Creditor claimants have been advised that there are no available funds to pay claims past Class 2. The settlement and collection of disputed reinsurance receivables have been completed.

The Estate is in the process of preparing a final distribution and closing plan, both to be implemented in 2008.

**117 WESTERN INTERNATIONAL INS CO****Statement of Net Assets**

As of December 31, 2006 and 2007

<b>Assets</b>	<b>2006</b>	<b>2007</b>
Cash & Investments	\$8,046,000	\$10,385,000 <sup>p</sup>
Recoverable from reinsurers	3,757,000	237,000 <sup>q</sup>
Accrued interest receivable and other assets	42,000	60,000
	<b>11,845,000</b>	<b>10,682,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	\$3,000	\$3,000
Claims against policies, including guaranty associations, before distributions	59,786,000	59,578,000
Early access and other distributions	(17,000,000)	(17,000,000)
All other claims	354,000	
	<b>43,143,000</b>	<b>42,581,000</b>
<b>Net assets (deficiency)</b>	<b>(\$31,298,000)</b>	<b>(\$31,899,000)</b>

**Changes in Net Assets**

For Year Ended December 31, 2007

Net assets as of 12/31/2006		<b>(\$31,298,000)</b>
Revenues, including net investment income	\$558,000	
Administrative expenses	(261,000)	
Changes in estimated loss and reinsurance recoverable	(898,000)	
Increase (decrease) in net assets		(601,000)
Net assets as of 12/31/2007		<b>(\$31,899,000)</b>

<sup>p</sup> = Reinsurance treaties commuted.<sup>q</sup> = Reinsurance recoverable less adjusted allowances for amounts deemed uncollectible from certain reinsurers.

**2007 ANNUAL REPORT**  
EXECUTIVE OPERATIONS  
BRANCH

## EXECUTIVE OPERATIONS BRANCH

Reporting directly to the Insurance Commissioner, the Executive Operations Branch provides a wide range of services to the Commissioner, the Executive staff, Department personnel, and the public. The branch is comprised of the Administrative Hearing Bureau, the Office of Ethics and Operational Compliance, the Information Security Office, the Equal Employment Opportunity Office, the Office of the Ombudsman, Office of Market Competition and the Office of Strategic Planning. Branch personnel perform critical functions, including: responding to the public inquiries; conducting Administrative Law Hearings and writing proposed decisions on the Commissioner's behalf; reviewing and documenting the effectiveness and efficiency of all program areas within the Department; and providing an equitable working environment for all employees.

### 2007 ANNUAL REPORT OF THE ADMINISTRATIVE HEARING BUREAU

The Insurance Commissioner is authorized by statute to fulfill a regulatory role and an adjudicatory role. The Administrative Hearing Bureau ("AHB") supports the Insurance Commissioner in his adjudicatory role. Pursuant to the Insurance Code, the Insurance Commissioner is authorized to conduct evidentiary hearings at the AHB on various insurance matters identified below.

The AHB supplies administrative law judges ("ALJ") for many of the hearings provided for by the Insurance Code. In 2007, the AHB employed 3 full-time ALJs, one full time ALJ

II supervisor, two legal secretaries, and one office technician<sup>1</sup>. As directed by a particular statute, the ALJs conduct formal or informal hearings under the Administrative Procedure Act ("APA") as well as non-APA hearings provided for by regulation. The ALJs submit proposed decisions to the Commissioner for adoption, modification or rejection. Upon written agreement, the ALJs also will mediate disputes thereby avoiding the necessity of an evidentiary hearing.

The matters heard at the AHB during 2007 include the following:

- prior approval of disputed rate change applications in Proposition 103 lines of insurance (Ins. Code § 1861.05),
- appeals from decisions of the Workers' Compensation Insurance Rating Bureau or insurance carriers regarding application of the workers' compensation insurance rating system and plans (Ins. Code §§ 11737 and 11753.1),
- appeals from decisions of the California Assigned Risk Plan (CAARP) (Cal. Code of Regs., title 10, section 2498.6),
- appeals from decisions of the Fair Plan,
- allegations of noncompliance with the Insurance Code (Ins. Code §§ 1851.1 and 1851.2),
- allegations of conducting business in a manner hazardous to policyholders, creditors or the public (Ins. Code §§ 10651.1, 1065.2 and 1756.1(g),
- appeals from the Commissioner's denial of consent for a prohibited person to be licensed (Cal. Code of Regs., title 10, section 2175.1 et seq.).

In 2007, the AHB opened **51** cases and closed **58** cases.<sup>2</sup> The statistics by subject matter are as follows:

**1:** Due to the increase volume of prior approval matters, the AHB retained a permanent full time ALJ –I effective December 31, 2007. **2:** The apparent discrepancy in these numbers is caused by including case closures that occurred in 2007 of files that were opened during 2006.

Case Type	Opened	Closed	
CAARP	0	1	<i>Pali Camp, dba Pali Mountain Institute (AHB-WCA-04-103)</i> Writ of Administrative Mandamus filed in Los Angeles Superior Court on November 28, 2007. The matter has not been set for hearing. The writ challenges the Commissioner's July 31, 2006, order affirming State Compensation Insurance Fund's decision to assign the employer's payroll to classification 9048 "Camps – recreational or educational – all operations --- including Clerical Office Employees at camp locations".
FPA	0	1	
CIGA	1	1	
Non-Compliance	0	1	
Prior Approval	10	3	
Workers Comp Rate Disapproval	1	0	
Prohibited Persons	1	0	
Workers' Compensation Appeals	38	51	

### AHB Matters on Writ and Appellate Review

To date, all proposed decisions authored by the ALJs in the AHB and adopted by the Insurance Commissioner have been upheld on writ and appellate review. There are three decisions adopted by the Commissioner that are currently before the superior court on writs of administrative mandamus. One of the Commissioner's decisions that was upheld on a writ review has been appealed to the court of appeal. Three of the four matters were filed in 2007. Legal provides the AHB with quarterly status reports on these matters so that the proposed decisions forwarded to the Commissioner reflect the current state of the law. The four cases currently before the superior and appellate courts are as follows:

#### *Hendrickson Trucking (AHB-WCA-05-83)*

Writ of Administrative Mandamus filed in Sacramento Superior Court on February 7, 2007. The matter is set for hearing in March 2008. The writ challenges the Commissioner's October 11, 2006, order upholding the Workers' Compensation Insurance Rating Bureau's decisions to: (1) apply a new experience modification factor to the employer's insurance policy for the period April 1, 2004 to December 1, 2004, and (2) omit the experience of the employer's April 1, 2000 policy in promulgating the employer's December 1, 2004 experience modification.

#### *Evans Dedicated Systems, Inc. (AHB-WCA-05-33)*

Writ of Administrative Mandamus filed in Los Angeles Superior Court on January 9, 2008. The matter has not been set for hearing at this time. The writ challenges the Commissioner's September 11, 2007, order affirming the Workers' Compensation Insurance Rating Bureau's decision not to use the payroll data proffered by Evans to recalculate the employer's 2003 experience modification.

The Commissioner's order also found that no grounds exist to grant Evans equitable relief from the rules of the CA Workers' Compensation Insurance Unit Statistical Reporting Plan and Experience Rating Plan.

#### *Antelope Valley Newspaper, Inc. (AHB-WCA-04-21)*

Appeal from the superior court's denial of employer's Writ of Administrative Mandamus. The appeal is being heard by the 2nd District Court of Appeal. The parties have been ordered to file briefs but no hearing date has been set. The Commissioner's August 15, 2005, order challenged in this appeal affirmed State Compensation Insurance Fund's decision that home delivery newspaper carriers who had signed Independent Contractor Distribution Agreements with Antelope Valley Newspaper, Inc. were "employees" for whom the appellant employer must provide workers' compensation coverage. The appellate court's decision on this worker status issue is of

great importance to the newspaper industry. (*The Commissioner has elected not to hear worker status appeals pursuant to Industry-Wide Bulletin No. 2003-5*).

### EQUAL EMPLOYMENT OPPORTUNITY OFFICE (EEO)

The Equal Employment Opportunity Office's (EEO) objective is to ensure the Department of Insurance is in compliance with Title VII of the Civil Rights Act of 1964, as amended, and the Fair Employment and Housing Act prohibiting discrimination and harassment of employees and applicants for employment on the basis of their protected status. To achieve this objective, the EEO Office monitors the Department's policies, practices in employment, development and treatment of its employees, to ensure decisions are not based on non-job related factors that are discriminatory.

The Department must also ensure its programs, services, and activities are in compliance with the Americans with Disabilities Act. Below are some of the activities that describe how compliance with these laws is accomplished:

- Conduct interactive classroom training that provides employees, supervisors and managers their responsibilities, rights and remedies available under the employment discrimination laws and CDI's EEO policies.
- Provide an online harassment prevention training program that supplements the classroom training in compliance with AB 1825 for supervisors and managers and one for rank and file.
- Development and dissemination of the Department's EEO policies to all employees.
- Conduct investigations into complaints of discrimination, harassment and retaliation and make recommendations for appropriate corrective action when policy violations occur.
- Development and publishing of the ADA Notice and Grievance Procedures for the public.

Eliminating the distractions of discrimination, harassment and retaliation allows department employees to focus on the mission of the Department to be the single best consumer service protection agency in the nation.

### ETHICS AND OPERATIONAL COMPLIANCE (EOCO)

The Ethics and Operational Compliance Office (EOCO) provides management of the Department with independent, objective, accurate and timely information necessary to make policy decisions. The EOCO assists management in their efforts to increase operational and program efficiency and effectiveness by providing them with analysis, appraisals, recommendations and technical assistance.

The EOCO is independent and team-oriented, committed to providing timely, professional and objective services to satisfy customer needs. The EOCO takes personal responsibility for its work by meeting the standards of professional competence.

The EOCO is composed of three distinct functions with six staff members reporting to the Special Assistant to the Commissioner:

- Internal Audits Unit
- Curriculum Compliance Audits Unit
- Ethics Office

#### Internal Audits Unit

The Internal Audits Unit 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 and for the Conservation and Liquidation Office according to standards established by the Institute of Internal Auditors.

The audit staff assists executive management by conducting performance audits and program effectiveness and efficiency reviews. 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, and participation in various workgroups.

We owe a responsibility to management to provide information about the adequacy and effectiveness of the Department's system of internal control and quality of performance.

### Curriculum Compliance Audits Unit

The Curriculum Compliance Audits Unit conducts reviews of insurance education providers' pre-licensing and continuing education courses to ensure the curriculum and provider operations adhere to California's Insurance Code and Code of Regulations. The audit findings are intended for use by the Licensing Services Division to assist them in reviewing the quality of education to ensure adequate training for the licensing and continuing education requirements of insurance agents and brokers.

The auditors also report quarterly to the Curriculum Board on the progress of the audit function, audit production plans and common audit findings. Any significant fraudulent or criminal activity discovered during an audit would be referred to the Enforcement Branch for further review and investigation.

### Ethics Office

The Ethics Office was created in 2000 to provide private, secure and confidential communications and investigations. The Ethics Office receives and researches complaints regarding employees' conflicts with the Political Reform Act and the Department's Incompatible Activities Statements

such as misuse of state property, inappropriate acceptance of gifts, and abuse of authority.

This is an independent office where the Department's employees can confidentially obtain answers to questions regarding proper conduct and report improper governmental activities by telephone, letter or e-mail. The Ethics Office investigates claims of suspicious activities as required by State Administrative Manual Section 20080. It oversees ethics orientation training for the Department's employees and advises them of their rights and responsibilities under the Whistleblowers' Protection Act.

### INFORMATION SECURITY OFFICE

The Information Security Office (ISO) provides oversight and compliance review to ensure that the Department's data is protected against unauthorized use. Information security means the protection of information and information systems, equipment, and people from a wide spectrum of threats and risks. Implementing appropriate security measures and controls to provide for the confidentiality, integrity, and availability of information, regardless of its form (electronic, print, or other media) is critical to ensure business continuity and protection against unauthorized access, use, disclosure, disruption, modification, or destruction.

Each State agency must provide for the proper use and protection of its information assets. Accordingly, the Department of Insurance must perform the following:

- 1 Assign management responsibilities for information technology risk management, including the appointment of an Information Security Officer pursuant to SAM §5315.
- 2 Provide for the integrity and security of automated and paper information, produced or used in the course of agency operations pursuant to SAM Sections 5310 through 5350.

- 3 Provide for the security of information technology facilities, software, and equipment utilized for automated information processing pursuant to SAM §5330.
- 4 Establish and maintain an information technology risk management program, including a risk analysis process pursuant to SAM §5305.
- 5 Prepare and maintain an agency Operational Recovery Plan pursuant to SAM §5355.
- 6 Maintain a security and ongoing privacy program including an annual training component for all employees and contractors. Refer to Government Code 11019.9 and Civil Code 1798 et seq.
- 7 Comply with the state audit requirements relating to the integrity of information assets. See SAM Section 20000 et seq.
- 8 Comply with state reporting requirements pursuant to SAM §5360.

### THE OFFICE OF THE OMBUDSMAN

The Office of the Ombudsman responds to inquiries and requests for assistance from consumers, agents and brokers, and elected officials inquiring on behalf of constituents. When consumers request it, Ombudsman officers conduct second reviews of cases handled elsewhere in the Department to assure that all available consumer protections have been considered. Inquiries are received by mail and telephone and, increasingly, by email. In 2007, Ombudsman staff responded to over 1400 inquiries, about half of them referrals from legislators and the governor. The unit also coordinates the Commissioner's appointments to 11 boards and commissions and conducts other special projects as requested by Executive Staff.

**2007 ANNUAL REPORT**  
ADMINISTRATION & LICENSING  
SERVICES BRANCH

## ADMINISTRATION & LICENSING SERVICES BRANCH

The mission of the Administration and Licensing Services Branch is to protect insurance consumers and maintain the integrity of the insurance industry by assisting with the implementation and enforcement of insurance licensing laws, and by providing professional, quality support services to each of the California Department of Insurance's (CDI) programs

This Branch consists of the Business Management Bureau, the Human Resources Management Division, the Information Technology Division, the Licensing Services Division and the Financial Management Division.

### BUSINESS MANAGEMENT BUREAU (BMB)

The Business Management Bureau is a multidisciplinary team consisting of 27 employees (18 in Sacramento, five in Los Angeles, and four in San Francisco) who are responsible for carrying out the following responsibilities:

- † Preparation, coordination and processing of all contracts and purchase documents in accordance with State law, policies and procedures (Sacramento BMB).
- † Providing mail services and supplies at the three largest CDI work-sites: Sacramento, San Francisco, and Los Angeles.
- † Overseeing and managing all facilities projects, issues and leases at each of the 16 CDI addresses and locations.
- † Managing records retention, fixed assets, forms, transportation, Conflict of Interest, and reproduction programs/processes.
- † Providing record, equipment, and file storage for the Department and Licensing Services Division in the West Sacramento warehouse.

- † Coordinating the development and implementation of CDI's Disaster Management Plan Program. The plan includes CDI's Emergency Assessment and Evacuation, Communications, Departmental Disaster Recovery and Resumption, and the Department's External role in response and recovery efforts to a State declared emergency.

#### *Accomplishments in 2007:*

- † Completed the development and implementation of the BMB Procurement Database, which tracks purchasing and contracting activities and generates mandated and ad hoc reports.
- † The successful completion of the department's Tri-annual Fixed Assets inventory and reconciliation, in accordance with State Administrative Manual, Section 8652.
- † Completed statewide Purchasing and Contracting training to all staff involved in procurement activity for CDI.

### HUMAN RESOURCES MANAGEMENT DIVISION (HRMD)

The Human Resources Management Division consists of six units. The main areas of responsibility include: The Classification & Pay Unit; the Health & Safety Unit; the Labor Relations Unit; The Personnel Transactions Unit; The Exams, Recruitment, Selection and Training Unit; and the Technical Resources Unit.

- † *The Classification and Pay Unit* administers the Classification & Pay Program. Classification & Pay Analyst provide advice and assistance on varied difficult personnel management problems, analyze and classify positions, gather and evaluate pay data, conduct classification or pay surveys, prepare formal memorandums or reports on personnel matters, participates in the presentation of such matters before the State Personnel Board (SPB), Department

of Personnel Administration, or other official bodies, and review proposed personnel actions for conformity with regulations, classification and pay standards, and good personnel practices.

- † **The Health & 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 & Safety Unit acts as coordinators for the Family and Medical Leave Act (FMLA), Catastrophic Leave (CAT), American and Disabilities Act (ADA), Reasonable Accommodation Policy (RA), Return-to-work, Drug-Free Workplace, and the Workers' Compensation Program, the Health and Wellness Program, and administers ergonomic information for CDI employees.
- † **The Labor Relations Unit** promotes harmonious labor relations between CDI, its employees and their 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 departmental policies, and grievance responses.
- † **The Personnel Transactions Unit** independently evaluates and processes various complex and sensitive personnel transactions in compliance with applicable bargaining unit agreements, contract/MOU language, departmental policies and procedures, DPA, SPB, and State Controller's Office (SCO) laws and rules. Maintains Leave balances, tracks attendance, processes all health, dental, vision benefits, administers position control, and processing of all payroll.
- † **The Exams, Recruitment, Selection and Training Unit** administers the Civil Service Exam process, certification and eligibility lists, coordinates all outreach, recruitment and job fair

activities, investigates merit issues, complaints, exam appeals, and all request for withholds, coordinates training and upward mobility program for CDI employees, annual award and recognition programs.

- † **The Technical Resources Unit** provides technical expertise, training, guidance, assistance, and support to employees, supervisors, and managers regarding administrative personnel matters; provides advice and assistance to the HRMD staff on such topics as, recruitment, hiring, classification and compensation, employee discipline, and employee relation issues, to ensure consistent and accurate answers. The TRU unit acts as "one voice" for HRMD issues and disseminates the HRMD policies, procedures, personnel related documents. The TRU unit develops methods, processes and procedures regarding complex and diverse personnel practices designed to obtain consistency within HRMD and the Department, develops desk manuals, guidelines, memorandums, and other forms of written communication and job aids to assist HRMD staff.

#### *Accomplishments in 2007:*

- † Implemented Recruitment and Retention Strategies to Hire and Retain Fraud Investigators and reduced the vacancy rate to nearly 10%.
- † Successfully Submitted and Received Approval from the Department of Personnel Administration (DPA) for several Classification and Compensation Proposals.
- † Prepared several Classification and Compensation Proposals for 2008 Collective Bargaining process.
- † Demonstrated Accountability of the Personnel/ Payroll processes.
- † Implementation of the 90-day Hiring Deferral Process.

- Member of the Top/Down ROAR team assigned assessment of the Fraud Division
- CA State Employees Charitable Campaign – Department Representative

### INFORMATION TECHNOLOGY DIVISION (ITD)

The Information Technology Division consists of four bureaus: the Statewide Network Support Bureau (SNS), the Application Development and Maintenance Bureau (ADAM), the Project Coordination and Administrative Support Bureau (PCAS), and the Web Services Bureau (WS). ITD employs eighty-six (86) employees (62 in Sacramento, 16 in Los Angeles, and 8 in San Francisco) who carry out the following responsibilities:

- The SNS Bureau provides departmental support for the technology infrastructure. Support provided consists of telecommunication services, Local Area Network (LAN), Wide Area Network (WAN), hardware/software installation, security, and maintenance for personal computers.
- The ADAM Bureau provides custom software development including the Integrated Database, the Fraud Integrated Database system, Internet/Intranet development, and custom interfaces. ADAM monitors and maintains the Oracle Internet Application Server, commonly referred to as the 'middle tier', and works with Data Administrators at the Department of Technology Services where CDI's department data is stored.
- The PCAS Bureau includes a Project Management Office (PMO) and an Administrative Support Office (ASO). The PMO provides Project Management Methodology and Project Management for information technology (IT) projects and is responsible for Control Agency programs such as the Software Management Program and the Desktop and Mobile Computing Policy. The

ASO facilitates information technology related purchases and tracks requests for technology services.

- The WS Bureau was created in November 2007 and is responsible for leading CDI's ongoing effort to institutionalize website accessibility, usability, and findability wherever CDI has a web presence. The Bureau is responsible for improving the accessibility and usability of CDI's website content and online services while ensuring compliance to state accessibility requirements. In this capacity, WSB plays a critical role in making online services and the web a service channel for meeting stakeholder needs. The WSB supports the CDI's Content Contributors and Content Managers responsible for the content in the Internet and intranet websites.

### Major Continuing Technology Efforts in 2007

**Paperless Workflow Project**—Completed a six-month department-wide feasibility study and submitted the report to Department of Finance recommending a solution for a Document Management and Workflow System with Regional Scanning Centers. The FSR was successfully completed and submitted to DOF on December 12, 2007. The procurement for the proposed system is expected to take place in February 2009.

**Enterprise Information Portal Phase 2 Project**—Completed the high-level identification of business requirements for CDI's business intelligence (BI) and data warehousing software solution. Detailed analysis will continue with periodic validation with customers. The final solution is scheduled to be production ready by July 2008.

**State-of-the-Art Web Presence Project**—The Department of Insurance has begun the process to implement a competitive web presence that will include real time interaction and information sharing between the Department and consumers

of California. The project will result in web solutions such as streaming video and live webcasts of press conferences, real-time live chats between California consumers and CDI experts, “Town Hall” question and answer sessions, and surveys. This technical solution will complete by the end of the first quarter, 2008.

**Intranet Redesign Project**—The CDI’s intranet is a vital communications tool for fulfilling the CDI’s regulatory objectives. This project will improve the intranet and efficiency of the CDI to make the information it contains more accurate, timely, relevant, and complete so that CDI can better meet the needs and expectations of staff and help them better protect and serve constituents. The project is scheduled to be completed by the end of the first quarter of 2008.

**Telecommunications Infrastructure Replacement Project**—SNSB staff and AT&T\Nexus contractors completed the configuration and testing of phase 2 advanced applications for the call centers. Applications include automated outbound campaign calling, access to call center agents via the Internet, and automated e-mail customer responses. These were accepted by the state in February 2008. Acceptance for the phase 1 telephony and interactive voice response (IVR) systems is expected late April 2008.

#### Accomplishments in 2007:

**Business Entity Name Approval Online Reservation Request (BENA)**—This internet and intranet system is designated to facilitate the filing and processing of Licensing Name Approval Requests. The system accepts requests from both California residents and non-residents. The end result of a successful name request with the BENA system is a reservation number that can be used with the Business Entity License Application system to apply for a California Entity license. *Completed March 2007.*

**Bail Report for County Clerk Offices Online Service**—This online system provides county clerks the ability to view and print a real time list of active bail licensees. The Report is configurable to display information by a variety of views. *Completed March 2007.*

**Business Entity and Endorsement Project (BEEP)**—This Internet system allows businesses who want to sell insurance in California to apply for a Business Entity License and for existing agencies to add or terminate endorsees in real time. This system accepts major credit cards for payment of fees. *Completed April 2007.*

**Legal Case/Matter Management & Activity Tracking Project**—This project replaced an existing case/matter management system used by the Legal staff. The existing system reached its end of life. The replacement system is complex with interfaces into COSMOS, e-mail, and DM web publishing systems. *Completed August 2007.*

**Education Provider Online Programs (EPOP) Intranet**—This intranet system allows PLB education staff to perform the same functions as the education providers, search for provider accounts to perform functions across all education providers, do additional education provider maintenance functions, and perform pre-licensing roster searches. *Completed: August 2007.*

**Education Provider Online Programs (EPOP) Internet**—This Internet system enables registered education providers to submit their class rosters and to submit, modify or cancel their course offerings. Providers are also able to view ‘error reports’ for their processed roster files, on-line. This system also updates various data fields in our licensing systems. Providers are able to ‘upload’ their data via a fixed format text file or by hand keying their rosters into the Internet system. *Completed: August 2007.*

**Telecommunications Infrastructure Replacement Project (VOIP)**—SNSB staff and AT&T \Nexus contractors completed the installation of 53 servers, 1500 phones, and several softphones statewide for the TIRP project. This installation has enabled CDI to be completely migrated from its end of life Executone telephone system. Some of the features that were not available in the legacy phone system include caller ID, meet me conferencing, extension mobility, and directory lookup. Additionally, during the 2007 Los Angeles fires the softphones enabled Call Center Agents to answer calls from their homes. This was a huge benefit to the LA Call Center as Agents were allowed to work long hours from home instead of the office. *Full Telephony System Implementation completed in September 2007.*

**Remote Environmental Monitoring of Network Rooms (Sensa Phone)**— CDI's Los Angeles and San Francisco network rooms lacked environmental monitoring. SNSB staff implemented Sensa Phone technology that will call specific staff and alert them when there is a high temperature alarm. This technology has proved to be invaluable during the HVAC issues we experienced in LA last summer. Without it, servers could have been damaged due to high temperatures during the late night when staff are not at the work site. *Completed September 2007.*

**Technology Refresh (FY 06/07)**—As part of the Department's annual Technology Refresh Program, SNSB staff replaced 17 outdated servers, 284 outdated desktops, 87 outdated laptops, and 16 outdated printers statewide. *Completed September 2007.*

**Windows XP/Office 2003 Project**—SNSB staff re-imaged over 750 computers statewide to Windows XP and Office 2003. This has enabled all CDI staff to be on the same version of operating system (Windows XP) and productivity suite (Office 2003). This upgrade allows for better storing, sharing, and compatibility of documents.

Additionally this helps in overall support from ITD's help desk as everyone is on the same versions. *Completed October 2007.*

**Commissioner's Boards and Committees (CNBC) Online Application**—Internet based application that allows interested individuals to complete and submit an online application for appointment or re-appointment to various Commissioner Boards and committees. *Completed November 2007.*

**CDI Application Internet/Intranet Servers (excluding EIP and Oracle Financial Servers)**—All of California Department of Insurance (CDI) Application Servers were upgraded to:

- + Solaris 10 operating system.
- + OAS 10.1.2.2
- + JDK 1.4.2\_06
- + Oracle Forms 10.1.2.2
- + Oracle Designer 10.1.2
- + Oracle Discoverer 10.1.2.2

CDI's developers, testers and CDI program area customers are now able to work in like environments. The server upgrade provided CDI Developers and Testers the means to deliver new applications or enhancements to existing applications more efficiently and seamlessly through the CDI's Internet/Intranet infrastructure. *Completed: December 2007.*

**Active Directory (AD) Assessment and Remediation**—Active Directory is CDI's central repository for usernames and passwords. This repository allows for seamless integration and access of Enterprise Applications such as Microsoft Exchange (email) and EIP (Enterprise Information Portal). It also allows for the access to shared drives, network printing, internet access, etc. SNSB staff along with an external vendor worked to assess our current AD infrastructure and improve its performance and security. As part of this process, a new AD site structure was implemented. This new robust site structure enabled CDI to obtain

less downtime, while reducing the AD server count (domain controllers) by 10. Additionally, we improved global policies within AD that help facilitate the automatic deployment of patches and the use of Microsoft's Remote Assistance. Remote Assistance enables CDI Help Desk staff to remotely troubleshoot desktop computer problems for our customers. This has improved our overall service offerings as required site visits for PC assistance is minimized. *Completed December 2007.*

**Network Monitoring Improvements (Solarwinds installation)**—Solarwinds is a network and server monitoring tool that enables CDI network and server administrators to proactively find network bottlenecks, server performance problems, and perform capacity planning. This technology has improved our overall quality of service to our customers. The implementation performed by SNSB staff included the configuration of over 150 servers and 200 network devices (switches, routers, firewalls, etc) for management via simple network management protocol (SNMP). It is now possible for SNSB staff to identify many potential issues before the customer experiences degradation in service. *Completed December 2007.*

**Network Consolidation (Video network)**—SNSB staff consolidated the Department's complex distributed video network into a high availability converged network in order to offer quality voice, video, and data services to our customers. This was done successfully while reducing the department's yearly networking and hardware costs by over 60K. Additionally, all end of life video cameras were replaced and staff added a new video conference room in the San Francisco hub site for the Commissioner. *Completed December 2007.*

**Firewall\Intrusion Prevention Infrastructure Replacement**—SNSB staff designed, planned, and replaced CDI's outdated firewall and intrusion prevention infrastructure that was no longer supported by its manufacturers. This significant undertaking was done during the weekend and

with minimal issues after the work week started. Firewalls in a network are used to secure sensitive information, services, and equipment from malicious activity originating in the public internet. Intrusion prevention systems monitor permitted traffic through our firewalls (example: traffic to our public web server is permitted) for malicious activity. If malicious activity is detected, it is automatically blocked. *Completed December 2007.*

**Email Messaging Security Improvements (Brytemail)**—SNSB Security staff designed, planned, and replaced CDI's outdated public email anti-virus servers. All email originating outside of the CDI environment (from the internet) must pass through these servers first and be scanned for viruses. The three outdated servers were replaced with only two servers improving email performance, anti-virus, anti-spam, and reputation services (blocks know email spammers). *Completed December 2007.*

## LICENSING SERVICES DIVISION (LSD)

The Licensing Services Division (LSD), under the authority of the California Insurance Code, 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 three Bureaus: the Producer Licensing Bureau, the Licensing Background Bureau and the Licensing Compliance and Business Process Bureau.

- † The Producer Licensing Bureau (PLB) is primarily responsible for issuing, maintaining and updating records of all insurance producer licenses; preparing and administering written qualifying insurance examinations; and the review and approval of education courses submitted by insurance companies, educational institutions, and others.
- † The Licensing Background Bureau (LBB) is responsible for obtaining information and

documentary evidence regarding criminal convictions and other adverse actions in the backgrounds of insurance producers, licensing applicants, and organizations seeking authority to transact insurance in California. LBB analyzes the evidence and recommends a course of action against the licensee/applicant.

- The Licensing Compliance and Business Process Bureau's (LCB) primary function is to assist the Enforcement Branch's Investigation Division with the review and analysis of case files received from the Investigation Division's Complaint Intake Unit. LCB consists of three units: the Licensing Compliance Unit, the Business Process Reengineering Unit and the Surplus Line Filing Unit.

*Accomplishments in 2007:*

#### **Producer Licensing Bureau (PLB)**

During 2007, the PLB completed projects encompassing e-government initiatives and implementing new legislation and regulations.

#### **Enhanced Online Service for Education Training Providers**

The enhanced online service for education providers (EPOP) was launched in August 2007. EPOP offers education providers an on-line service for submitting both course rosters and class presentation schedules. By accessing a secure website, an education provider can easily enter a provider roster or a class presentation schedule, saving time for providers and expediting the license renewal process for insurance agents and brokers.

Once the providers submit the course roster information to the CDI, the agents and brokers' licensing information is updated within 24 hours. At that time, the updated licensing status is displayed on the CDI Website. This expedited service is particularly important to agents and brokers, as they must meet minimum continuing education requirements to renew their licenses.

#### **Online Bail Agent License Report for County Clerk Offices**

During March 2007, the CDI launched an online service on its website allowing county clerk offices the ability to download and print a current list of all licensed bail agents by county. Every week, bail agents' licenses are not renewed and new licenses issued so this service gives the county clerk offices with the most current information available on licensed bail agents in their respective counties.

#### **National On-line Address Change Service**

In November 2007, the CDI began participating in the National Association of Insurance Commissioner's (NAIC) online address change service. The NAIC address change service allows insurance agents and brokers to make changes to their mailing, business and residence addresses for which the updates are provided to all states that the agents and brokers are licensed.

This service eliminates the burden on the agents and brokers to contact every state department of insurance in which they are licensed to report address changes. This service complements the CDI's online address change service, which allows agents and brokers to report their address changes through the CDI Website.

#### **Increased Usage of On-line Producer Licensing Services**

In recent years, the CDI developed several online services available to insurance agents, brokers and applicants. For instance, the Fast Licensing Application Service is Here (FLASH) was introduced in 2003 and continues to grow in popularity with the insurance industry. This "no cost" service allows applicants for insurance agent and broker licenses to apply for such licenses through the CDI's website. During 2007, of all license applicants eligible to apply on-line, 49,940 (85 percent) were received from applicants using the FLASH on-line service.

Similarly, the Fast Licensing Renewal Service (FLRS) was introduced in 2006 and also continues to grow in popularity with the insurance industry. This free service allows agents and brokers to apply for a license renewal through the CDI Website up to 60 days prior to the expiration date of their current license. During 2007, of all license renewal applicants eligible to apply on-line, 54,682 (53 percent) were received from agents and brokers using the FLRS on-line service.

These services provide for quicker issuance, reduction of processing errors, immediate update of license records, and lower operating costs for insurance companies and agencies. Use of these services also results in timelier fund deposits from the online transactions, as the fees are paid by credit card. Finally, even with the reduction of several staff, the PLB's processing backlog of all work continues to be reduced as a result of these services.

### **Flood Insurance Training Requirements**

During January 2007, the PLB sent a notice to all licensed insurance agents and brokers describing the federal training requirements for those individuals selling flood insurance through the National Flood Insurance Program (NFIP).

Prior to issuing the notice, the PLB approved a continuing education course specific to the Flood Insurance Reform Act of 2004. This course fulfills the one-time training requirement of three hours for flood insurance. The flood insurance training course is available on the CDI's Education Provider and Course Listing webpage.

### **Online Prelicensing Education and 3-Year Certificate**

The PLB successfully implemented new legislation (AB 2387 stats of 2006) regarding prelicensing education, which took effect on January 1, 2007. The bill made it possible for education providers to

deliver prelicensing education through the internet in addition to the traditional classroom method of instruction.

This bill also included a provision limiting the prelicensing certificates of completion to three years from the date that the student successfully completes the course. Previously, prelicensing certificates of completion did not have an expiration date, which allowed individuals who had not been licensed for several years to be exempt from the prelicensing requirement when reapplying for a license many years later.

In December 2006, the PLB sent a notice describing these changes to all education providers, agent and broker associations and other interested parties.

### **Non-resident agencies, limited life agent, company appointments, bail agent renewals**

The PLB successfully implemented new legislation (AB 2125 stats of 2006) which amended several sections of the Insurance Code effective January 1, 2007. Specifically, the bill clarified law to state that insurance agencies who are not residents of California may not allow agents who are California residents to transact insurance on the agencies behalf. The bill also created a qualifying examination specific to those individuals licensed to transact only specific life insurance policies or annuities having an initial face amount of \$15,000 or less that are designated by the purchaser for the payment of funeral or burial expenses.

Further, the bill extended the time for insurance companies to notify the CDI when appointing or terminating an agent from 10 days to 15 days. Finally, the bill changed the annual due date for renewing bail agent licenses from May 1st to June 30th.

In January 2007, the PLB sent notices describing these changes to various insurance industry organizations affected by this legislation.

## Name Approval Standards

Effective January 2007, the CDI promulgated regulations to amend the standards for approval and disapproval of names of insurance producers (Section 2050 et. seq. of Title 10, Chapter 5, Subchapter 1, Article 1 of the California Code of Regulations). Specifically, the regulations clarified the CDI's criteria for determining when a proposed name is too similar to names already in use or reserved; clarified the CDI's criteria for determining when a proposed name is misleading to the public; and updated the lists of prohibited and improperly used words.

## Bail Education Standards

Effective September 2007, the CDI promulgated regulations to add education requirements for bail agents. (Section 2105.1 et. Seq. Article 2.1 Title 10, Chapter 5, Subchapter 1 of the California Code of Regulations). Specifically, these regulations established the preclicensing and continuing education curriculum standards for approving bail agent courses and bail agent education providers.

## Statistics

The chart below compares key workload statistics between calendar years 2006 and 2007.

### Licensing Background Bureau (LBB)

During 2007, the LBB completed projects encompassing consumer protection initiatives and implementing new regulations.

### Producer Licensing Background Review Guidelines

Effective February 2007, the CDI promulgated regulations to add producer licensing background review guidelines. (Section 2183 et. seq. Article 5.7 Title 10, Chapter 5, Subchapter 1 of the California Code of Regulations).

These regulations establish guidelines that LBB analysts use when performing background reviews under the authority of Section 12921 of the Insurance Code. Specifically, the producer licensing background review guidelines apply to all persons who possess, or who have applied for, any insurance producer, bail, adjuster, or other license

Statistic	* 2006	* 2007	% Change
License Applications Received	71,886	74,443	+ 4%
License Examinations Scheduled	61,892	62,081	+ 0.3%
New Licenses Issued	51,277	53,100	+ 4%
Licenses Renewed	116,715	124,197	+ 6%
Insurance Company Appointments and Terminations	464,538	511,398	+10%
Bonds Processed	8,676	8,524	- 2%
Telephone Calls Handled by Producer Licensing Staff	212,424	234,496	+10%

\* Total for Calendar Year

governed by the Insurance Code.

This regulation includes a partial list of crimes or acts that are substantially related to the qualifications, functions or duties of an insurance licensee. In addition, the regulations have a general outline for the application of discipline in regards to a substantially related crime or act with the qualifications, functions or duties of an insurance licensee.

Further, the LBB may consider all of the evidence presented, including evidence offered by the licensee or applicant, to determine whether the licensee or applicant has sufficiently rehabilitated from the prior act, misconduct, or omission to make a determination that the licensee or applicant is fit to hold an insurance license.

### Licensing Background Triage Meetings

In 2007, the LBB continued to meet on a weekly basis with attorneys from the CDI's Legal Division. In "Triage," LBB analysts present pending cases to CDI attorneys for which legal action is being considered. Presenting cases

in these triage meetings allows for immediate feedback on any proposed decision. The files are also assigned to attorneys at the meetings for review of the legal documents, which have been prepared. Prior to instituting the triage meetings, the time needed to approve proposed decisions and review the legal documents was between two and three weeks. This time has now been cut to just one to two days as a direct result of these meetings. This efficient process has resulted in substantial increases in the number of background reviews completed and referred to the Legal Division as shown in the following chart.

### Statistics

The chart below compares key workload statistics between calendar years 2006 and 2007.

### Casework

LBB's casework is derived from these sources:

- The PLB refers license applications wherein the applicant answered affirmatively to a background question in the application.

Statistic	* 2006	* 2007	% Change
Background Reviews Completed	3,095	3,638	+ 18 %
Cases Referred to Legal Division for Formal Disciplinary Action	287	324	+ 13 %
Cases Concluded Under the Alternative Resolution Program	648	757	+ 17%

\* Total for Calendar Year

- The DOJ provides on-going criminal history information on license applicants and current licensees based on fingerprints submitted during the initial licensing process.
- The CDI's Legal Branch requires background reviews of persons serving as an officer or controlling person of an insurance company doing or proposing to do business in this state.
- The NAIC provides daily reports on out-of-state administrative actions through its Regulatory Information Retrieval System.

### Alternative Resolution Program

The LBB handles many of its cases under the CDI's Alternative Resolution Program, which consists of having LBB analysts, rather than attorneys, offer sanctions with subjects and prepare the necessary legal documents to impose discipline. The Alternative Resolution Program saves thousands of hours of valuable attorney time and enables CDI attorneys to focus their attention to more serious types of cases. The Alternative Resolution Program also helps expedite the licensing process for many applicants.

Certain criminal convictions and previous regulatory actions have a direct bearing on the qualification of persons applying for licenses. Violent crimes and serious economic crimes, such as assault, rape, forgery, embezzlement, and theft, are of particular concern; and, are grounds for the Commissioner to deny or revoke a license. The background information collected by the LBB is used to evaluate an applicant's background and, when appropriate, to present as evidence in legal proceedings to deny or revoke a license.

### Licensing Compliance and Business Process Bureau (LCB)

During 2007, the LCB reviewed minor violations of the insurance code by the industry, identified

and implemented changes to the processes of LSD and assisted in the processing of applications of non-admitted insurers applying for inclusion on the CDI's List of Eligible Surplus Lines Insurers (LESLI). The LCB consists of the following three units:

#### Licensing Compliance Unit

The Licensing Compliance Unit, established in the summer of 2006, is responsible for reviewing minor violations of the Insurance Code committed by agents and brokers with authority to transact insurance in California. Suspected minor violations are referred to the unit from the CDI's Investigation Division.

These referrals include the use of unapproved fictitious names, improper or no license, improper or misleading advertising and other minor violations. The Unit's primary goal is to bring those in violation into compliance with the Insurance Code. In cases in which the subject will not cooperate, or in cases of repeated non-compliance, the unit will either refer the case back to the Investigation Division for further review or initiate formal legal action through the CDI's Alternative Resolution program.

#### Statistics

The chart to the right shows the licensing compliance cases completed in 2007.

#### Business Process Reengineering Unit

The Business Process Reengineering Unit identifies and implements changes to the LSD's processes to improve the efficiency and effectiveness of the division's operations, makes recommendations to management on procedures, policies and program alternatives, and works closely with the Information Technology Division on various projects.

## Surplus Line Filing Unit

The Surplus Line Filing Unit assists in processing the applications of non-admitted insurers applying to be added to the LESLI list. This unit coordinates with the CDI's Legal and Financial Analysis divisions and the Surplus Line Association of California.

## FINANCIAL MANAGEMENT DIVISION (FMD)

The Financial Management Division consists of two bureaus and one unit: the Accounting Services Bureau, the Budget and Revenue Management Bureau, and the Administrative Systems Unit.

- † The Accounting Services Bureau (ASB) is responsible for a full range of accounting functions including payables, receivables, revolving fund, cashing, general ledger, security deposits and gross premium and surplus line tax collection. Approximately \$2.16 billion in tax revenue was collected for Fiscal Year 2006/07 to support the State's General Fund. The ASB maintains centralized records of the CDI's appropriations, financial activities, and cash flow to ensure effective management of the CDI's financial affairs and to provide accurate financial reports to state control agencies.
- † The Budget and Revenue Management Bureau (BRMB) develops CDI's Annual Budget including the preparation and submission of all Supplementary Schedules required by the Department of Finance (DOF) for creation of the Governor's Budget. The CDI's Fiscal Year 2006-07 proposed budget is \$208 million and supports 1,271 positions. BRMB also coordinates and prepares a mid-year and a 3rd quarter fiscal analysis. The analysis includes the reconciliation of allotments to authorized appropriations, the monitoring of program allotments and their comparison to the actual levels of expenditure, the distribution of monthly expenditure data, and the projection of expenditures for the remainder of the current Fiscal Year.
- † The Administrative Systems Unit is responsible for overseeing the operations of the CDI's Time Activity Reporting System (TARS), providing TARS training and technical assistance to all CDI staff, providing technical financial support to users of various fiscal systems including CALSTARS, establishing of new program cost accounts, updating of cost allocation plan, and developing specialized financial related management reports.

Statistic	* 2007	%
Issued Warning Letters- Brought into Compliance	117	64%
No violation found	51	28%
Referred to Investigation Division	10	5%
Referred to Legal Division	5	3%
<b>Total</b>	<b>183</b>	

\* Total for Calendar Year

Insurance Type	Tax Returns *	Tax Rate	Law Reference
Surplus Line	1,336	3%	CI Code 1775.5
Property & Casualty	884	2.35%	CR&TCode 12202
Ocean Marine	574	5%	CR&T Code 12101
Life	486	2.35% or 0.5%	CR&TCode 12202
Title	23	2.35%	CR&TCode 12202
Home	12	2.35%	CR&TCode 12202
<b>Total</b>	<b>3,315</b>		

\* Number of annual tax returns

**CR&T:** California Revenue & Taxation  
**CI:** California Insurance

### Tax Collection

One of the Financial Management Division's (FMD) 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 the CDI are monthly, quarterly, or annually depending upon the tax liability of each insurer/surplus line broker.

Pursuant to California Insurance Code Section 1775.1, every surplus line broker whose annual tax for the preceding calendar year was Five Thousand Dollars (\$5,000) or more shall make monthly installment payments on account of the annual tax on business done during the calendar year.

Pursuant to California Revenue and Taxation Code Section 12251, insurers transacting insurance in this state and whose annual tax for the preceding calendar year was Five Thousand Dollars (\$5,000) or more shall make quarterly prepayments of the annual tax for the current calendar year.

### California Department of Insurance 5-year Summary of Premium and Surplus Lines

Taxes collected by the Department of Insurance for the State of California

#### Fiscal Year Ending June 30

2002	\$1,767,842,000
2003	\$1,949,975,000
2004	\$2,056,524,000
2005	\$2,124,097,000
2006	\$2,167,242,000*

\* Collection as of March 31, 2007

For the tax year 2006, the Accounting Services Bureau processed a total of 3,315 tax returns during 2006.

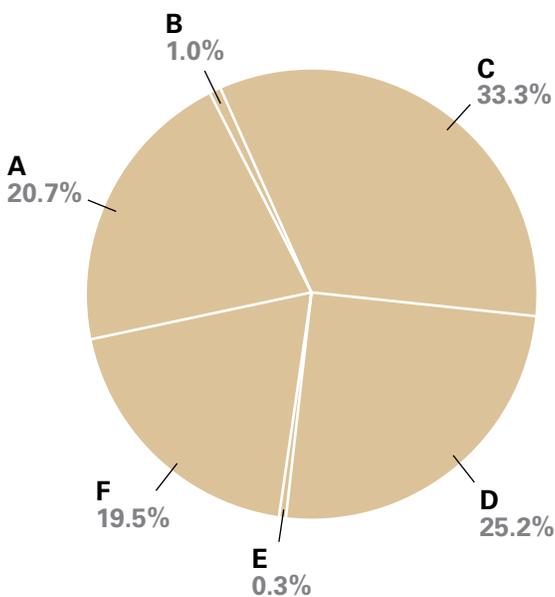
### CDI Budget

CDI's budget consists of the following five programs:

- + **Regulation of Insurance Companies and Insurance Producers (Program 10)** – \$65,967,000 of the FY 2006/07 budget was expended by this program which aims 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 producers.
- + **Consumer Protection (Program 12)**– \$49,888,000 was spent for state operations and \$500,000 for local assistance in FY 2006/07. The program provides direct service to California consumers by protecting insurance policy holders 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)**– \$38,615,000 was spent for state operations and \$40,914,000 for local assistance in FY 2006/07. The program protects the public from economic loss and distress by actively investigating and arresting those who commit insurance fraud and to reduce the overall incidence of insurance fraud through anti-fraud outreach to the public, private and governmental sectors. For local assistance, as an example, district attorneys receive funding to implement the Organized Automobile Fraud Activity Interdiction program.
- + **Tax Collections and Audits (Program 30)**– \$1,925,000 was spent in FY 2006/07 performing tax collection, accounting and tax audits of insurance companies and surplus line brokers. This program collects approximately \$2.2 billion for the State's General Fund.



### California Department of Insurance Total Expenditures by Program Fiscal Year 2006/2007 \$197,809,000

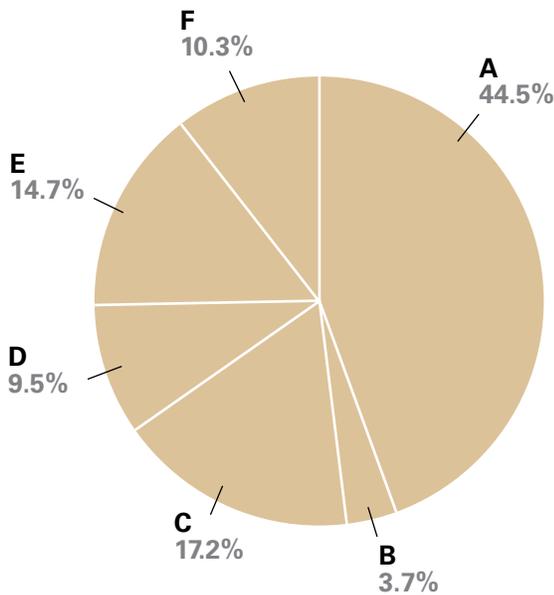
- A** Fraud Control (Local Assistance) \$40,914,000 – 20.7%
- B** Tax Collection and Audits \$1,925,000 – 1.0%
- C** Regulation of Insurance Companies and Insurance Producers \$65,967,000 – 33.3%
- D** Consumer Protection \$49,888,000 – 25.2%
- E** Consumer Protection (Local Assistance) \$500,000 – 0.3%
- F** Fraud Control (State Operations) \$38,615,000 – 19.5%

**Revenues**

In Fiscal Year 2006/07, the CDI generated \$200.5 million in revenue from fees and licenses and various assessments paid by insurers, agents, and other licensees. Insurance Fund receipts are generally received from the insurance companies and producers that the CDI services and regulates. Both insurers and producers pay license, filing, and other fees. Insurance companies pay special assessments for Proposition 103, Workers’

Compensation Fraud, Auto Fraud and General Fraud. Insurance companies also pay for periodic examinations to determine the financial stability of the company, and to evaluate insurance practices and market conduct.

+ *License Fees and Penalties*—This is revenue collected to cover the cost associated with the licensing and regulation of persons engaged in the business of insurance in California.



**California Department of Insurance  
Insurance Fund Revenue Fiscal Year 2006/2007  
\$200,553,000**

- A Insurance Fraud \$89,310,000\_44.5%**
- B Miscellaneous \$7,519,000—3.7%**
- C License Fees and Penalties \$34,451,000—17.2%**
- D Fees, Examination \$19,042,000—9.5%**
- E Fees, Proposition 103 \$29,563,000—14.7%**
- F Fees, General \$20,668,000—10.3%**

<b>Types of Revenue</b>	<b>Amount</b>	<b>% to Total</b>
License Fees and Penalties	\$34,451,000	17.2%
Fees, Examination	\$19,042,000	9.5%
Fees, Proposition 103	\$29,563,000	14.7%
Fees, General	\$20,668,000	10.3%
Insurance Fraud Assessment	\$89,310,000	44.5%
Miscellaneous	\$7,519,000	3.8%
<b>Total Insurance Fund Revenue</b>	<b>\$200,553,000</b>	<b>100.00%</b>

- + **Examination Fees**—This is revenue 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 insurance code.
- + **Proposition 103**—This is a voter-approved initiative that requires the CDI to review and approve certain insurance rates. An annual assessment is levied to recover the actual costs incurred by the CDI in administering the provisions of Proposition 103.
- + **Filing and Other Fees, General**—These fees cover the costs associated with processing and maintaining Action Notices, Policy Approvals, Insurer Certifications, Annual Statements and Worker’s Compensation Rate Filings.
- + **Fraud Assessment**—This revenue is derived from the following assessments:
  - 1 Worker’s Compensation—The Fraud Assessment Commission determines the allocation of revenue. The Department of Industrial Relations collects the assessment from insurers and self-insured employers.
  - 2 Fraud auto—An annual fee of \$1.80 for each vehicle insured by an insurer. Part of the assessment collected is distributed to the California Highway Patrol and to county District Attorneys.
  - 3 Fraud general—An annual fee of \$5,100 to each insurer doing business in the state.
  - 4 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.
  - 5 Life and Annuity—An annual assessment of \$1.00 per policy assessment levied on life and annuity insurers.
- + **Miscellaneous**—This includes charges for services that the Department provides to the public, such as, photo copying, microfilm, first class

mail, computer listing of agents and admitted companies and penalties for unauthorized use of forms. The department also recovers the cost of assisting the Conservation and Liquidation Office in Legal and other administrative matters. It also includes revenues from restitution in enforcement cases.

**Disbursements**

The chart below illustrates the CDI’s disbursements by category for FY 2006-07:

- + **Personal Services**—These are payments made for services performed by CDI staff to implement government programs. This includes salaries and wages, and staff benefits.
- + **Operating Expenses and Equipment (OE&E)**—This includes costs of goods and services (other than personal services previously defined) that are used by the CDI to support its programs.
- + **Local Assistance**—Local assistance includes funds provided to local entities (e.g., counties, cities, municipalities, special districts, etc.) in support of the CDI’s programs.

Category	Disbursement
Personal Services	\$104,715,000
Operating Expenses and Equipment	\$51,680,000
Local Assistance	\$41,414,000
<b>Total Distributed</b>	<b>\$197,809,000</b>



**2007 ANNUAL REPORT**  
COMMUNICATIONS &  
PRESS RELATIONS BRANCH

## THE COMMUNICATIONS & PRESS RELATIONS OFFICE

The Communications/Press Relations Office 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 the ultimate goal of creating the best consumer protection agency in the nation.

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

The Communications/Press Relations Office also collaborates with the Community Relations Branch and Consumer Services and Market Conduct Branch in performing a myriad of 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 and press events. Importantly, the Communications staff key responsibility is to deliver information which is vital in representing the message of the Insurance Commissioner and the Department.

## COMMUNITY RELATIONS BRANCH

The Community Relations Branch (CRB) is the lead organization connecting the California Department of Insurance with California

consumers and communities. To achieve this mission, CRB creates and sustains collaborative partnerships with community groups, consumer organizations, small businesses, non-profits, insurance industry organizations and individuals, and government agencies. These partnerships facilitate the dissemination of consumer information on complex insurance issues and educate consumers on the availability of programs and consumer protection services available through the California Department of Insurance.

The Community Relations Branch is charged with a number of mandates by which CDI services are delivered to California's insurance consumers and communities. CRB delivers services through three offices: CRB branch office, the Consumer Education and Outreach Bureau, and the California Organized Investment Network. Each of the Branch Offices delivers programs under specific mandates, requirements, and goals. The Community Relations Branch 2007 activities, broken down by office/program, are represented below:

### Community Relations Branch Office

The CRB branch office leads the Consumer Advisory Task Force, the CDI Green Initiative and administers the outreach budget and service delivery contracts for the California Low Cost Automobile Insurance Program.

### Consumer Advisory Task Force

The Consumer Advisory Task Force was created to establish and maintain an effective line of communication between CDI and California's consumer advocates. The task force was formed in December 2007 and has met monthly since January 2008.

Task Force meetings have facilitated direct communication with CDI's Executive Officers and with individual functions such as the Legislative

and Legal offices. As a result, task force members have provided CDI leadership with critical consumer impact assessments to be considered in the department’s development of legislation and regulations.

**CDI Green Initiative**

The Commissioner is committed to reducing the department’s carbon footprint through the implementation of immediate and long-term green practices. The Community Relations Branch has been tasked with lead and coordination responsibilities for the Green Initiative.

CRB is currently working, in coordination with Business Management Bureau and Information and Technology Branch, to assess current performance and establish systems to manage the department’s evolution to green operations.

**California Low Cost Automobile Insurance Program**

The mandated CLCA report has been attached below the CEOB and COIN portions of this report.

**CONSUMER EDUCATION AND OUTREACH BUREAU**

The Consumer Education and Outreach Bureau (CEOB) was created to educate consumers on important insurance issues. CEOB develops and distributes informational guides; coordinates and participates in educational and outreach events. By becoming more informed on insurance issues, consumers are better able to purchase insurance products that meet their needs, or evaluate existing insurance products that have been purchased to better protect themselves from unfair insurance practices.

CEOB is also responsible for participation in disaster outreach events in coordination with the Office of Emergency Services (OES) & Federal

Emergency Management Agency (FEMA). CEOB is involved in the development of Insurance Recovery Forums (town hall meetings) and coordinating hearings for the Insurance Commissioner.

Comprised of insurance professionals, CEOB has enhanced the Department’s efforts to educate consumers and find new ways for Californians to learn about the ever-changing insurance industry. CEOB handles a variety of events throughout the State often in partnership with civic, community, educational, law enforcement organizations, and other state agencies. Some of those partnerships include the Contractors State License Board, Better Business Bureaus, Local Chamber of Commerce, City of Los Angeles Department of Aging, Los Angeles County Health Services WIC program, Local Area School Districts, Senior Citizen Groups, CHP, LAPD, and others. CEOB also provides presentations on a variety of insurance issues, conducts workshops, health forums, seminars, and participates on educational panels.

**Events, Presentations and Meetings**

In 2007, CEOB coordinated or participated in more than **340** outreach events throughout the State and distributed over **154,108** insurance related information guides.

**Events & Meetings** . . . . . 340

Senior Events . . . . . 73

Youth/Parent/Faculty . . . . . 51

Planning Meetings . . . . . 15

Staff Training/Presentations . . . . . 40

Homeowner/Resident . . . . . 4

Disaster (Wildfire) . . . . . 12

Insurance Recovery Forums . . . . . 5

Consumer Oriented . . . . . 140

CEOB is responsible for the publication and updating of all insurance consumer information

guides for the Department. These guides have been developed as a result of consumer need or to meet statutory provisions. Some of these information guides may be found on the California Department of Insurance Website at [www.insurance.ca.gov](http://www.insurance.ca.gov).

### CEOB Objectives and Goals

The objective goals of the Commissioner's Strategic Plan for CEOB were determined to be as follows:

- † Improve coordination of outreach activities by creating a statewide field program to communicate with Community Based Organizations (CBOs) that serve our target populations on a county by county basis.
- † Re-institute a public awareness campaign focusing on the development and placement of print, radio, web-based, and TV Public Service announcements.
- † Increase consumer education by developing and offering web-based videos and other information at the CDI Website.
- † Increase consumer education by educating high school students about important insurance issues.
- † Increase public awareness of the value of disaster preparation and mitigation by creating Public Service Announcements stressing disaster preparation and mitigation for each type of disaster (i.e., purchase of Earthquake, Flood and other insurance products).
- † Reduce the number of uninsured drivers by increasing consumer awareness of the California Low Cost Automobile program and assisting the Department of Motor Vehicles with enforcement efforts.

### CALIFORNIA ORGANIZED INVESTMENT NETWORK

The mission of the California Organized Investment Network (COIN) is to provide leadership in increasing the level of insurance industry capital in safe and sound investments that provide fair returns to investors and social and economic benefits to traditionally underserved communities. COIN carries out this mission through two distinct programs.

- 1 *The COIN Program*—COIN facilitates and encourages the insurance industry to maximize their voluntary investments benefiting California's low-to-moderate income people and communities.
- 2 *The California Community Development Financial Institution (CDFI) Certification and Tax Credit Program*—As provided under California law, COIN certifies tax credits to California taxpayers making investments meeting certain specifications in financial institutions that COIN has determined meet California's requirements to be designated as a CDFI.

#### 1. The COIN Program

Established in 1997, the COIN Program is a first-in-the-nation collaborative effort among the insurance industry, the state department regulating the industry and the various stakeholders involved with community development investment in traditionally underserved communities. COIN serves as a liaison between insurers and community organizations, as a facilitator, and as a clearinghouse of California community development investment information. By working with nonprofit organizations, community economic development agencies, affordable housing groups, and local governments, COIN seeks to maximize insurer awareness of the widest possible choice of community development investment opportunities.

The rewards of increased industry community development investing are economically healthy communities where the insurers who have made a difference will have established profitable partnerships and earned significant good will. These translate directly into new, profitable business opportunities, while achieving significant social benefit for underserved communities.

One way COIN assists community development organizations that are seeking insurer investment capital is working with them to develop COIN Investment Opportunity Bulletins. In order to maximize insurer awareness of these investment choices, COIN seeks out various opportunities for disseminating the bulletins, including mailing and emailing them to insurers, making them available at insurance industry trade association meetings, and posting them on the COIN Web site: <http://www.insurance.ca.gov/0250-industry/0700-coin/>

Another way COIN carries out its roles as liaison and facilitator is by promoting the COIN Program at various events throughout the year.

### *2007 COIN Program Highlights*

#### **Commissioner's CEO Questionnaire and Results**

On April 23, 2007, Commissioner Poizner sent a letter and Questionnaire to the CEO of every company admitted in California, asking for information on current community development policies and practices as well as for ideas on how to increase community development investing by the industry. A summary and analysis of the responses from the industry can be found in the COIN Program section of the Department's Web site. The more significant findings are highlighted here.

+ 485 companies responded; they represent 40% of the California insurance market. 111 of them had already made COIN-qualifying investments, and the rest had not. It was helpful to get responses from both investors and non-investors.

- + In addition, some companies that have consistently supported the COIN program did not submit the questionnaire, but have provided us their insights on other occasions.
- + Our experience and the results showed that companies that consistently make community development investments usually have a corporate policy to do so. This underscores the importance of encouraging insurers to adopt a community development investment policy.
- + The responses, even from some companies who have made COIN-qualifying investments, showed significant misunderstandings regarding what qualifies as a community development investment. A key example is that at least 154 companies apparently did not realize that qualifying investments come in virtually all asset classes and that, for the most part, they have about the same risk, return and liquidity as other investments in the same class.
- + 48 companies requested more information about the COIN program and about community development investing and/or information on specific community development investment opportunities.

#### **Legislative Proposal**

- + COIN drafted language to be included in the Department's omnibus bill to make technical changes to the California Insurance Code (CIC). The COIN program proposal would amend CIC Section 1182 to allow insurers to invest funds in credit union accounts where the deposited funds are insured by an entity of the federal government.

California is home to many community development credit unions dedicated to meeting the unmet capital and financial service needs of low-income individuals and families. Making an insured deposit in one of these credit unions

is an easy and safe way for an insurer, especially a smaller company, to make a high impact community development investment. Since many of these credit unions are also certified by COIN as Community Development Financial Institutions (CDFI), insurers making qualified deposits in them may also be eligible for a credit against California premium taxes under the California CDFI Tax Credit Program discussed in part 2. below.

### 2007 Data Call

In 2007, Pursuant to AB 925 (Chapter 456/2006, Ridley-Thomas), insurers admitted to do business in California were required to report the community development investments they made in California during the 2005 and 2006 calendar years to the Department of Insurance by May 31, 2007.

CDI fulfilled its requirements under the law by determining the reporting mechanism, issuing detailed instructions to insurers, following up with questions and further information to insurers on investments that appeared not to qualify, and publicizing the results on the COIN Website. The Web site includes a report of key findings from the data call, as well as numerous reports variously displaying all qualifying investments reported since 1997, and a searchable database where the investment database can be queried by insurance company characteristics or by the characteristics of the investments, including investment type, social benefit and extent of impact.

- + *The Response from the Industry*—There was a good response rate. The Data Call was sent to 1346 companies and 1052 (78% of all companies) responded. Those responding write 92% of the insurance business in California.
- + *Companies with Qualifying Investments*—We are pleased that companies that write 55% of the California insurance business reported qualifying investments. Clearly there is room for more growth, but the market penetration

of participating companies reflects the fact that many of the industry leaders in California make community development investments.

- + *COIN Qualified Investments*—The May 31, 2007, reports included 2700 investments made during 2005 and 2006 totaling close to \$8.1 billion that insurers thought might qualify. After extensive analysis, COIN determined that 1733 investments totaling \$5.9 billion meet the definitions in the Data Call for California community development investments. This is an increase of \$2.7 billion over the previous two-year period. To date, \$14 billion in California community development investments have been made and reported for calendar years (CYs) 1997 through 2006, with \$5.8 billion being reported just for CYs 2005 and 2006. For the first time investments for a single year topped \$3 billion in 2006.
- + *High Impact Investments*—Within the arena of community development investing, there are some investments that merit additional recognition. These community development investments typically involve a non-profit or community development organization and/or meet a special or unmet capital need for low-to-moderate income families and communities. Insurers made 325 high impact investments totaling \$466 million during CY 2005 and 2006.

It should be noted that the industry made most of these investments before high impact investing was defined in AB 925. Although the COIN program has historically encouraged insurers to “make a difference” with their community investments, the first time many insurers were introduced to the concept and definition was in spring 2007 when the instructions were issued for the 2007 Data Call. Therefore, we view the high impact investments made through 2006 as a base line and hope that the industry will make high impact investing a more significant component of their investment programs in the future.

## 2005 Data Call

In addition to requiring reporting in 2007 and 2009 of new California community development investments made during the prior two CYs, AB 925 required companies who did not report voluntarily in 2005 to report the community investments they made through 2004 by February 28, 2007.

- Mandated reporting for prior investments resulted in an additional 189 companies reporting 1530 investments totaling \$1.5 billion. However, only 38 investments from 16 companies totaling \$78 million qualified.
- The very low rate of qualified investments compared to reported investments reinforces the conclusion from the analysis of the Commissioner's CEO questionnaire that there are significant misconceptions about what qualifies as a community development investment.

## The Value of Periodic Data Calls

Improvements are evident between the 2005 and 2007 data calls:

- The response rate increased from 69% to 78%.
- Qualified investments as a percent of all investments reported increased from 56% to 76%. This is a significant increase demonstrating clear improvement in the industry's understanding of community development investing.
- The market share of insurers making qualifying investments increased from 52% to 55%.

With periodic data calls, the number of companies investing, the amount of the investments and understanding of and focus on the program all increase. Given that 45% of the industry as measured by market share did not report any community development investments in the recent data call, as well as the fact that insurers admitted

to do business in California made close to \$3 trillion in new investments during the 2005 and 2006 CYs, clearly there is capacity for even larger growth in total California community development investing in the future.

The information provided to insurers throughout the data call process helps educate them, and publicizing the results helps recognize the industry's good work while encouraging non-participants to join them in bringing much needed capital to economically disadvantaged California families and communities.

## 2. The California Community Development Financial Institution (CDFI) Certification and Tax Credit Program

As provided in Insurance Code Sections 12939 - 12939.1 and Revenue and Taxation Code Sections 12209, 17053.57, and 23657, COIN certifies investment tax credits for California taxpayers making qualifying investments in financial institutions that COIN has determined meet California's requirements to be designated as a California CDFI.

COIN reviews applications from financial institutions and certifies qualifying applicants as California CDFIs. To qualify for certification, CDFIs must be private financial institutions - such as community development loan funds, credit unions, banks, micro enterprise funds, corporation-based lenders, or venture funds - that are specifically dedicated to and whose core purpose is to provide financial products and services to people and communities underserved by traditional financial markets.

COIN also certifies the investment tax credits under this program. The tax credits are not restricted to insurers. Any California taxpayer of Personal Income Tax, Bank and Corporation Tax, or Insurance Premium Tax is eligible to receive tax credits for qualifying investments in COIN-

certified California CDFIs. The tax credit amount is 20% of the investment amount and is to be taken for the year the investment is made. The tax credit may be carried forward for up to four years if there is insufficient tax liability to take the full tax credit in the year the investment is made. In total, each calendar year \$2 million in tax credits is available to support \$10 million in qualifying investments. Unused amounts may be carried over to future years.

COIN reviews applications for investment tax credits submitted by the CDFIs on behalf of their investors. To qualify, investments must be zero interest deposits or loans, or equity investments, or equity-like debt instruments of \$50,000 or more invested for a minimum of 60 months in COIN-certified California CDFIs. After determining that the investments qualify, COIN provides the taxpayers with tax credit certificates and annually reports the year's tax credits certified to the Franchise Tax Board and the Board of Equalization.

### **2007 California CDFI Tax Credit Program Statistics**

Throughout the course of calendar year 2007, COIN certified 21 investments in 12 CDFIs totaling \$9.1 million. The investments were made by 16 separate investors, including 5 insurance companies who made 9 separate investments totaling \$800,000. These insurer investments serve as good examples of how insurers can make safe and sound high impact community development investments that also earn them tax credits.

### **CDFI Reporting Requirements Enacted in 2006**

Of special note are new requirements for CDFIs, CDI/COIN and the Legislative Analyst to submit reports on the use of the program. AB 2831 (Chapter 580/2006, Ridley-Thomas) requires the Legislative Analyst to prepare an analysis by December 31, 2010, that includes "the credits' fiscal impact, what programs, projects, and other uses

were funded or carried out by the CDFIs that were supported in whole or in part by the tax credit investments, and the resulting benefits to economically disadvantaged communities and low income people in California."

The analysis by the Legislative Analyst is to be based in part on information gathered by CDI from CDFIs. AB 2831 requires the CDFIs to submit reports to COIN on their use of the program and requires COIN to include this information biennially in the Department's annual report to the Governor and the Legislature pursuant to CIC Section 12922.

In early 2007, COIN notified CDFIs of the new reporting requirements and issued detailed instructions to them after the close of the 2007 calendar year. Our report on the information provided by the CDFIs on the use of tax credit investments made during the 2006 and 2007 calendar years is the next section of this report.

### **Uses and Benefits of the Tax Credit Investments Made in 2006 and 2007**

Seventeen CDFIs received a total of \$19.1 million in tax credit investments in 2006 and 2007, as shown on the table on page 86.

#### *Community Development Purposes of the Certified California CDFIs*

Included in the requirements for a financial institution to become certified as a California CDFI, it must have community development as its primary mission and it must have a lending component. Most of the CDFIs receiving tax credit investments in 2006 and 2007 used the proceeds of those investments to make loans that would not be made by conventional lenders. The CDFIs vary, however, in how they allocate resources to various specific community development endeavors, such as affordable housing, small business and job development, and community facilities and services.

Some CDFIs create new affordable housing options for low-income families by participating in the financing of multi-family affordable rental housing projects and/or by providing affordable home mortgage loans to low-income borrowers. Quite unlike the recent predatory sub-prime mortgage activities, CDFIs provide counseling and ongoing support for low-income families to help them prepare for home-ownership and then purchase – and stay in – their own homes. The funds provided by tax credit investments help these CDFIs keep the interest rates on mortgages to low-income borrowers as low as possible.

Some CDFIs make loans to small business and/or to nonprofit community service organizations, including micro-loans, to provide start-up money

or cash-flow lines of credit. Some borrowers are home-based businesses that provided much-needed additional income for low-income families where the adults may also be employed full-time outside the home, but at jobs that pay low wages. Other small businesses and nonprofit organizations create jobs. CDFIs often accompany the loans with counseling, training and/or technical assistance programs that help new small businesses or nonprofit organizations to thrive.

Some CDFIs participate in financing to build community facilities. These CDFIs, as well as the CDFIs participating in affordable multi-family housing, are often able to significantly leverage the proceeds of the tax credit investments they receive by providing small, early phase loans that move

<b>CDFI Name</b>	<b>2006</b>	<b>2007</b>
Clearinghouse CDFI	\$300,000	\$200,000
Community Commerce Bank	300,000	400,000
Community Financial Resource Center		150,000
Fund for Children & Communities, LLC	4,192,207	
Lenders for Community Development	300,000	
Low Income Investment Fund	3,000,000	4,000,000
Mission Community Bank		300,000
Neighborhood Housing Services of Orange County	300,000	1,000,000
Neighborhood National Bank		100,000
Northeast Community Federal Credit Union		200,000
NHS Neighborhood Lending Services	250,000	
Northern California Community Loan Fund	800,000	250,000
OBDC Small Business Finance		500,000
Pacific Coast Regional Small Business Development Corporation		1,895,000
Rural Community Assistance Corporation	376,165	
San Luis Obispo County Housing Trust Fund		100,000
Southern California Reinvestment CDFI	200,000	
<b>Total Investments</b>	<b>\$10,018,372</b>	<b>\$9,095,000</b>
<b>Total State Tax Credits</b>	<b>\$2,003,674</b>	<b>\$1,819,000</b>

the projects to the point where they can attract other investors and eventually repay the early stage loans with the proceeds of long-term conventional mortgages. It is not unusual for the total project financing to be 10 to 50 times greater than the initial CDFI investment. Further leveraging often occurs when the CDFI early phase loans are repaid within two to three years, allowing the CDFI to use the funds again for other projects. Since the tax credit investments have a minimum 5-year term, this leverages them again by 2 to 2.5 times.

It is also important to note that most CDFIs work closely with other community organizations and/or local government to ensure their products and services are targeted to meet identified needs. Some CDFIs themselves provide leadership spearheading the efforts on larger projects to put together the consortium of donors, investors, developers, and community and government service providers needed to get projects built and operating.

#### *How Each CDFI Used the CA CDFI Investment Tax Credit Program*

#### **Clearinghouse CDFI—\$300,000 in 2006; \$200,000 in 2007**

##### *Community Development Focus*

Clearinghouse CDFI is involved in all aspects of community development and made loans benefiting lower income communities totaling \$137 million in 2006. Clearinghouse is a leader and innovator in using federal New Markets Tax Credits. Clearinghouse also makes CalHFA funded home mortgage loans to low-to-moderate income first-time homebuyers. With its funds, Clearinghouse makes a variety of housing, small business and other community development loans.

Clearinghouse CDFI takes special pride in being able to do all of this as a for-profit fund. “We spend the time and energy required to find creditworthy borrowers whose projects create

assets in the community. These borrowers, because of their unique circumstances, are rejected or not even considered by traditional lenders. Community development lending must be profitable in order to be sustained. As with conventional lenders, we carefully evaluate each applicant’s ability to repay the loan. Unlike traditional lenders, we do not have predefined loan programs. We analyze each loan application individually. Every loan we make benefits the community in a measurable way.”

#### *Use of Tax Credit Investment Proceeds*

Clearinghouse CDFI identified six projects totaling \$2.3 million that were funded in part with the proceeds of their California CDFI tax credit investments. Revolving lines of credit were provided to three projects providing:

- 1 Dental care to 350 low-income and special needs children per month and creating 4 jobs
- 2 Job training for 70 at-risk young adults per month and creating 120 jobs
- 3 Teen pregnancy prevention and youth development programs serving 25 youths per month and creating 3 jobs

Real estate loans were made for another three projects:

- 1 Construction of two affordable single-family homes
- 2 Acquisition and rehabilitation of a school property for a charter school serving 40 very low income and minority families each month and creating 5 jobs
- 3 Mortgage loan for a second facility for a nonprofit residential alcohol treatment facility for housing 30 men each month and creating 3 jobs

#### **Community Commerce Bank (CCB)—\$300,000 in 2006; \$400,000 in 2007**

### *Community Development Focus*

This CDFI was founded in 1976 by The East Los Angeles Community Union (TELACU) for the express purpose of serving the credit needs in underserved communities and thereby to reverse the trend of financial stagnation that had lasted for generations. Their community development focus includes using flexible lending criteria to make loans that would not be made by conventional lenders to nonprofit organizations, including churches, and to homeowners in low-income neighborhoods seeking to rehabilitate their properties. It is a state licensed industrial thrift and loan company that is a 98.2% owned subsidiary of TELACU Industries, Inc. The profits from its operations provide funding for the many TELACU services to Southern California's underserved communities. Since its inception, CCB has expanded its reach and is now operating 8 branches throughout the State.

### *Use of Tax Credit Investment Proceeds*

During 2006 and 2007, the proceeds of the CA CDFI tax credit investments were used to provide part of the funding for 232 loans totaling \$103 million that it made in low- to moderate-income neighborhoods. These included 68 loans in California Enterprise Zones totaling \$60 million.

### **Community Financial Resource Center (CFRC)—\$150,000 in 2007**

#### *Community Development Focus*

Founded in 1993, the mission of this nonprofit CDFI is to create and enhance the economic wealth and capacity of the residents and businesses in disinvested areas of Los Angeles by delivering quality community development programs and facilitating collaborative efforts among businesses, the community, and government. It was founded in 1993 as a collaborative effort of 34 local banks, the City of Los Angeles, and community leaders to address the dismal level of reinvestment in South

Central Los Angeles. Beginning in 1997, CFRC expanded its services to reach low- to moderate-income communities throughout Los Angeles County.

Computer literacy, financial literacy, and first-time homebuyers workshops are offered to individuals and families. For very-low income families, savings programs with a 4 to 1 match are provided to help them save for purchasing a first home, pursuing secondary education or starting a small business. For families at 80% of the area median income, savings programs with a 3 to 1 match. In 2000, CFRC began a partnership with the Los Angeles Unified School District to assist school district employees to purchase homes in and around low performing schools in Los Angeles.

Small businesses are offered one-to-one counseling and classroom training to help them succeed. CFRC administers two micro-loan programs offering loans from \$500 to \$30,000 and a business expansion program offering loans from \$30,000 to \$250,000 to businesses that have been operating at least three years, but are unable to obtain conventional financing.

### *Use of Tax Credit Investment Proceeds*

The CA CDFI tax credit investment proceeds were used in the Capital Partners Micro-Loan Program. Loans of \$500 to \$5,000 are made to self-employed business owners who must also complete training intended to help their businesses succeed. These businesses employ no more than 7 people each and may be side-businesses created to augment the incomes of the working low-income family members. In addition, each business must be located in a low-to-moderate income neighborhood or over half of its employees must be low- to moderate-income individuals. Under this program, in 2005, CFRC made 159 microloans totaling \$183,000; in 2006, 99 loans totaling \$86,876. \$50,000 in CA CDFI tax credit investment proceeds were used to fund loans in

2007, and the remaining \$100,000 in tax credit investment proceeds were received in December of 2007 and will be used to fund loans in 2008.

### **Fund for Children & Communities, LLC (FCC)—\$4,192,207 in 2006**

#### *Community Development Focus*

The Low Income Investment Fund, another CA CDFI, is the sole member of this nonprofit limited liability company. FCC was formed in 2004 specifically to provide a credit facility of up to \$10,300,000, to be funded by a consortium of seven insurers, for the mortgage loans to childcare centers serving low-income families and located in low-income census tracts. Requiring over two years to plan, this innovative program created a structure to combine loans, loan guarantees, and grant funds as well as tax credits from both the CA CDFI and the federal New Market tax credit programs. This unique combination was necessary to make affordable, quality childcare for low-income families possible. Such care is paramount to the readiness of children to succeed in school and in life, and to low-income parents' ability to work.

#### *Use of Tax Credit Investment Proceeds*

The 2006 tax credit investments in FCC by these seven insurers provided the major part of the funding for the first round of loans under the program, which were made to six childcare centers in low-income communities that will care for 550 children of low-income families.

### **Lenders for Community Development (LCD)—\$300,000 in 2006**

#### *Community Development Focus*

This CDFI is a California nonprofit public benefit corporation focusing on economic development in the San Francisco Bay Area through its three core programs: 1) microlending for business in

low- to-moderate income neighborhoods (91%) and/or for minority or women-owned businesses, 2) matched savings accounts for low-income families, and 3) community real estate lending for affordable housing and community facilities. The support LCD provides the recipients of their business microloans has helped them survive and thrive well above the national averages for new small businesses. The savings accounts, which are matched 3 to 1, help families save for a down-payment of their first home, pay for education or start a small business. Most continue to build wealth by continuing to be regular savers, and in 70% of the families with children, the children, too, have started savings accounts. Of particular note is that 100% of the savers who were able to purchase a home still own those homes; none were victims in the predatory sub-prime market. Community real estate lending includes community facilities, home ownership opportunities and rental housing for people with disabilities and special needs, seniors, and foster youth. LCD is especially interested in working closely with others interested in community development to bring together multiple funding sources for each project. In this way LCD is able to leverage its funds many times over.

#### *Use of Tax Credit Investment Proceeds*

LCD used the proceeds of its \$300,000 in CA CDFI tax credit investments to partially fund its own \$1.8 million portion of a \$24.4 million loan for a housing project in Richmond providing 80 rental housing units affordable to families earning 60% of the area median family income or less.

### **Low Income Investment Fund (LIIF)—\$3,000,000 in 2006; \$4,000,000 in 2007**

#### *Community Development Focus*

Created in 1984, LIIF is a CA nonprofit public benefit corporation that serves as a bridge between private capital markets and low-income

neighborhoods. Its mission is to serve the poorest of the poor by providing access to capital for housing, education, child care and other community building initiatives. It engages in direct lending through its Revolving Loan Fund (RLF) and two child care related loan funds; loan origination, servicing, marketing and packaging on behalf of third-party lenders; consulting on financial and organizational issues for education programs; and fundraising activities for all programs. LIIF is especially focused on leveraging their funds by providing early money, like pre-development loans, that allow a project to progress to the point where other investors will participate.

#### *Use of Tax Credit Investment Proceeds*

The proceeds of the CA CDFI tax credit investments were placed in the LIIF RLF and thereby provided 17.4% of the funding for \$40.2 million in LIIF loans to 40 projects, including 24 affordable housing projects providing over 830 units for low-income residents, 7 education projects serving over 3,000 low-income students, 3 child care center projects serving 60 children of low-income families and 5 home ownership projects providing 123 affordable homes. The LIIF loans were often start-up or seed money that attracted additional investors bringing the total amount for these projects to \$379 million, thereby leveraging the LIIF funds by a factor of 9.43. Moreover, the average life of the RLF loans is about two years. Therefore, the proceeds of the tax credit investments is turned around at least twice over the five-year term of the tax credit investment bringing the total leveraging factor to 18.88.

#### **Mission Community Bank (MCB)—\$300,000 in 2007**

##### *Community Development Focus*

MCB is a state chartered bank with a core business of small business lending. It also provides financial products and services to individuals and

families, including online courses to help parents teach their children about managing money and to help individuals improve their credit ratings. It is headquartered in San Luis Obispo with three branches in the central coast region. In the most recent evaluation under the federal Community Reinvestment Act, MCB received a rating of Outstanding. It was also awarded a Bank Enterprise Award in 2007 for their record of community development lending. A subsidiary of MCB, Mission Community Development Corporation focuses its entire effort on providing financial services to low- and moderate-income people and communities. An affiliate, Mission Community Services Corporation, provides technical support and training to small businesses with special assistance offered to low-income, minority and nonprofit businesses.

#### *Use of Tax Credit Investment Proceeds*

MCB used the proceeds of its CA CDFI tax credit investments as partial funding for the 101 loans totaling \$20 million it made in low- to moderate-income neighborhoods or to low-income or Hispanic families.

#### **Neighborhood Housing Services of Orange County (NHSOC)—\$300,000 in 2006; \$1,000,000 in 2007**

##### *Community Development Focus*

NHSOC is a nonprofit organization assisting low- and moderate-income families to achieve the American dream of home ownership. It has a neighborhood focus and strives to renew pride, restore confidence, promote reinvestment and revitalize communities in partnership with local residents, financial institutions, the business community and local government. NHSOC is a member of the NeighborWorks Network of more than 230 Community-based organizations in 50 states creating healthy communities through community-based revitalization efforts. It provides

a variety of financial and support services. Loan products include mortgages for home purchase or home improvement, and loans for constructing and rehabilitating multi-family homes. Support services include first-time homebuyer classes, one-on-one counseling and classes for homeowners facing foreclosure, and workshops for residents to develop their capacity to be effective community leaders in Orange County.

#### *Use of Tax Credit Investment Proceeds*

NHSOC has created a loan pool using the proceeds of its CA CDFI tax credit investments (including investments made prior to 2006) and uses the funds to make second mortgage loans for first-time homebuyers and to make pre-development loans to Habitat for Humanity and others to construct homes affordable to low-income families. NHSOC is able to leverage the funds by a factor of 2 to 3 by using the repayments of pre-development loans (usually 18-month loans) to make new loans and by selling the second mortgages as needed to make funds available to make new loans.

#### **Neighborhood National Bank (NNB)— \$100,000 in 2007**

##### *Community Development Focus*

NNB is a federally chartered community development bank serving disadvantaged San Diego communities. It became the first CDFI in the nation to receive a national bank charter thereby bringing full-service banking to underserved communities and providing a catalyst for economic development. NNB emphasizes providing low- to moderate-income customers with both deposit and loan services and serving small businesses (including nonprofits) that are minority or women owned or that provide services and job opportunities to low- and moderate-income wage earners. In all of their lending activities, NNB uses flexible credit criteria. NNB

was rated Outstanding in both of their last two evaluations (in 1999 and 2005) under the federal Community Reinvestment Act.

#### *Use of Tax Credit Investment Proceeds*

NNB used the proceeds of its CA CDFI tax credit investment as partial funding to make over \$20 million in small business and real estate loans in low-to moderate-income neighborhoods, including loans to nonprofit organizations. A notable example is a \$500,000 loan made in 2007 to a church in a moderate income census tract with a 21% poverty rate to demolish an existing structure and build a child care center to serve its lower income working residents.

#### **NHS Neighborhood Lending Services, Inc. (NHS)—\$250,000 in 2006**

##### *Community Development Focus*

NHS is a nonprofit organization providing a variety of services related to homeownership in five neighborhoods throughout Los Angeles based on their need for economic development and the concentration of low-income residents, as well as other factors, such as poor access to employment opportunities, transportation and other community and educational services. It is a member of the NeighborWorks Network of more than 230 Community-based organizations in 50 states creating healthy communities through community-based revitalization efforts. Along with its affiliates, Los Angeles Neighborhood Housing Services, Inc., and NHS Neighborhood Redevelopment Corporation, Inc., this CDFI “touched the lives of more than 1 million households during the fiscal year [ending June 30, 2007], including:

- NHS reinvested nearly \$93 million into Los Angeles neighborhoods by providing loans of nearly \$79 million to local residents to improve housing conditions, create homeownership opportunities, and combat predatory lending.

NHS reinvested \$5 million through real-estate services and \$115,000 through neighborhood revitalization projects;

- Assisted 31,253 families to preserve their homes through expanded post purchase education workshops, affordable lending and other NHS programs;
- Educated and counseled 5,456 families regarding homeownership purchase, budgeting, credit repair, home maintenance, and insurance education;
- Provided construction and real estate services to 570 families through 265 inspections, 161 work write ups, 58 job starts, and 52 jobs completed. NHS real estate services closed 18 transactions totaling \$4.8 million, and referred over 100 clients to partner realtors;
- More than 300 volunteers spent over 2,400 hours participating in the NHS sponsored Neighborhood Pride Day event, assisting 10 low- to moderate-income families and seniors with house painting and minor repairs;
- Initiated Los Angeles County Center for Foreclosure Solutions in partnership with 30 agencies representing financial institutions, nonprofit housing counselors, public interest lawyers, and government enforcement agencies.”

#### *Use of Tax Credit Investment Proceeds*

The CA CDFI tax credit investment proceeds were added to the NHSNLS Revolving Loan Fund used to fund \$79 million in loans to low- and moderate- income residents in the target neighborhoods.

#### **Northeast Community Federal Credit Union (NCFCU)—\$200,000 in 2007**

##### *Community Development Focus*

NCFCU is a community development federally chartered credit union, a nonprofit financial

cooperative dedicated to serving the underserved, particularly in Chinatown and the Tenderloin as an agent for community revitalization and development. As a National Credit Union Administration designated low-income credit union, it is eligible to receive non-member deposits, such as the CA CDFI tax credit investments, to assist in their community development efforts. In the geographies NCFCU serves, over 40 languages are spoken and the median family income ranges from 28% to 75% of the area median income (AMI) with the vast majority of the census tracts falling below 50% of AMI (designated as low and very low income). Their members include welfare recipients and other residents of limited means who are easy prey for makeshift financial operators, such as check cashing services and pay-day lenders, who charge exorbitant fees. NCFCU aims to free residents from these predators and offers services and education to help them have more control over their money, make better use of it and begin to climb the economic ladder. NCFCU also offers savings accounts matched 2 to 1 for low-income savers.

##### *Use of Tax Credit Investment Proceeds*

NCFCU used its CA CDFI tax credit investment proceeds as partial funding for consumer and small business loans to its members.

#### **Northern California Community Loan Fund (NCCLF)—\$800,000 in 2006 and \$250,000 in 2007**

##### *Community Development Focus*

NCCLF is a California nonprofit public benefit corporation that dedicates its capital and technical assistance to the most disadvantaged families and neighborhoods in northern California. NCCLF works intensively with nonprofits that offer essential services to those most in need and encourage collaboration among community organizations, other CDFIs and mainstream banks

and foundations. NCCLF operates a lending program, a consulting program, and a grant program.

#### *Use of Tax Credit Investment Proceeds*

Proceeds of the CA CDFI tax credit investments provided 6% of the funding for their \$18 million lending program in 2006 and 2007, which included loans for housing affordable to low- or moderate-income families (both rental and homeownership) and loans to community facilities and businesses providing direct benefits to disadvantaged families and neighborhoods. Benefits included providing community facilities (health clinics, childcare centers schools and other essential facilities), economic development (job-training programs and nonprofit businesses), and cashflow/working capital loans. All loans were made to enable the borrowers to directly benefit disadvantaged families and neighborhoods. Among the benefits these projects provided were 609 affordable housing units and 525 permanent jobs.

NCCLF's history of collaboration allowed them to draw in other investors to bring the total financing for these projects to \$146 million, thus leveraging their own funds more than 10 times. Some of the loans are for less than five years, so the tax credit investment proceeds will be leveraged even further when the funds are loaned out for a second time.

#### **OBDC Small Business Finance (OBDC)— \$500,000 in 2007**

##### *Community Development Focus*

Founded in 1979, OBDC is a nonprofit corporation organized for the purpose of collaborating with others to foster the development of businesses in low-income areas in and around Oakland that provide jobs, services, and community benefits. In addition, OBDC itself makes loans and provides training to low- and moderate-income residents starting businesses that would not qualify for traditional small business

loans. OBDC has ongoing productive working relationships with investors, other nonprofits, and the City of Oakland. It operates several distinct loan programs thereby allowing each program to take full advantage of various governmental redevelopment programs, such as Oakland's community development districts and enhanced enterprise community zones; an Alameda County program for businesses that divert materials from landfills; and the SBA low-income, minority and women-owned small business programs in Alameda, Contra Costa and Solano counties.

#### *Use of Tax Credit Investment Proceeds*

The proceeds of the CA CDFI tax credit investments are tracked separately and by April 2008, OBDC had used \$228,463 leveraging it more than 4 times by using it as matching funds that made over \$1 million available for 7 projects that created 84 permanent jobs. All projects were in low- or moderate-income census tracts and five of these were also in areas designated for redevelopment.

#### **Pacific Coast Regional Small Business Development Corporation (PCR)—\$1,895,000 in 2007**

##### *Community Development Focus*

PCR, a nonprofit development corporation, began operations in 1977 with a grant from the State of California to administer the State's Small Business Loan Guarantee Program, a role it continues to play. Since then it has developed ongoing working relationships and funding arrangements with other governmental entities and with banks whereby PCR administers additional loan guarantee programs as well as training and direct loan programs. Its purpose in carrying out these programs is to assist in the creation and expansion of businesses owned and operated by persons living in disadvantaged areas.

*Use of Tax Credit Investment Proceeds*

PCR received two separate CA CDFI tax credit investments, both from banks. The purpose of the first one for \$395,000 was to provide partial funding for the \$1.17 million purchase of the future headquarters building for PCR that will also house new training facilities. This “overhead” expenditure contributes to the community benefits resulting from all of PCR’s activities. Moreover, the new location will allow easier access to the low- and moderate income communities it serves, including Chesterfield Square and Hyde Park, which are located just one block away, and Exposition Park, Huntington Park, Bell, Lynwood, Compton and Watts. The second investment of \$1.5 million was for partial funding for a new \$5 million small business loan program that PCR plans to start by July 1, 2008.

### **Rural Community Assistance Corporation (RCAC)—\$376,000 in 2006**

*Community Development Focus*

Formed in 1978, RCAC is a nonprofit organization with a mission to better the lives for the residents of small rural communities and tribes, many of which are in low- or moderate-income areas and/or areas with a high percentage of families living below the poverty level. RCAC provides training and technical assistance and also provides capital through its \$65 million loan fund, often making loans to small organizations, communities and tribal entities unable to obtain conventional financing. It also employs a strategy of building partnerships with local government and community organizations to achieve the following:

- Increase the availability of safe housing affordable to low or very low income families
- Improve water, wastewater and solid waste management and operations
- Build the capacity of local officials, rural

residents, and community-based organizations to solve problems

- Improve the economic sustainability of rural communities
- Educate the rural public and community development practitioners through publications and training

In 2002, RCAC also formed a Community Development Entity (CDE) in which it is the general partner to participate in the federal New Markets Tax Credit (NMTC) Program. This CDE received an \$8 million NMTC allocation in 2003 that is used to attract investors and then lend or invest funds, often at below market rates, to businesses in low-income communities.

*Use of Tax Credit Investment Proceeds*

The proceeds of its CA CDFI tax credit investments were used for early phases of three projects. Two were water projects that will provide 953 water hook-ups so that low- and moderate-income residents of the two small, rural communities of Esparto and Calaveras will have safe, clean water. The third was for a project in Monterey providing 63 multi-family housing units for farmworker families. The total amount RCAC loaned on these projects was \$1.5 million. The total project costs will be over \$24 million, so these early phase loans were leveraged more than 15 times. All three loans will be repaid within two years, so the proceeds will be loaned out again to make new projects possible thus leveraging the funds another 2.5 times.

### **San Luis Obispo County Housing Trust Fund (SLOC)—\$100,000 in 2007**

*Community Development Focus*

SLOC was formed as a private nonprofit organization in 2003 through the collaborative efforts of local health and social service providers, businesses and government agencies. When

SLOC was formed, most other housing trust funds were government programs serving only one jurisdiction, e.g., a single city. Instead, SLOC was organized as a nonprofit corporation that would partner with the entire county, a pioneering approach noted as a key trend in a national report from the Center for Community Change. The mission of SLOC is to increase the supply of affordable housing for very low, low and moderate income residents of San Luis Obispo County, including households with special needs. 40% of its resources are committed to financing housing for households with special needs or very low incomes. In addition to low-cost loans, SLOC also provides technical assistance in putting together affordable housing projects, especially in the rural areas it serves. This assistance is needed because creating and preserving affordable housing is complex everywhere in CA and particularly difficult in smaller and more rural communities where government subsidies and technical expertise are limited compared to major urban centers.

#### *Use of Tax Credit Investment Proceeds*

The CA CDFI tax credit investment proceeds have already been used twice for partial funding for two separate projects in Atascadero. The first use was partial funding for \$339,000 to purchase land for four Habitat for Humanity homes affordable to very low income households. SLOC also provided technical assistance to secure other funds to repay the loan and secure total funding of over \$1,000,000 to complete the project thereby leveraging its own investment 3 times. Its second use of the \$100,000 was as partial funding for a short-term loan for \$700,000 for 4 units of housing affordable for extremely low income foster youth. SLOC provided technical assistance to obtain Housing and Community Development funding for the project, but needed to use its own money temporarily to close escrow timely. The \$700,000

has been repaid and the money will be used again. SLOC expects to be able to revolve the CA CDFI tax credit investment proceeds twice more before the funds are due to be repaid, leveraging the fund another 2 times bringing the total leveraging to 12 (3 times 2 times 2).

#### **Southern California Reinvestment CDFI (SCR)—\$200,000 in 2006**

##### *Community Development Focus*

This CDFI is a for-profit corporation regulated by the CA Department of Corporations as a licensed lender that specializes in providing technical assistance and loans up to \$200,000 to small businesses in Orange, Riverside, and San Bernardino counties that do not qualify for conventional bank or Small Business Administration financing. SCR's mission is to focus on developing minority or women-owned businesses, particularly those located in low- to moderate-income areas. The goal is for the businesses to do well enough in three years to become eligible for conventional financing.

##### *Use of Tax Credit Investment Proceeds*

The proceeds of SCR's CA CDFI tax credit investments provided partial funding for \$1.1 million in loans ranging from \$40,000 to \$195,000 to small businesses in 2006 resulting in the creation or retention of 54 jobs.

#### **CALIFORNIA LOW COST AUTOMOBILE INSURANCE PROGRAM**

The California Low Cost Automobile Insurance program (CLCA) was enacted in 1999 to create an affordable insurance option for low-income good drivers in Los Angeles County and the City and County of San Francisco in order to comply with California's financial responsibility laws. (SB 171, Escutia and SB 527, Speier.)

In 2002 the California Low Cost Automobile Insurance Program was modified and enhanced by legislation, (SB 1427, Escutia). SB 1427 established the requirement for an annual report to the Senate and Assembly Committees on Insurance and the Senate and Assembly Committees on Transportation, detailing the Insurance Commissioner's plan to inform the public about the availability of the CLCA program. In 2004, SB 1500 (Speier) added further requirements to report on the Commissioner's determination of success of the program, based on specified criteria.

In 2005, SB 20 (Escutia) extended the sunset date to January 1, 2011, modified eligibility criteria, mandated that the program become available in six enumerated counties on April 1, 2006, and authorized expansion of the program to all counties in California, based upon the Commissioner's determination of need.

Insurance Commissioner Steve Poizner is committed to reducing the number of uninsured drivers on California roads. With the passage of SB 1500, which requires the Department of Motor Vehicles to suspend or revoke the registration of a vehicle without proof of financial responsibility, Commissioner Poizner firmly believes the best way to encourage Californians to abide by the law is to make insurance affordable and available to all consumers. The Commissioner has made the California Low Cost Automobile Insurance program a key component of his priorities. This auto insurance initiative is one in a series of Department of Insurance programs and public education activities that focus on improving access to and the availability of insurance services throughout the state.

The report that follows includes the Commissioner's assessment of the success of the program, details the activities and accomplishments of the past year, and outlines the consumer education and outreach plan for 2008.

## Program Overview

The California Low Cost Automobile Insurance Program (CLCA) provides an affordable auto insurance option for low-income, good drivers. As of December 2007 the program is now available in all 58 counties within the State of California.

The California Automobile Assigned Risk Plan (CAARP) administers the CLCA program. CAARP assigns CLCA applications to licensed auto insurers based on each insurer's share of the California voluntary auto insurance market. Only producers (agents/brokers) certified by CAARP are authorized to submit program applications. Currently, there are approximately 7,000 producers certified by CAARP.

## Policy Features

- The basic CLCA liability policy limits, as prescribed by state law, are \$10,000 for bodily injury or death per person in an accident, \$20,000 for bodily injury or death per accident, and \$3,000 property damage for each accident.
- The annual premium rate for a CLCA liability policy varies by county (see rate chart on page 16). There is a 25 percent surcharge for unmarried male drivers ages 19 through 24. Several installment options are available, with a down payment as low as 15 percent of the total cost.
- Two optional coverages, providing first-party benefits, are also available at additional cost. An insured may purchase medical payments coverage with \$1,000 limits and uninsured motorist bodily injury coverage, with the same limits as the underlying liability policy. Current premiums for these optional coverages vary by county (see rate chart on page 16). Premiums are set by county in accordance with statutory rate-setting standards.

## Eligibility Requirements

- By statute, the applicant's annual household

income may not exceed 250 percent of the federal poverty level. Currently, the annual gross income threshold is \$26,000 for a one-person household and \$53,000 for a four-person household.

- † An applicant must be a “good driver,” defined as having no more than one at-fault property damage accident, or no more than one “point” for a moving violation, but not both, no at-fault accident involving bodily injury or death in the past three years; and no felony or misdemeanor conviction for a violation of the California Vehicle Code.
- † An applicant must be at least 19 years of age and a resident of an eligible county.
- † The applicant must have been continuously licensed to drive for the previous three years. In meeting the three year standard, up to 18 months of foreign licensure is acceptable, providing the applicant was licensed to drive in the United States or Canada for the preceding 18 months.
- † The value of the vehicle to be insured may not exceed \$20,000.
- † No more than two low-cost policies per person are permitted.
- † A CLCA policyholder may not purchase a non-CLCA liability policy for any vehicle in the household.

### Consumer Education and Outreach Funding Source

The legislation that established the CLCA program in 1999 did not address the need for, nor provide funding for, consumer education and outreach. In 2000, utilizing existing California Department of Insurance resources, the Department initiated a CLCA awareness campaign to inform consumers of the availability of the program.

In 2005, AB 1183 (Vargas) authorized the use of up to five cents (\$0.05) of the 10-cent fee imposed

on insurers for the purpose of improving consumer functions, subject to budget approval, to inform consumers about the existence of any low cost automobile insurance program authorized in law. In fiscal year 2007-08, the Department allotted \$1,100,000.00 of these funds for the CLCA program.

AB 1183 requires the Department to explain, with as much specificity as is reasonably possible, the objectives for the use of the funds and quantitative criteria by which the Legislature may evaluate the effectiveness of the department’s use of funds. Performance measures and statistics and objectives and methods selected for raising awareness about the program contained elsewhere in this report reflect the effective use of funds.

The Department proposes to use \$2,660,000 of the funds allocated, pursuant to Insurance Code Section 1872.8, to fund the CLCA statewide consumer education and outreach plan in fiscal year 2008-2009. Quantitative criteria as measures of success for the consumer education and outreach plan include:

- † Increased CLCA inquiries to the CAARP hotline
- † Increased number of CLCA policies assigned
- † Increased producer participation in the CLCA program

The California Low Cost Automobile Insurance Program 2007 Consumer Education and Outreach Plan incorporated and built upon the methods employed in the 2006 plan to meet the challenges of the program expansion to new counties.

There were two core objectives of the 2007 Consumer Education and Outreach Plan:

- † Continue to develop and enhance consumer education and outreach activities in eligible counties through partnerships with community and faith-based organizations and government agencies

- † Launch consumer outreach efforts in the six pending expansion counties. Implement program expansion to additional counties as may be determined by the Commissioner

### 2007 Outreach Plan

The 2007 consumer education and outreach plan consisted of six primary elements:

- † Development of educational materials in frequently spoken languages and distribution of materials in partnership with community based organizations and government agencies
- † Participation in community and government agency-sponsored consumer events
- † Participation in training and development opportunities, targeting agencies and organizations that serve CLCA eligible low-income residents and include CAARP certified producers
- † Utilization of affordable, community and ethnic-specialty media to advertise the CLCA program
- † Periodic evaluation and refinement of outreach methods
- † Implementation of further expansion of the program, as determined by the Commissioner

### 2007—The Year in Review

The most important event in 2007 was the expansion of the program to all 58 counties. To implement the expansion, the 2007 Consumer Education and Outreach Plan incorporated and expanded upon successful activities in 2006 that focused on partnerships with government agencies and community based organizations. In 2007, the Department continued to focus outreach efforts on five major goals:

- † Continue and enhance consumer education and outreach event activities in collaboration with government agencies and community based

- organizations in CLCA eligible counties
- † Promote the program through targeted mixed media advertising
- † Develop and distribute targeted consumer education materials
- † Conduct an analysis of need for the CLCA program in additional counties throughout the state and coordinate expansion meetings
- † Implement program expansion into additional counties

The primary focus of the Department's 2007 outreach activities was to continue to raise consumer awareness and increase the volume of program inquiries. This was accomplished in partnership with various community-based organizations, faith-based organizations, and state and local government agencies that serve potentially eligible consumers.

### 2007 Outreach and Education Activities

#### Partnerships with Government Agencies & Community Based Organizations

Consumer outreach and education efforts in 2007 focused on the development and distribution of easy-to-understand, in-language outreach materials and increased collaboration with government agencies and community based organizations.

Efforts to integrate the CLCA program with other state and local governmental agencies that serve low-income residents continued. During 2007 we worked with agencies such as the Los Angeles Department of Public and Social Services (LADPSS), the Department of Motor Vehicles (DMV) offices throughout California, One-Stop and CalWorks offices to educate their staff on the CLCA program. We specifically targeted these organizations as hosts for our expansion meetings and provided these organizations with outreach materials when the program became available in

their county. The organizations were enthusiastic about the program and expressed their belief that it would greatly benefit their clients.

In an effort to reach even more local agencies and organizations, the department developed and produced a DVD for distribution to the leadership of over 700 agencies and organizations throughout the state. The DVD provided an introduction to the CLCA program and encouraged the targeted organization to include the program as tool in their services portfolio. The DVD also encouraged recipients to call the department to schedule a presentation for their staff and community partners. Initial feedback has been positive and we anticipate an ever increasing number of partnerships will be developed as a result of this effort.

Throughout 2007, the Department continued to develop relationships and partnerships with community-based organizations in every county. Department staff participated in a wide variety of events hosted by partner organizations ranging from Senior Citizen Organizations to work force development agency events and resource fairs. Program materials were distributed to community based organizations and the public in each of the 58 California counties.

### **CLCA Outreach Materials Development and Distribution**

CLCA Brochures are currently available in eleven languages: English, Spanish, Chinese, Cambodian, Tagalog, Hmong, Japanese, Armenian, Russian, Korean, and Vietnamese.

Program brochures were distributed to government agencies and community based organizations throughout the State of California.

During 2007, the Department distributed over 590,000 CLCA brochures. The distribution of these brochures was through partner organizations and to the general public at community events.

### **Certified Agent/Broker Outreach**

Department staff also educated insurance producers on the CLCA program seeking to increase their participation in the program.

Department staff participated in CAARP Agent Certification courses, providing program information to newly licensed and/or certified. This participation with CAARP, provided producers the opportunity to get their CLCA questions answered on the spot by CDI staff.

Whenever possible, local agents were invited to participate in outreach events in an effort to increase their exposure to consumers interested in and potentially eligible for the CLCA program.

### **Advertising Campaign**

The 2007 advertising campaign was designed to identify the most effective and affordable media sources to reach low-income uninsured drivers. As a result of monitoring referral sources and the findings from 2006 focus groups, the Department focused the CLCA advertising campaign on a combination of cable TV ads, English and Spanish language radio, government agency publications and select community print publications.

#### *Cable Television*

In an effort to determine the affordability and effectiveness of advertising on cable television, the department ran a pilot cable ad in the Sacramento media market. The Sacramento market was chosen because it had not been targeted in previous CLCA media marketing campaigns.

While the cable ad was being aired CAARP data reports were monitored to evaluate ad impact. After the buy had concluded, a consumer survey was conducted to measure consumer ad recall and awareness of the program's existence.

During the pilot cable ad, CAARP data showed an increase in the number of consumer calls originating from Sacramento County. Sacramento

moved up to second position, with only Los Angeles County receiving more consumer calls. Historically Sacramento County has ranked sixth and/or seventh for the highest number the consumer calls by county.

The consumer survey, conducted at the close of the ad buy, showed consumers in Sacramento County had a higher level of recall than that of consumers residing in counties exposed only to print and radio advertising.

*Radio Advertising*

Working in collaboration with the social marketing firm, and in an effort to maximize advertising results, the Department focused radio advertising buys with individual stations that served targeted consumer groups in large media markets.

The CLCA radio spot was provided in-language for Hmong and Spanish radio stations. In addition, the buys were negotiated to include PSA insertions, information distribution at station community events and earned media opportunities.

The Spanish radio campaign resulted in a dramatic increase in Spanish speaking calls to the CAARP hotline.

*Print Advertising*

The print media campaign was focused on advertising in government agency publications such as, the Department of Motor Vehicles Driver’s Handbook (in seven languages), the Child Support Services handbook and other publications handled by the Office of State Publishing. Additional print advertising was placed in community press publications in association with community events and outreach efforts. The Department participated in public service announcement opportunities whenever possible. Print advertising was also place in community press to compliment program participation in community events.

**Performance Measures and Statistics**

Insurance Commissioner Steve Poizner identified the CLCA program as a top priority for the department in his 2007 Strategic Plan. The Strategic Plan directed staff to expedite program expansion to the balance of the state. Within the first six weeks of his administration the Commissioner conducted two community events on the expansion of the program.

On May 01, 2007, community outreach for the California Low Cost Automobile Insurance Program was placed under the direction of the Consumer and Education Outreach Bureau (CEOB). The placement of CLCA outreach activities under CEOB brought the program additional staffing resources, which supports sustainable community outreach and allowed for quicker expansion of the program from 16 to all 58 counties in a matter of seven (7) months.

**2007 Calendar Year Program Statistics**

Applications Assigned: .....	8,144
Applications Received: .....	9,971
Percentage of applications eligible for assignment:.....	82%
Policies in Force: .....	11,519
Hotline Inquiries: .....	103,454
<i>(compared to 37,351 in 2006)</i>	
Hotline Inquiries by Language:	
English: .....	72,542
Spanish: .....	30,122
Chinese: .....	790
2007 Average Number of Policies	
Assigned by Month: .....	679
Retention Rate: .....	50%
Assignments with	
Uninsured Motorist Bodily	
Injury Coverage (UMBI): .....	2859 (35%)

Assignments with Medical Payments Coverage: . . . . .	1842 (23%)
Assignments with both UMBI and Medical Coverages: . . . . .	1777 (22%)
Applicants with Income of \$20,000 or Less: . . . . .	6404 (78%)
Predominant Age Group: . . . . .	40-59 (3420 Applicants or 42%)
Predominant Vehicle Value: . . . . .	\$2,000-\$5,000 (3145 Applicants or 39%)
% Applicants without Insurance at Time of Application: . . . . .	6,251 (77%)

**Program Statistics since Inception in 2000**

Policies Assigned: . . . . .	37,154
Applications Received: . . . . .	47,174
Percentage of Applications Assigned: . . . . .	82 %
Hotline Inquiries: . . . . .	238,744
Hotline Inq. by Language:	
English: . . . . .	178,611 (78%)
Spanish: . . . . .	57,509 (20%)
Chinese: . . . . .	2,624 (1%)
Assignments with UMBI Coverage since March 2003: . . . . .	12,465 (38%)
Assignments with Medical Payment Coverage since March 2003: . . . . .	7,571 (23%)
Assignments with both UMBI and Medical Coverages since March 2003: . . . . .	7,314 (22%)
% Applicants without Insurance at Time of Application: . . . . .	83%
% Applicants with Income of \$20,000 or Less: . . . . .	79%
Predominant Age Group: . . . . .	40-59 (42%)
Predominant Household Income Group: . . . . .	\$0-\$10,000 (45%)

Predominant Vehicle Value: . . . . .	\$2,000-\$5,000 (39%)
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**Commissioner’s Determination of Success**

The Commissioner has determined that the California Low Cost Automobile Insurance program was successful in meeting each of the measurements of success specified in California Insurance Code section 11629.85, as amended by SB 1500 (Speier), SB 20 (Escutia) and AB 1183 (Vargas).

*1. Rates Were Sufficient to Meet Statutory Rate-Setting Standards*

The Insurance Code specifies that rates shall be sufficient to cover losses and expenses incurred by policies issued under the program. Rate-setting standards also require that rates shall be set so as to result in no projected subsidy of the program or subsidy of policyholders in one county by policyholders in any other county. Consistent with these standards, the program rates in effect during 2007 generated sufficient premiums to cover losses and expenses incurred by CLCA policies issued under each respective county program.

As loss experience warrants, the Commissioner will make necessary rate adjustments, consistent with the rate-setting standards and procedures of California Insurance Code section 11629.72(c).

Recent legislation (Statutes 2005, chapter 435) authorized the expansion of the program to all counties in California, based upon a determination of need made by the Commissioner. Following statutory procedures, the Commissioner has determined such a need existed in all counties within the State of California. To implement the expansion of the program to all counties, the Commissioner, in consultation with CAARP, set premiums for each of the counties so that each county program will generate sufficient premiums to meet statutory rate-setting standards.

Insurance Code section 11629.85(d)(1) provides that the program is successful, in part, if the plan generated sufficient premiums to pay for the costs of medical care and property losses covered under the policy during the year. Based on compliance with this specification, the Commissioner has determined that the program has been successful.

**2007 Premiums by County**

<b>County</b>	<b>Basic Premium</b>
Alameda . . . . .	\$318.00
Alpine . . . . .	311.00
Amador . . . . .	280.00
Butte . . . . .	253.00
Calaveras . . . . .	275.00
Colusa . . . . .	284.00
Contra Costa . . . . .	313.00
Del Norte . . . . .	285.00
El Dorado . . . . .	285.00
Fresno . . . . .	295.00
Glenn . . . . .	288.00
Humboldt . . . . .	263.00
Imperial . . . . .	208.00
Inyo . . . . .	271.00
Kern . . . . .	236.00
Kings . . . . .	273.00
Lake . . . . .	268.00
Lassen . . . . .	286.00
Los Angeles . . . . .	350.00
Madera . . . . .	253.00
Marin . . . . .	297.00
Mariposa . . . . .	279.00
Mendocino . . . . .	260.00
Merced . . . . .	267.00
Modoc . . . . .	292.00
Mono . . . . .	286.00

Monterey . . . . .	210.00
Napa . . . . .	277.00
Nevada . . . . .	263.00
Orange . . . . .	\$308.00
Placer . . . . .	314.00
Plumas . . . . .	276.00
Riverside . . . . .	243.00
Sacramento . . . . .	378.00
San Benito . . . . .	274.00
San Bernardino . . . . .	280.00
San Diego . . . . .	265.00
San Francisco . . . . .	336.00
San Joaquin . . . . .	292.00
San Luis Obispo . . . . .	226.00
San Mateo . . . . .	303.00
Santa Barbara . . . . .	220.00
Santa Clara . . . . .	286.00
Santa Cruz . . . . .	252.00
Shasta . . . . .	260.00
Sierra . . . . .	297.00
Siskiyou . . . . .	259.00
Solano . . . . .	304.00
Sonoma . . . . .	270.00
Stanislaus . . . . .	354.00
Sutter . . . . .	291.00
Tehama . . . . .	280.00
Trinity . . . . .	288.00
Tulare . . . . .	222.00
Tuolumne . . . . .	279.00
Ventura . . . . .	280.00
Yolo . . . . .	286.00
Yuba . . . . .	286.00

*2. Program Served Underserved Communities*

The Commissioner has determined the program has met this standard, as evidenced by the following:

- † Household incomes of all policyholders do not exceed 250% of the federal poverty level. In fact, CAARP statistics document that 78.4% of policies issued in 2007 were issued to applicants whose household income was at or below \$20,000 per year.
- † 8,144 policies were assigned in 2007, thus providing access to an affordable insurance option for low-income households
- † An applicant's vehicle at the time of application can not exceed \$20,000. The predominant vehicle value for policies issued in 2007 was less than \$5,000.
- † Spanish language inquiries increased by over 500% (5,956 in 2006 to 30,122 in 2007)

### 3. Program Offered Access to Previously Uninsured Motorists, thus reducing the Number of Uninsured Drivers

The Commissioner has determined the program meets this standard, as evidenced by the following:

- † Statistics compiled by CAARP demonstrate that, in 2007, 77% of new policies assigned were to applicants who were uninsured at the time of application.
- † With the implementation of the CLCA, thousands of formerly uninsured drivers are now insured through the CLCA Program.
- † By year end 2006 the CLCA program was available in 16 counties. At year end 2007, the CLCA has been expanded to all 58 counties, resulting in increased access to this affordable auto insurance option for low-income good drivers.

### 4. Administrative Costs

The Department allocated approximately \$1,100,000 (of SB 940 (Speier) and AB 1183 (Vargas) funds) in fiscal year 2007-08 for CLCA consumer education and outreach activities. The

CLCA program is administered by CAARP, whose administrative costs are reflected and reported by CAARP under separate cover.

### 2008 CLCA Consumer Education & Outreach Plan

The California Low Cost Automobile Insurance Program 2008 Consumer Education and Outreach Plan incorporates and builds upon the methods employed in the 2007 plan to meet the challenges of promoting the program statewide.

#### The core objective of the 2008 Consumer Education and Outreach Plan:

- † Continue to develop and enhance consumer education and outreach activities in all counties through partnerships with community and faith-based organizations and government agencies to increase consumer awareness of program availability
- † To accomplish the 2008 plan, the Department will continue to build upon its efforts to raise consumer awareness about the program in collaboration with community based organizations, faith-based organizations and government agencies.
- † The Department will also continue to utilize affordable ethnic and specialty media for the placement of advertisements, working with its consulting social marketing firm, and seek opportunities to increase producer participation.

#### Consumer Education and Outreach Materials Development and Distribution

- † The Department will distribute brochures and other outreach materials in partnership with government agencies, community and faith based organizations for delivery to their clientele.
- † The Department currently distributes materials through over 3,500 organizations. Supplies of materials to partner organizations will be

replenished periodically throughout the year and upon request.

- CLCA outreach materials will also be distributed directly to consumers at community events and to producers requesting materials.

### **Continue to Develop and Expand Partnerships with Low-Income Services Agencies**

The Department intends to work with governmental agencies, community and faith-based organizations and producers to increase public awareness about the CLCA program.

- The Department will continue to develop existing outreach partnerships and expand existing partnerships with other state and local governmental agencies that serve low-income consumers.
- The Department will continue to provide the DMV with materials for distribution through each of their field offices. Department staff will seek opportunities to provide program training to DMV field staff.
- The Department will seek new opportunities to participate in consumer events, train staff about the program, and encourage distribution of materials.
- Outreach materials will be provided to the Los Angeles County Department of Public and Social Services for dissemination to low-income residents served by LADPSS. Department staff will seek opportunities to provide training to LADPSS staff on the program and will participate in LADPSS sponsored community information events.
- The Department will collaborate with social service agencies in every county to increase consumer awareness of the program.
- The Department will continue to encourage community based organizations to distribute program outreach materials, and continue to

provide information directly to consumers by participation in a wide variety of events hosted by partner organizations. The Department will continue to provide training to staff at community-based and faith-based organizations.

- The Department will continue to seek opportunities to inform producers in eligible counties about the program, and partner with CAARP to provide producer training.

### **Training and Development Opportunities**

One of the key components of the 2008 plan is to continue and expand training opportunities for staff at agencies and organizations that serve low-income residents so that they become knowledgeable about the program and on-site resources for the program.

### **Media Campaign**

A key goal of the CLCA advertising campaign will be to increase consumer awareness of the availability of the CLCA program through a complimentary mix media campaign. Building on experience and results of studies, such as the 2006 focus groups, the 2007 consumer survey and analysis of CAARP data, the 2008 advertising campaign will utilize a combination of TV ads, Spanish radio, government agency publications, select community print publications and Public Service Announcements.

Building on momentum generated by the 2007 media campaign, this year's campaign will initially target fifteen counties making up the Sacramento-Stockton-Modesto DMA (designated market area). In addition, as funding allows advertising will also target under served communities in Fresno, Los Angeles, San Francisco Bay Area and San Diego.

### *Television*

Working in collaboration with its social marketing contractor the Department will focus program

advertising buys in targeted CLCA markets with large populations of low-income uninsured drivers. Based on results of the 2007 pilot cable buy, the social marketing firm will develop 60 second spots that will rotate with the existing 30 second spot to increase program imprint. The ads will run on stations serving the predominant age and income demographics of program applicants.

### *Radio Advertising*

Working in collaboration with its social marketing firm, and in an effort to maximize advertising results, the Department will focus program advertising buys with individual stations that serve targeted consumer groups in large media markets. In addition, the buys will be negotiated to include PSA insertions, information distribution at station community events and earned media opportunities.

### *Print Advertising*

The print media campaign will focus on advertising in government agency publications such as, the Department of Motor Vehicles Driver's Handbook (in seven languages), the Child Support Services handbook and other publications handled by the Office of State Publishing. Additional print advertising will be placed in community press in association with community events. The Department will also seek out public service announcement opportunities.

### **Tracking Impact of Consumer Education and Outreach Activities**

The impact of consumer education and outreach activities will be evaluated based on various data reports compiled by CAARP. The individual components of the outreach plan will be adjusted to focus resources on the activities that yield the best results.

- 1 Assess progress through CAARP statistical reports and revise plan as needed

- + Review and evaluate weekly calls generated by a particular consumer education and outreach method
  - + Review and evaluate monthly reports on the number of callers "qualified" to apply for the program
  - + Review and evaluate quarterly reports on the number of policy renewals and cancellations
  - + Review and evaluate monthly number of applications assigned, returned, or rejected
  - + Review and evaluate monthly number of calls by county
  - + Review and evaluate monthly reports on the percentage of previously uninsured drivers assigned and other demographic details
- 2 Evaluate effectiveness of print media and radio advertising campaign and revise as needed
    - + Review and evaluate CAARP data reports on the number of calls by referral source
    - + Evaluate feedback provided to the Department by publications and radio
  - 3 Identify opportunities to eliminate barriers to program eligibility
    - + Consult with CAARP regarding application process and other identified problems
    - + Review feedback and comments obtained from consumers
    - + Review CAARP reports on ineligible callers by reason
  - 4 Identify regulatory and statutory changes to improve and enhance the program
    - + Obtain feedback from CAARP certified agents regarding the CLCA program
    - + Review feedback and comments obtained from consumers through town hall meetings, consumer education and outreach events and the CDI Hotline.

- + Review CAARP monthly reports on ineligible callers by reason

## **FY 08/09 Proposed CLCA Consumer Education and Outreach Budget**

### *Consumer Education and Outreach \$1,100,000*

In partnership with community based organizations and government agencies, provide local education on the availability of the program and disseminate CLCA consumer outreach materials to increase consumer awareness about the program.

- + Local outreach delivery contracts
- + Statewide partnership development
- + Project management and staffing

### *Consumer Outreach Materials Development and Production \$150,000*

- + Develop and produce integrated CLCA consumer education and outreach materials
- + Graphic design and layout
- + Design and produce consumer education materials for use in with local community-based organizations and government agency partnerships
- + Update and develop specialized distribution lists
- + Production and printing
- + Postage, shipping and handling for bulk distribution of materials
- + Social marketing and consulting contract
- + Project management and staffing

### *Community Partnership Development and Events \$300,000*

- + Organize & conduct consumer education & outreach presentations for delivery to low-income service providers and consumers
- + Attend and/or arrange conferences, workshops, community events and education fairs

- + Related staffing and travel expenses
- + Project management and staffing

### *CLCA Internet Web Page \$5,000*

### *Media and Advertising \$1,100,000*

- + Cable advertising development, production and buys
- + Radio advertising development, production and buys
- + Print advertising development, production and buys
- + Social marketing and consulting contract
- + Project management

### *Miscellaneous Consumer Education and Outreach Activities \$5,000*

*Total \$2,660,000*

## **Conclusion**

The Commissioner considers the California Low Cost Automobile Insurance program a key component to making insurance affordable and available to all consumers in California, and is committed to the program's success. He believes the program shows promise in helping reduce the number of uninsured drivers on California roads.

Through the elements described in the 2008 Consumer Education and Outreach Plan, the Department expects to further raise consumer awareness, increase the volume of inquiries about the program and the number of policies assigned.

The Commissioner seeks to aggressively promote the program to underserved communities in order to make insurance affordable to more Californians.

The Commissioner is committed to making the California Low Cost Automobile Insurance program a model for the nation.

## CONSUMER SERVICES & MARKET CONDUCT BRANCH

The Consumer Services and Market Conduct Branch's (CSMCB) focus is consumer protection, and it accomplishes this by educating consumers, mediating consumer complaints, and enforcing applicable insurance laws. CSMCB enforces applicable insurance laws during the investigation of individual consumer complaints against insurers and through on-site examinations of insurer claims and underwriting files.

CSMCB consists of two divisions and five bureaus:

### Consumer Services Division (CSD)

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

### Market Conduct Division (MCD)

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

### CONSUMER SERVICES DIVISION

The Consumer Services Division (CSD) is responsible for responding to consumer inquiries and complaints regarding insurance company or producer activities. CSD maintains separate bureaus to handle telephone inquiries, respond to consumer complaints on claims handling practices, respond to rating and underwriting based consumer complaints, and to provide education to the public on insurance issues. The goal of CSD is primarily to protect California insurance consumers through enforcement of the California Insurance Code and related laws and regulations.

#### Calendar Year 2007 Results

##### Consumer Services Division (CSD)

Consumer Telephone Calls Received (automated call-center calls)	254,637
Complaint Cases Opened	35,280
Complaint Cases Closed	33,963
Total Amount of Consumer Dollars Recovered	\$49,094,494

##### Market Conduct Division (MCD)

Number of Exams Adopted by the Commissioner	174
Total Amount of Claims Dollars Recovered or Premium Returned to Consumers	\$14,665,007
Penalties Resulting from MCD Legal Actions in 2007	\$10,545,500

##### CSMCB Grand Total Amount

**\$74,305,001**

(Consumer Dollars Recovered, Claims Dollars Recovered or Premium Returned to Consumers, and Penalties Resulting from Legal Actions in 2007)

The Consumer Services Division (CSD) is responsible for administering the program described in California Insurance Code (CIC) Section 12921.1(a), for investigating complaints, responding to consumer inquiries and bringing enforcement actions against insurers and production agencies. In accordance with California Insurance Code (CIC) Section 12921.1(a)(10), the Department is reporting a description of the operation of the complaint handling process, listing civil, criminal, and administrative actions taken pursuant to complaints received; the percentage of the department's personnel years devoted to the handling and resolution of complaints; and suggestions for legislation to improve the complaint handling apparatus and to increase the amount of enforcement action undertaken by the department pursuant to complaints if further enforcement is deemed necessary to ensure proper compliance by insurers or production agencies with the law.

Complaints and inquiries are handled by three bureaus within the division: the Consumer Communication Bureau (CCB), the Claims Services Bureau (CSB) and the Rating & Underwriting Services Bureau (RUSB). CCB is often referred to as the Hotline, and its staff responds to telephone calls received through the Department's toll-free phone line. In 2007, 106 fulltime staff are devoted to the complaint handling operation. This represents 8% of the 1338 total authorized positions in the Department.

The Hotline staff 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 written consumer complaints involving claims issues for all lines of insurance except Worker's Compensation, which are regulated by the Department of Industrial Relations in California. RUSB is

responsible for investigating, evaluating, and resolving written consumer complaints involving rating and underwriting issues for all lines of insurance (including Worker's Compensation). Consumers may file complaints via telephone, Internet or in written correspondence. The review and initiation of the investigation of complaints occurs within three days of receipt, and the CDI contacts the appropriate licensees (insurers or agents). 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 involve analysis of conflicting facts and applicable laws. Resolution in such cases 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.

The CSD retains records on all consumer complaints involving rating, underwriting and claims issues. This information is gathered and trend reports are developed with the goal of determining whether further action against the licensee should be taken. The department collects and maintains a wide range of statistical information on complaints. On an annual basis it tracks: the number of complaints open and closed, types of alleged violations, amount of recoveries, number of complaints against insurers, etc.

Additionally, the department prepares complaint comparison studies for automobile, homeowner's and life products in order to rank insurers based on their frequency of complaints and whether those complaints were justified. A Justified Complaint Ratio is used to determine which insurers are the worst performers. These statistics can lead to a number of actions, such as: enforcement action; referral of case to the CDI Legal Division for formal legal action; and initiation of a request for

a market conduct examination. All legal actions taken by CDI are public information and are posted on the department's website. Insurers can appeal enforcement actions taken against them through the civil court system.

**Disaster Response:** In addition to the complaint handling operation of the Department, the Consumer Services Division also coordinates the Department's response to natural and other disasters that impact insurance consumers and businesses in California. This response includes administration of the Emergency Damage Assessment function described in CIC Section 16000. In 2007, several natural disasters occurred in the state.

In January 2007, a major and prolonged period of freezing temperatures resulted in widespread destruction of crops in the Central Valley and other regions of the state. Estimates put California's crop losses from the freeze at \$1.4 billion. The citrus industry was particularly hard hit, suffering an estimated \$817 million in losses – or 58 percent of total agricultural losses. Following this disaster, Commissioner Poizner tasked the Consumer Services Division with responding to the needs of the public and agricultural community. This response entailed, performing damage assessment, responding to inquiries and complaints from those who suffered losses, and working with federal, state and local officials to assist those in need. Commissioner Poizner's January 25, 2007, Declaration of Insurance Emergency helped avert economic catastrophe because out-of-state adjusters helped accelerate insurance claims by cutting through the red tape and getting funds into the hands of farmers whose livelihood was threatened by the disruption and damage to California's agricultural industry.

The Angora Fire erupted June 24, 2007 and was 100% contained on July 2, 2007. The Angora Fire resulted in an estimated 254 primary structures completely destroyed, 300 primary structures with

partial smoke damage and 3,100 acres destroyed, in the South Lake Tahoe area. The estimated exposure of the insurance industry was more than \$150 Million. As of December 31, 2007, more than \$125 Million in claims payments were made by insurers. The Department continues to monitor this event in order to assist any remaining insureds with insurance claims and related issues.

The series of Southern California wildfires began on October 20, 2007. These fires resulted in an estimated 2,180 residences, 662 other structures, and 5 commercial structures completely destroyed (Source: Cal Fire). Several more structures have been damaged. Insurers have reported that there were about 38,000 claims filed, \$2.36 Billion in potential insurer exposure, and about \$1 Billion paid by insurers through 2007. The Consumer Services Divisions responded in several areas. CSD dispatched more than 25 professional staff to the 10 Disaster Recovery Centers to assist survivors with insurance questions and in getting insurers to pay claims as quickly as possible. During the first few months after the event, the CDI Hotline extended its call-center hours to 8:00 pm. CSD management collaborated with state and local agency on the consolidated debris removal program. CSD staff conducted several workshops in San Diego and San Bernardino counties, meeting with total loss survivors and assisting them with technical insurance questions and issues. CSD staff also investigates all complaints received by the Department relating to this event. As of December 31, 2007, the Department assisted more than 100 survivors with claims issues and recovered more than \$1 Million on their behalf. In 2008, the Department continues to monitor this event in order to assist any remaining insureds with insurance claims and related issues.

### **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 consumer. CCB officers respond to phone calls received through the California Department of Insurance’s (CDI) statewide toll-free Consumer Hotline: 800-927-HELP (4357) to 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” Web site; 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; chairs 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.

*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, 2007, the Mediation Program has recovered \$14,890,767 for consumers. In accordance with CIC 10089.83, the following is a report of the results of the program for the calendar year 2007:

**2007 Residential Property, Earthquake, and Automobile Mediation Program Results**

	<b>Residential</b>	<b>Earthquake</b>	<b>Earthquake</b>	<b>Totals</b>
Number of mediation cases eligible	1	6	0	7
Number settled within 28 day settlement period	1	4	0	5
Number sent to mediation	0	2	0	2
Number of cases rejected by insurer	0	0	0	0
Number accepted by insurer	0	2	0	2
Number of settlements rejected within 3 day waiting period	0	0	0	0
Amount initially claimed	\$105,870	\$64,039	\$0	\$169,909
Amount of settlements	\$72,344	\$54,477	\$0	\$126,821

**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 indicates a violation of an insurance law or regulation has occurred, CSB pursues payment of claims that were improperly denied or delayed, when applicable.

In addition to assisting consumers with a variety of issues involving all lines of insurance except

worker’s compensation, CSB also participates on the Senior Issues Task Force, The Inter-agency Health Forum, and assists people impacted by wildfires and other catastrophic events at local assistance centers and work shops

**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 agent-brokers. RUSB works with the affected parties to clarify issues and reach a resolution. If its investigation shows that an insurance violation

**Table A: (CIC) Section 1858.35 Complaints by Type/Reason: 2007**

<b>Rank</b>	<b>Complaint Type/Reason</b>	<b># of Complaints</b>
1.	Premium & Rating Misquotes	691
2.	Coverage Question	488
3.	Premium Notice/Billing Problem	331
4.	Premium Refund	276
5.	Cancellation	264
6.	Surcharge	245
7.	Other-Claim Handling	156
8.	Non-renewal	120
9.	Other-Policy Holder Service	95
10.	Other-Underwriting	88
11.	Policy Holder Service Delays No Response	34
12.	Duplication Of Coverage	20
13.	Information Requested	17
14.	Refusal To Insure	14
15.	CLUE Reports	14
16.	All Other Reasons	97
	<b>Total</b>	<b>2,950</b>

or a policy breach has occurred, RUSB enforces the code or policy contract and requires the reinstatement of coverage and the refunding 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 Task Force and the Disability Advisory Committee, and assists people impacted by wildfires and other catastrophic events at local assistance centers and work shops. 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 for 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 B: (CIC) Section 1858.35 Complaints by Final Disposition: 2007**

Rank	Final Disposition	# of Complaints	Recovery Amount *
1.	Company Position Upheld	1620	\$ 32,532
2.	Premium Refund	265	\$4, 245,831
3.	Advised Complainant	143	\$ 44,503
4.	Company In Compliance	132	\$ 285
5.	Question Of Fact	122	\$ 7,193
6.	Other-Disposition	114	\$ 2,915
7.	Premium Problem Resolved	103	\$ 64,346
8.	Policy Issued/Restored	64	\$ 54,503
9.	Underwriting Practice Resolved	53	\$ 30,570
10.	Information Furnished/Expanded	49	\$ 15
11.	Coverage Extended	46	\$ 23,351
12.	Cancellation Upheld	25	\$ 0
13.	Rating Problem Resolved	22	\$ 2,249
14.	Non-renewal Notice Rescinded	21	\$ 0
15.	Cancellation Notice Withdrawn	17	\$ 80
16.	All Other Dispositions	154	\$ 131,008
	<b>Total</b>	<b>2,950</b>	<b>\$ 4,639,381</b>

\* Recovery Amount to Consumers

## MARKET CONDUCT DIVISION

The Market Conduct Division (MCD) is responsible for the examination of insurance company practices on behalf of the California Insurance Department. 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. Exams are generally conducted in the insurers' offices, located nationwide.

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 claims from rating practices. Also in MCD, the 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 in California. The goal of any market conduct examination is to evaluate compliance with statutes and regulations relative to the business of insurance and to initiate corrective actions or enforcement actions when necessary.

The following is a summary of MCD's accomplishments for the year 2007. The list covers different areas of accomplishment, including exams completed, dollars returned to consumers, industry and community interactions, and legal actions taken.

### 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

### Market Conduct Division Results for 2007

#### Examination Results

Category	FCB	FRUB	MCD Totals
Number of Exams Adopted by the Commissioner	76	98	174
Amount of Claims Dollars Recovered or Premium Returned to Consumers	\$2,004,988	\$12,660,019	\$14,665,007

#### Legal Actions & Penalties

No. of Actions Finalized by Legal Branch due to MCD Exam Findings	8	2	10
Penalties Resulting from Legal Branch Actions in 2007	\$2,550,000	\$7,995,500	\$10,545,500

**FCB:** Field Claims Bureau

**FRUB:** Field Rating & Underwriting Bureaus

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 in the Department's website.

### Field Rating and Underwriting Bureau

The Field Rating and Underwriting Bureau (FRUB) conducts market conduct examinations of insurer rating and underwriting practices. 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 California law. FRUB examiners verify that the insurer's adopted rates have been filed and approved, and are applied consistently. This requires that underwriting be adequately documented and not unfairly discriminatory.

#### *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 2007. Specifically, the analysis of complaint data focused on the following areas: insurer, insurance line of business, and type of violation.

Complaint totals by insurer is a primary criteria for determining the Market Conduct Division's examination schedule. The ten insurers with the most complaints (ranging from 1,261 at the top to 416 at number 10) have been examined in the last 3 years or will be examined in the next 2 years (5 completed, 1 in progress, 4 on schedule). Additionally, several of the insurers identified with high complaint totals are scheduled for examination more than once during this 5 year timeframe. Five of the ten have been the subject of enforcement actions within the last 3 years and 1 is under consideration for further action.

Complaints by line of business continue to be an important area for focusing Market Conduct Division examination resources. The Department received 35,280 complaints in 2007. The top five lines of business which generated the most complaints were the following: private passenger auto (12,861), group accident and health (6,904), individual accident and health (2,871), homeowners (2,275), and individual life (1,783). These lines of business were the most frequently examined by both the Field Claims Bureau and the Field Rating and Underwriting Bureau during 2007. 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. The ten insurers with the most violations were identified for 2007 (ranging from 1,488 at the top to 106 at number 10). Of those 10 insurers, each has been examined within the last 3 years or is scheduled for examination by the Market Conduct Division within the next 2 years (6 completed, 2 in progress and 2 on the schedule). Five of the ten have been the subject of enforcement actions within the last 3 years and 2 are under consideration for further action.

A geographic analysis of complaints was also conducted for 2007. There were no unusual results found in this analysis. The number of complaints by county and Zip Code tracked roughly with the relative population size for each county or Zip Code.

**2007 ANNUAL REPORT**  
ENFORCEMENT  
BRANCH

## ENFORCEMENT BRANCH ANNUAL REPORT

The Enforcement Branch provides its portion of the annual report. The following information represents an overview of the Enforcement Branch, which includes Division responsibility, program oversight, expenditures, and activities for Fiscal Year 2006-07. The Enforcement Branch also provides this information to meet the requirements of Sections 1872.9, 1872.96 and 1874.8 of the California Insurance Code.

### Branch Overview

The Enforcement Branch is comprised of two divisions: Fraud and Investigation. The Branch investigates criminal and regulatory violations starting with point-of-sale transactions through the claims process.

### Branch Mission Statement

“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.”

### Branch Organization

- + *Branch Management*—The Enforcement Branch Management consists of the Deputy Commissioner, one CEA II (Investigation Division), three Bureau Chiefs (Fraud Division), one Supervising Insurance Investigator (Investigation Division), one Staff Services Manager II (Fraud Division), one Supervising Fraud Investigator II (Fraud Division), and an Executive Assistant.
- + *Branch Headquarters*—The Staff Services Manager II is responsible for the operation of

the Branch Headquarters Office in support of the Enforcement Branch Deputy Commissioner. This position works closely with other units within the Department, most notably Human Resources Management Division, Budget and Revenue Management Bureau, Accounting Services Bureau, and Business Management Bureau.

- + *Internal Affairs/Backgrounds*—The Supervising Fraud Investigator II oversees all internal affairs investigations for the Department and pre-employment background investigations for the Branch.
- + *Computer Forensic Team*—The Supervising Fraud Investigator I coordinates the efforts of the Computer Forensic Team that supports statewide investigative efforts through technical expert forensic examinations of computer data seized during investigations.

### FRAUD DIVISION

The CDI's Fraud Division has the responsibility of ensuring the provisions outlined in Chapter 12 of the California Insurance Code, “The Insurance Frauds Prevention Act” and Penal Code Section 550 are enforced throughout the State of California.

The mission of the Fraud Division is “To protect the public from economic loss and distress by actively investigating and arresting those who commit insurance fraud and to reduce the overall incidence of insurance fraud through anti-fraud outreach to the public, private and governmental sectors.”

### Budget and Staffing

Fiscal Year 2006-07 Fraud Division Budgeted/ Revenue/Expenditures by Program and Fiscal Year Staffing level:

## Fraud Division (Administration and Operations)

The Fraud Division has ten regional offices serving all 58 counties. The Division's Headquarters office supports all regional office operations, including those activities related to the management of the statewide grant programs, as well as centralized support of investigations in the Automobile, Organized Automobile Fraud Interdiction Program, Workers' Compensation, Disability & Healthcare, and Property & Casualty Fraud Programs.

Fraud Division headquarters has eight major sub-units performing the following: receiving, cataloging, and processing Suspected Fraudulent Claims (SFCs); processing seized computer evidence; auditing insurance companies' Special Investigative Units for compliance with applicable laws and regulations; providing grant funding and oversight to participating district attorneys; auditing grant funds awarded to district attorneys; collecting and analyzing Fraud Division statistical data; and training Fraud Division employees.

### Budget and Staffing

Fraud Auto Revenues <sup>1</sup> :	\$35,434,283
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#### Insurance Fraud Assessment, Automobile (includes Regular and Urban)

Budgeted Levels:	\$35,319,000
District Attorneys' Auto Distribution:	\$15,834,968
State Operations Auto Expenditures:	\$16,743,253

#### Insurance Fraud Assessment, Workers' Compensation

Budgeted Levels:	\$41,904,000
District Attorneys' Workers' Compensation Distribution:	\$22,715,968
State Operations Workers' Compensation Expenditures:	\$18,128,029

#### Insurance Fraud Assessment, Disability and Healthcare

Budgeted Levels:	\$3,860,000
District Attorneys' Disability and Healthcare Distribution:	\$2,362,791
State Operations Disability and Healthcare Expenditures:	\$1,786,544

Insurance Fraud Assessment, General Budgeted Levels:	\$2,151,000
State Operations General Assessment Expenditures:	\$1,940,827
Fiscal Year 2006-07 Fraud Division Positions:	296

<sup>1</sup>: Auto revenues exclude the \$0.30 assessment per SB 940 which is not used for Fraud Division programs.

### Automobile Insurance Fraud

The Fraud Division coordinates automobile insurance fraud investigations statewide, provides assistance to law enforcement agencies, and presents prosecutable automobile fraud cases to district attorney's offices and the US Attorney General's Office. The program is funded by an annual assessment of \$1.00 assessment for every insured vehicle in the State.

Fraud Division criminal investigators enforce the provisions of California Insurance Code Section 1871.4 and California Penal Code Sections 549 and 550. The Fraud Division continues to focus on five major categories of automobile insurance fraud activities: economic medical mills, organized crime, staged accident rings, false claim filing, and organized economic car theft enterprises. Organized criminal elements have and continue to use these types of schemes.

During Fiscal Year 2006-07, the Fraud Division identified and reported 14,357 SFCs, assigned 542 new cases and made 282 arrests and submitted 277 cases to prosecuting authorities. Potential Loss <sup>2</sup> amounted to \$163,804,247.

### District Attorneys' Automobile Insurance Fraud Program

During Fiscal Year 2006-07, 34 counties received funding totaling \$11,450,212 through the Department's Auto Insurance Grant Program. The amount of financial support funded to each county is based on the county population, the number of SFCs reported, the county's plan and past performance.

For Fiscal Year 2006-07, the district attorneys reported that 2,089 cases were investigated (Note: these cases also include the Fraud Division and investigations by various automobile theft taskforces and local municipal agencies) and made

1,187 arrests, culminating in 810 convictions while many cases are still pending in court. Chargeable fraud <sup>3</sup> amounted to \$12,031,421, with \$2,323,153 in restitution ordered by the courts.

### Organized Automobile Fraud Activity Interdiction

The California State Legislature finds that organized automobile fraud activity operating in the major urban centers of the state represents a significant portion of all individual fraud-related automobile insurance cases. These cases result in artificially higher insurance premiums for core urban areas and low-income areas of the state than for other areas of the state. Only a focused, coordinated effort by all appropriate agencies and organizations can effectively deal with this problem. With the passage of Assembly Bill 1050 (Wright), the Organized Automobile Fraud Activity Interdiction ("Urban Grant") Program was created in Fiscal Year 2000-01. The program is funded by an annual assessment of 50 cents for every insured vehicle in the State.

The California Insurance Code Section 1874.8 mandates the Insurance Commissioner award three to 10 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 2006-07, the Fraud Division assigned 224 new cases and made 218 arrests and

<sup>2</sup>: Potential Loss is the dollar loss/exposure for the claim if the fraud had gone undiscovered. <sup>3</sup>: Chargeable Fraud is the total amount of fraud that would result from all counts that are actually charged.

submitted 255 cases to prosecuting authorities. Potential Loss amounted to \$14,322,113.

### **District Attorneys' Organized Automobile Fraud Activity Interdiction Program**

During Fiscal year 2006-07, nine counties were awarded grant funding totaling \$4,384,756. The grant-awarded district attorneys reported 295 arrests, which also included many of the Fraud Division arrests. District attorneys prosecuted 233 cases involving 602 defendants with chargeable fraud totaling \$13,308,122. District attorney's outcomes totaled 213 convictions.

### **Disability and Healthcare Fraud**

Health insurance fraud is a particular problem for health insurance policyholders. Although there are no precise figures, it is believed that fraudulent activities account for billions of dollars annually in added health care costs nationally. Health care fraud causes losses in premium dollars and increases health care costs unnecessarily <sup>4</sup>.

As mandated by California Insurance Code Section 1872.85, funding for the Disability and Healthcare Fraud Program is derived from an annual assessment of 10 cents annually for each insured under an individual or group insurance policy issued in the state. This funding supports criminal investigations by the Fraud Division and prosecution by district attorneys of suspected fraud involving disability and healthcare fraud.

This program area includes Suspected Fraudulent Claims involving:

- + Claimant Disability other than Workers' Compensation
- + Dental Claims
- + Billing Fraud Schemes
- + Immunization Fraud

- + Unlawful Solicitation (Usually Associated with Medically Unnecessary Surgery Claims)
- + Durable Medical Equipment
- + Posed as Another to Obtain Benefits

This program began in the beginning of fiscal year 2004-05 as a task force concentrating their efforts in Los Angeles and Orange Counties. Currently, there are ten peace officers and two supervisors statewide who investigate and arrest suspected violators. This team also provides assistance and training to investigators and adjusters of private health insurance companies, other state and federal government agencies, and allied law enforcement agencies.

During Fiscal Year 2006-07, the Fraud Division identified and reported 423 SFCs, assigned 49 new cases and made 14 arrests and submitted 14 cases to prosecuting authorities. Potential Loss amounted to \$12,564,034.

### **District Attorneys' Disability and Healthcare Program**

In Fiscal Year 2006-07, five counties received funding totaling \$2,362,791 through the Department's Disability and Healthcare Fraud Grant Program. For Fiscal Year 2006-07, the district attorneys reported 201 investigations, 33 arrests, and 17 convictions, which also included a majority of Fraud Division arrests. Chargeable fraud amounted to \$131,300,764, with \$839,101 in restitution ordered by the courts.

### **Workers' Compensation Fraud**

During the 1920s, most states, including California, accepted a new social insurance program known as workers' compensation. In California, workers' compensation insurance is a no-fault system. Injured employees need not prove the injury was someone else's fault in

<sup>4</sup>: California Insurance Code §1871 (h).

order to receive workers' compensation benefits for an on-the-job injury. Often white-collar criminals, including doctors and lawyers, dupe the system through fraudulent activity 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 2006-07 is \$40,977,541.

The investigation of Workers' Compensation Fraud very often involves difficult and lengthy investigations. These investigations have resulted in convictions and the reduction of a number of medical and/or legal workers' compensation mills. Since Fiscal Year 2003-04, the CDI has participated as a member of the "Underground Economy Strike Force," per Assembly Bill 202. The Fraud Division continues to focus its efforts in that area of the Underground Economy known as employer misrepresentation or Premium Fraud. Participation on the Strike Force helps the Fraud Division and district attorneys investigate and prosecute the premium fraud cases which most significantly impact the California economy and business climate.

An aggressive anti-fraud campaign by the Department, the district attorneys, the insurance industry and California employers continues to play a substantial role in reducing crime and helps lower workers' compensation premiums for employers statewide.

During Fiscal Year 2006-07, the Fraud Division received 5,933 SFCs, assigned 724 new cases, made 401 arrests and submitted 483 cases to prosecuting authorities. Potential Loss amounted to \$222,916,515.

### **District Attorneys' Workers' Compensation Program**

In Fiscal Year 2006-07, the district attorneys reported a total of 549 arrests, which also included the majority of Fraud Division arrests. During the same time frame, district attorneys prosecuted 1,115 cases with 1,224 suspects, resulting in 499 convictions while many cases are still pending in court. Restitution of \$24,953,650 was ordered in connection with these convictions and \$8,639,562 was collected during Fiscal Year 2006-07. The total chargeable fraud was \$260,292,381, representing only a small portion of actual fraud since many fraudulent activities had not been identified or investigated.

### **Property, Life and Casualty Fraud**

The Property, Life and Casualty 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), multiple claims for the same loss and multiple suspects. Many of these cases have been jointly investigated with local and federal law enforcement agencies and have been prosecuted at the local, state or federal level.

This program accounts approximately for 5% of the Fraud Division's allocated budgetary resources. The funding stream for this program is generated by a \$1,300 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 2006-07, the Fraud Division identified and reported 3,090 SFCs, assigned 136 new cases, made 32 arrests and submitted 37 cases to prosecuting authorities. Potential Loss amounted to \$104,130,953.

### Special Investigative Unit – Compliance Review Office

The primary responsibility of the Fraud Division, Special Investigative Unit (SIU) Compliance Review Office, is to inspect insurance companies to ensure regulatory compliance with regard to the establishment, staffing and operation of the insurer's SIU. The Office also is responsible for updating, distributing, reviewing, monitoring and tracking the annual SIU compliance reports filed by approximately 1,250 insurance companies each year.

The majority of California licensed insurers are required by California Insurance Code Section 1875.20-24 and California Code of Regulations, Title 10, Section 2698.30-43 to establish and maintain Special Investigative Units. Regulation also requires each insurance company to submit an annual compliance report to the Fraud Division, SIU Compliance Review Office. The annual SIU compliance report must provide adequate information and documentation regarding the insurer's anti-fraud operations, policies and procedures, and anti-fraud training. The SIU Compliance Review Office provides the format and instruction for submission of the reports and reviews, monitors and evaluates the completeness and timeliness of the reports filed annually.

After completion of a review and rating of the insurers' reports filed annually, the SIU Compliance Review Office considers various risk-based criteria for proper selection of insurers for

SIU review. The risk-based criteria include, but are not limited to:

- + Prior SIU review history, including follow-up of audit findings and implemented recommendations
- + Possible deficiencies or areas of non-compliance identified during examination of annual SIU compliance reports
- + Quantity and quality of suspected insurance fraud (FD-1 and eFD-1) submissions.
- + Insurance that is risky and susceptible to fraud, thus negatively impacting consumers, producers and insurers
- + Volume and nature of complaints received for a particular insurance company.
- + Market share of the insurance carrier
- + CDI Executive Directive

During Fiscal Year 2006-07, the SIU Compliance Review Office conducted 16 audits of primary insurance companies, which included 14 subsidiary companies, for a total of 30 companies. Of the 16 primary companies reviewed, 10 were licensed to write, and are currently writing, workers' compensation insurance in California. Four of the primary companies were out-of-state, six were in-state, and six were desk reviews conducted at the SIU Compliance Review Office location. One of the California companies encompassed field examinations at 23 company office locations throughout the state.

The purpose of the SIU compliance review is to identify areas of regulatory non-compliance or operational weaknesses of an insurer's SIU and provide recommendations for improvement and technical assistance to the insurer's SIU management.

### During Fiscal Year 2006-07, common findings were:

- + SIU not adequately staffed or non-existent

- Contracts with third parties for SIU compliance not provided or not in compliance
- Inadequate written anti-fraud procedures
- Inadequate SIU investigation procedures
- Company not referring incidents of suspected insurance fraud to CDI
- Referrals of suspected insurance fraud to CDI not made within the mandated 60 day period
- FD-1 fraud referral forms outdated, contain repetitive errors, were incomplete
- Inadequate anti-fraud training program
- Not all SIU staff receiving continuing anti-fraud training
- Training records incomplete or non-existent
- Annual SIU compliance report not submitted by the required due date
- Annual SIU compliance reports did not contain sufficient information

Upon completion of an SIU compliance review, a preliminary report, or Exit Review Report, is issued to the company, identifying proposed findings and recommendations. The insurer is given 30 days to respond to the Exit Review Report and provide supporting documents and information. A Final Report of Findings, which indicates whether or not the findings have been resolved, is then issued to the company and to the Deputy Commissioner of the Enforcement Branch. Unresolved findings reported in the Final Report of Findings are subject to the hearing process, and possible fines and penalties.

The SIU Compliance Office is currently drafting procedures to include examinations of policy files when conducting compliance reviews. The policy examination procedures will provide for the identification of policies and insurance applications which may contain evidence of possible suspected insurance fraud, warranting referral to and investigation by the insurer's SIU. The procedures will also identify cases which

should have been referred by the insurer to the CDI Fraud Division and, if applicable, District Attorneys. The policy examination procedures will be instrumental in ensuring that companies report all incidents of suspected insurance fraud whether occurring in a claim, policy or application, including possible premium fraud in regards to workers' compensation insurance. It is expected that the procedures will be finalized and formally included in the SIU compliance review process in January 2008.

### Fraud Grant Audit Unit

The primary responsibility of the Fraud Division, Fraud Grant Audit Unit (FGAU), is to conduct fiscal audits of the Workers' Compensation, Automobile, Organized Automobile Fraud Activity Interdiction, and Disability and Healthcare Insurance Fraud Grants awarded to participating California District Attorney's Offices.

California Insurance Code Section 1872.8(b)(1) requires the California Department of Insurance (CDI) to conduct fiscal audits of the 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) requires 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 Sections 2698.59(f) allows the CDI to conduct fiscal audits of the Workers' Compensation Fraud Insurance Grant Program.

The purpose of the Fraud Grant Audit is to provide the Fraud Division executive staff with objective, accurate and timely information needed to ensure the propriety of the CDI allocated district attorney grant funds to enhance investigation and prosecution of workers' compensation, automobile, organized automobile, and disability and healthcare insurance fraud cases.

During Fiscal Year 2006-07, a minimal number of audits were conducted by the FGAU staff due to staff turnover. “Expenditures inaccurately reported,” was the most common audit finding.

Upon completion of the Fraud Grant Audit, a Preliminary Review Report identifying proposed findings and recommendations is issued to the District Attorney’s Office. The District Attorney’s Office is given 30 days to respond to the Preliminary Review Report and provide supporting documents and information. A Final Review Report, which indicates whether or not the findings have been resolved, is then issued to the District Attorney’s Office and the Deputy Commissioner of the Enforcement Branch. Unresolved findings may impact future grant fund distributions to the District Attorney’s Office.

### Anti-Fraud Outreach

A critical component of the Fraud Division’s mission statement is to provide anti-fraud outreach and training to the public, private and governmental sectors. The following are examples of Fraud Division’s outreach activities:

#### Public

- *Posting Convictions on Web Site*—Consistent with the requirements of AB 2866, which went into effect January 1, 2005, the Department continues to post 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, the following information concerning convictions in workers’ compensation insurance fraud cases:
  - name, case number, county or court, and other identifying information with respect to the case
  - full name of the defendant
  - city and county of the defendant’s last known residence or business address;
  - date of conviction
  - description of the offense;

- amount of money alleged to have been defrauded;
- description of the punishment imposed, including the length of any sentence of imprisonment and the amount of any fine imposed.
- *Community Forums*—The Fraud Division participates in community-sponsored events, such as town hall meetings, public hearings, and underground economy seminars. These forums give the Division opportunities to hear directly from consumers regarding their insurance concerns, and provide information communities can use to protect themselves from insurance fraud.
- *Media/Public Service Announcements*—The Fraud Division participates with local, state, and national broadcasting outlets to educate the public about insurance fraud in California. One example is the workers’ compensation medical provider video produced by the Employer Fraud Task Force.

#### Industry Liaison

The Fraud Division 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 Division maintains a routine and specific

liaison with the following State agencies or entities on matters of overlapping jurisdiction or mutual concern: California Peace Officer’s 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 Rehabilitation and Corrections; Department of Alcoholic Beverage Control; and Regional Auto Theft Task Forces.

**Internet**

The CDI Internet public website contains information on the following subjects: Insurance Fraud Reporting Forms; What is Insurance Fraud; Where to Report; Fraud Division Regional Offices; Workers’ Compensation Fraud Conviction Data; Automobile Fraud; Property, Life and Casualty; Health and Disability; Workers’ Compensation Fraud; Insurer Special Investigative Units; and Fraud Newsletters.

**Fraud Division’s Supplemental Report-- Insurance Code § 1872.9**

**The number of cases reported to the Fraud Division:**

The source of leads for investigations initiated by the Fraud Division is the Suspected Fraudulent Claim (SFC), also known as a FD1 or eFD-1. A SFC 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. All referrals submitted to the Fraud Division, regardless of the reporting party and supporting evidentiary information, are assigned a case tracking number, placed in the Fraud Integrated Database (FIDB), and forwarded to supervisors in the regional office with jurisdiction over the allegations. The Fraud Division, like all other law enforcement agencies, must track and make a determination on whether further action, if any, is to be taken on all reports filed under its mandate. All reports will be reviewed, although the majority will not be assigned for further investigation.

*Suspected Fraudulent Claims*

Auto and Urban Auto . . . . .	14,565
Property Casualty . . . . .	3,090
Workers’ Compensation . . . . .	5,933
Health . . . . .	423
Total . . . . .	24,011

*The number of cases rejected by the Fraud Division due to insufficient evidence or any other reason:*

SFCs unassigned due to insufficient evidence: . . . . .	13,857
SFCs unassigned due to other reasons: . . . . .	7,920

**Suspected Fraudulent Claim Intake Overview**

The vast majority of SFCs are generated by the insurance industry. The standard for referring an SFC is codified by a number of statutes within the Insurance Code. The fact that there are five different statutes, offering various standards for when to refer, often results in referrals that fail to rise to the level necessary to result in a criminal conviction. The variations in the Insurance Code for the standard to refer range from when the carrier “believes” or has “reason to believe” to “has reason to suspect” that insurance fraud has occurred. In 2005, regulations were

promulgated to clarify when to refer SFCs, which state the following: “referrals shall be submitted in any insurance transaction where the facts and circumstances create a reasonable belief that a person or entity may have committed or is committing insurance fraud<sup>5</sup>.” “Reasonable belief” is a level of belief that an act of insurance fraud may have or might be occurring for which there is an objective justification based on articulable fact(s) and rational inferences therefrom<sup>6</sup>.

Fraud Division supervisors use the below criteria when determining case assignments in the various fraud programs:

- 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.
- Allegations are abuse rather than fraud.
- Insufficient resources, the statute of limitations, discussion with a district attorney regarding facts of the SFC resulted in rejection, or referral to another agency.

*The number and kind of cases prosecuted as a result of funding received under Insurance Code § 1872.7:*

Insurance Code Section 1872.7 assesses funding for use in property/casualty fraud, which can include false and bogus death claims, arson in order to receive life insurance policy payout, murder for profit in order to obtain life insurance benefits, inflated/faked homeowner claims, false boat claims, arson for profit, and so forth.

Caseload (open and newly assigned) . . . . . 330  
 Arrests. . . . . 32  
 Cases submitted to District Attorneys. . . . . 37



	<b>Amount Paid<sup>1</sup></b>	<b>Suspected Fraudulent Loss<sup>2</sup></b>	<b>Potential Loss<sup>3</sup></b>
Automobile	\$16,844,844	\$44,907,935	\$163,804,247
“Urban Auto”	\$6,782,385	\$8,165,311	\$14,322,113
Property Casualty	\$15,492,674	\$17,472,197	\$104,130,953
Workers’ Compensation	\$129,590,876	\$260,628,278	\$222,916,515
Health	\$9,874,969	\$9,242,383	\$12,564,034
<b>Total</b>	<b>\$178,585,748</b>	<b>\$340,416,113</b>	<b>\$517,737,862</b>

<sup>5</sup>: California Code of Regulations, Subchapter 9 Insurance Fraud, Article 2 Special Investigative Unit Regulations, Section 2698.37. <sup>6</sup>: California Code of Regulations, Subchapter 9 Insurance Fraud, Article 2 Special Investigative Unit Regulations, Section 2698.30(L).

## 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 System.

### *Recommendations On Ways Insurance Fraud May Be Reduced:*

To reduce insurance fraud, the Department continues to implement the following:

- A systematic effort to measure the extent and nature of fraud in the system and the types of fraudulent activities most responsible for driving up the insurance premium.
- An overall strategy for combating fraud based on goals, objectives, priorities and measurable targets.
- A means to periodically evaluate the effectiveness of the efforts to reduce the occurrence of those types of fraud.

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 claim 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 reduction of fraudulent denials and payments of compensation, pursuant to § 1871.4 (right):*

*The number and types of cases investigated and prosecuted with funds specified in Insurance Code § 1872.83:*

Workers’ compensation fraud is committed to obtain benefits to which a claimant is not entitled. Suspects make false statements to doctors, employers, and insurance carriers regarding work-related injuries, work while receiving benefits, and fake injuries.

Caseload .....1,439  
(open and newly assigned cases)

Arrests..... 401

**INVESTIGATION DIVISION**

**Fiscal Year 2006-2007**

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 a prosecuting authority pursuant to Insurance Code Sections 12928 and 12930. The Investigation Division pursues prosecutions of offenders through both Regulatory and Criminal Justice Systems.

The mission of the Investigation Division is to investigate complaints and reports of suspected

violations of the California Insurance Code and other laws and regulations pertaining to the business of insurance, and to seek the appropriate enforcement action (administrative, criminal or civil) 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.

The Insurance Commissioner, as part of the Enforcement Branch, charged the Investigation Division with the responsibility and authority to take steps to protect California policyholders from insurance related crimes committed by businesses and individuals.

The public and the insurance industry are both safeguarded when the Investigation Division investigates crimes and violations and seeks criminal prosecutions and disciplinary actions where warranted by the evidence. In this way, those who break the law can be disciplined or removed from the industry when warranted and future crimes and violations are deterred.

The Insurance Commissioner has established case handling priorities for the Investigation Division, which includes premium theft, senior citizen abuse, bogus insurance companies, viatical settlement fraud, and deceptive sales practices by insurance companies, consumer abuse by automobile insurance agents, title insurance rebates, and consumer abuse by public adjusters, insider fraud, and bail agents.

<b>Fiscal Year 2006–2007 Restrictions</b>	<b>Ordered</b>	<b>Collected</b>
Workers’ Compensation	\$24,953,650	\$8,639,562
Automobile	\$2,323,153	\$1,214,607
Organized Auto Interdiction	\$3,774,260	\$781,837

## Budget and Staffing

During the period of July 2006 through June of 2007, the Investigation Division's expenditures totaled \$9,454,115 in support of an authorized staff of 89.8 positions.

## 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.

*Division Headquarters* —The Division Headquarters is responsible for administering state wide programs such as the Life and Annuity Consumer Protection Program and to provide administrative services to the regional Chief Investigators and their staff. An Administrative Manager of the Enforcement Branch oversees the Division Headquarters functions and is also responsible for division intake and inquiries, equipment, human resource functions, training unit, statistical analysis and E-government systems.

*Division Case Intake and Inquiry Unit* —As part of the Division Headquarters, this unit receives and review information from the public, governmental agencies, the insurance industry, law enforcement, and 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 conduct the investigation. The unit further processes all Division inquiries and requests from consumers, other CDI branches and from other governmental agencies.

*Investigation Division Regional Offices*—There are seven regional offices located throughout California. Each regional office is managed by a Chief Investigator and consists of first-line supervisors, investigators, and support staff.

*Criminal Operations Point of Sale Unit*—Investigation Division Investigators are empowered by Penal Code § 830.11, to exercise the powers of arrest and to serve warrants during the course and scope of their employment. In April 2007, the Department established a sworn peace officer unit within the Division. The Criminal Operations Point of Sale Unit's primary objective is to protect the public by conducting efficient and effective criminal investigations, effect arrests, execute search warrants, liaison with allied law enforcement and advance the Department's continuing goal of protecting consumers using its full peace officers powers as set for in Penal Code 830.3.

*Investigation Division Violations*—The following categories identify the priority types of violations investigated by the Division:

- Premium Theft—Identified by the Investigation Division staff as the single most prevalent type of misconduct seen in the insurer producer area. Instances can range from a single theft of minimal amounts to multi-million dollar scams causing the insurance industry and competitive businesses to become the unwitting victims of financial loss.
- Senior Citizen Abuse—Particular agents and insurers target their marketing efforts to senior citizens. Certain agents and insurers abuse the senior citizen customer by over selling, misrepresentation, and selling unneeded or even inappropriate insurance products to them. At times, the misconduct is criminal, involving theft, false documents, and confidence games. The current product lines used to abuse seniors are the single premium annuity and long term care insurance.
- Viatical and Viatical Settlement Fraud—This involves complex schemes that induce investors to purchase, at present value, the right to collect a death benefit on life insurance issued to a person who allegedly is terminally ill. The investment and insurance transactions are manipulated

against the interests of the insurer, insured, policy owner, and investor. Because of the securities nature of the investment component, these cases are worked in cooperation with the Department of Corporations.

- ✦ Insurance Company Deceptive Practices/Condoning Sales Force Misconduct—Insurers may fail to properly monitor and control their sales forces, in part, because they are seen as independent contractors. The failure, in extreme cases, may involve ignoring complaints and other evidence of sales force misconduct or even training and encouraging misconduct.
- ✦ Phony Insurance Companies—This type of fraud involves selling falsified papers that appear to be insurance policies or contracts. This 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.
- ✦ Private Passenger Auto Insurance Consumer Abuse—Certain high-volume private passenger automobile agencies concentrate on the less desirable auto insurance risks. These include people with bad driving records, young drivers, people who have never had insurance before, and people who cannot afford insurance. Some agencies focus on consumer abuse.
- ✦ Public Adjuster Misconduct—Public adjusters can represent insurance claimants in conflict with their insurance companies. This specialty has, in the past, had a high incidence of contested practices, including high-pressure sales, overcharging, conflict of interest with vendors, and failure to account for claims proceeds.
- ✦ Title Company Bribery and Kick-Back Activity—These matters represent problems associated with a remote purchaser of insurance. The title insurer sells a policy needed for closing a real estate transaction. The property buyer

pays for it, but the realtor selects the insurer. The problem is that the title companies engage in kickbacks and commercial bribery to induce business from the realtors. This adds to the cost, but not the commercial value of the insurance.

- ✦ Bail Agent Activity—A bail agent is a person permitted to solicit, negotiate, and transact undertakings of bail on behalf of any pointed surety insurer. An unscrupulous bail agent may fail to return collateral, aid and abet unlicensed bail agents and fail to remit premium to insurer.

In addition to these priority types, the Division investigates all other complaints and alleged violations of laws as provided within the California Insurance Code, California Business and Professions Code, California Code of Regulations, California Penal Code, and Title 18 of the United States Code, related to the transaction of insurance conducted by individuals and entities conducting the business of insurance within the State of California.

**Division Wide Investigations (Fiscal Year 2006-07)**

During this fiscal year, 1,776 complaints were received from consumers, other CDI units, law enforcement and from other agencies. In addition, hundreds of inquiries about individuals and entities transacting insurance were processed.

This resulted in cases being opened during the fiscal year involving 796 different individuals and/or entities.

129 additional complaints were consolidated within the investigation of the 796 investigations, which were opened.

Cases opened against 840 different individuals and/or entities were completed during FY 06/07.

724 Cases were still in progress as of June 30, 2007.  
 Criminal Cases. . . . . 456  
 Regulatory/Administrative Cases. . . . . 268

7: Any initial allegation that is found sufficient to warrant investigation, but which has not yet been assigned to an investigator. It is intended to represent matters that are potential future investigations.

392 Reports of Suspected Violation<sup>7</sup> were pending as of June 30, 2007.

Criminal Cases. . . . .	180
Regulatory/Administrative Cases. . . . .	212

**Economic Impact, Losses and Recoveries  
(Fiscal Year 2006/07)**

Closed Cases—Monetary Loss	\$63,864,348
Closed Cases—Losses Recovered	\$12,218,326
Closed Cases—Economic Impact	\$8,718,000

**Criminal Prosecution Cases  
(Fiscal Year 2006/07)**

Assisted Law Enforcement Agencies . . . . .	24
Referred to Prosecutor . . . . .	85
Prosecutor Rejected . . . . .	31
Filing/Arrests/Indictments . . . . .	90
Search Warrants Served . . . . .	43
Convictions/Sentencing. . . . .	90

**Regulatory Prosecution Cases  
(Fiscal Year 2006/07)**

Cases Referred for Regulatory Prosecution	146
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**Investigation Division Funding**

Most investigations conducted by the Investigation Division are compensated by revenues generated from fees and licenses charged to the insurance industry. Two areas of investigations which are specially funded are investigations related to automobile insurance and investigations related to Life and Annuity Consumer Protection Programs.

**Investigations Related to Automobile Insurance**

Effective July 1, 2000 and as amended in 2005, the Investigation Division, Legal Division and Consumer Services and Market Conduct Branch

were charged with implementing Senate Bill 940 and Assembly Bill 1183. These bills, which established and amended Insurance Code Section 1872.81 of the Insurance Code, require each insurer doing business in California to pay to the Insurance Commissioner an annual fee of thirty-cent for each insured vehicle under an insurance policy it issues in the state. This section limits the expenditure of this revenue to maintaining and improving consumer service functions of the department that are related to automobile insurance.

**Auto Insurance Investigations<sup>8</sup>  
(Fiscal Year 2006/07)**

Opened: . . . . .	139
Completed: . . . . .	155
In progress as of June 30, 2007: . . . . .	170
Reports of Suspected Violation: . . . . .	48

**Investigations Related to Life Insurance and Annuity Products**

Effective July 1, 2005, the Investigation Division was charged with implementing Assembly Bill 2316. Assembly Bill 2316 (Chapter 835, Statutes of 2004) adds Section 10127.17 of the California Insurance Code which creates and establishes the Life and Annuity Consumer Protection Fund. 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.

It allows levying \$1.00 fee against insurers for each new individual life insurance and annuity product worth \$15,000 or more and requires that the moneys be deposited into the new Fund. The Fund will be used to protect consumers of life

<sup>8</sup>: This data is included in the overall Division case information shown on the previous sections of this report.

insurance and annuity products from financial abuse. The bill allows an insurer to charge this fee to the policyholders but requires that the insurer charge it separately from other premiums or other fees. Moneys collected will be equally divided between the Department and district attorneys for investigating and prosecuting violators and for other projects beneficial to insurance consumers. This bill provides that the Commissioner may develop guidelines and issue regulations for implementing these provisions.

**Life Insurance and Annuity Products Investigations (Fiscal Year 2006/07)<sup>9</sup>**

Opened: .....	143
Completed:.....	68
In progress as of June 30, 2007:.....	100
Reports of Suspected Violation: .....	97

**Initiatives To Reduce Producer Fraud**

In order to reduce incidents involving producer fraud, the Department is implementing the following:

- + Establishment of Criminal Operations Point of Sale Unit. This Unit’s primary objective is to protect the public by conducting efficient and effective criminal investigations, effect arrests, execute search warrants, liaison with allied law enforcement and advance the Department’s continuing goal of protecting consumers using its full peace officers powers as set for in Penal Code 830.3.
- + Establishment of investigative time parameters and case referral objectives to improve efficiency and increase productivity.
- + Establishment of Investigation Division Disaster Response Team to work in conjunction with other CDI Divisions and allied agencies to proactively respond to disasters or other

emergencies statewide affecting enforcement operations.

- + Development of a paperless work environment to expedite the processing of complaints and reports of suspected violations received by Investigation Division.
- + Improve 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.
- + Provide Life and Annuity Consumer Protection Program (LACPP) training to County Prosecutors, local law enforcement agencies and consumer groups
- + Development of legislative proposals to strengthen laws governing the transaction of insurance and the enforcement of those laws.
- + Continuing outreach to industry associations, consumer groups and allied law enforcement agencies.

During Fiscal Year 2006/07, the Investigation Division has strived to continue providing the best consumer protection investigative services in the nation as demonstrated by the numerous enforcement actions, both criminal and administrative, taken against insurance code violators.

**WORKERS’ COMPENSATION INSURANCE ANTI-FRAUD PROGRAM**

**Executive Summary**

This report provides an overview of the background and accomplishments in the investigation and prosecution of workers’ compensation insurance fraud by the Fraud Division and district attorneys. Specifically, the report reviews the

<sup>9</sup>: This data is included in the overall Division case information shown on the previous sections of this report.

Fraud Division's case investigations, statistical information, budget, administrative support, and outcomes for Fiscal Year (FY) 2006/07.

The goal of the Workers' Compensation Insurance Anti-Fraud Program is to arrest, prosecute, and convict perpetrators who commit workers' compensation insurance fraud and aggressively provide anti-fraud outreach and training to the public, private, and governmental sectors.

In FY 2006/07, the Fraud Division received and processed 5,933 <sup>1</sup> suspected fraudulent claims (SFCs), investigated 1,439 cases, arrested 401 suspects, and convicted 186 defendants for workers' compensation fraud.

District attorneys and the Fraud Division, in a coordinated effort, focus on investigating and prosecuting fraudulent claims identified by insurance carriers, third party administrators, self-insured employers, allied law enforcement, and others. Claimants and legal/medical service providers generally commit this type of fraudulent activity. Currently, the highest priorities in anti-fraud efforts deal with the investigation of those persons and entities that drive up the cost of claims and insurance premiums. Investigations have identified "premium fraud" committed by employers who file fraudulent payroll information to reduce insurance premiums and "medical provider fraud" as those cost drivers. Ongoing anti-fraud efforts, with respect to the identified cost drivers and the increasing number of uninsured employers, are necessary to maintain the legislative intent of workers' compensation statutes.

Workers' compensation insurance fraud cases generally require substantial investigative time and resources and are difficult to prove. Investigation techniques and prosecution strategies have improved over the past 17 years enabling

investigators to increase their effectiveness. Due to the complexity of some cases, it can take up to three to four years of investigation before these cases are ready for prosecution (i.e., treatment fraud, fraudulent provider billing practices, premium fraud, and insider fraud).

Working in a joint effort, district attorneys, Fraud Division, allied law enforcement, and the insurance industry, the Workers' Compensation Insurance Anti-Fraud Program has produced a return of \$6.17 of chargeable fraud<sup>2</sup> for every \$1 invested in pursuing insurance fraud, which represents a total of \$260,292,381 of chargeable fraud during 2006/07.

### I. Workers' Compensation Historical Background

The State Legislature passed California's workers' compensation law in 1913. The law created a no-fault system in which employers are shielded from liability regardless of fault and injured employees need not prove the injury was someone else's fault in order to receive workers' compensation benefits for an on-the-job injury.

A significant portion of workers' compensation costs is attributable to insurance fraud, and in return, fraud becomes a factor in the cost of workers compensation insurance. These perpetrators include medical and legal providers, unscrupulous applicants, and dishonest employers. These crimes place an unfair burden on legitimate businesses and workers. There are a number of common threads attributing to the continuing recurrence of insurance fraud; some of them are:

- A vulnerability of the workers' compensation system to inflate claims by medical and/or legal providers
- Public acceptance of insurance fraud

**1:** Statistical information was collected from the Fraud Division's database as of September 5, 2007. **2:** Chargeable fraud is defined as the amount of fraud that would result from all counts that are charged.

- Personal economic hardship, due to loss of work
- Employers in a highly competitive market that cut insurance costs to unfairly underbid their services
- Increasing opportunities for fraud
- Lack of adequate resources, such as manpower and funding, to investigate and prosecute insurance fraud cases

A program in California to combat workers' compensation fraud was established in 1991 through the passage of SB 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. SB 1218 also established the Workers' Compensation Fraud Assessment Commission (FAC) to determine the level of assessments to fund investigation and prosecution of workers' compensation insurance fraud. The source of funding is from assessment of California's insured and self-insured employers through the Department of Industrial Relations, Division of Workers' Compensation. The FAC then authorizes workers' compensation fraud program funding levels and percentages for both the Fraud Division and district attorneys.

Workers' compensation claim fraud and abuse increases the frequency of claims, average claim costs, and the overall system costs. This, in turn, causes higher insurance rates, higher employer-paid premiums and, ultimately, less money for employers to expand their payrolls.

District attorneys reported the prosecution of 1,115 fraud cases with 1,224 suspects and \$260,292,381 of chargeable fraud in FY 2006/07. This \$260.3 million represents only a small portion that has been charged and not necessarily all that is identified as fraud since many fraudulent activities

have not been identified or investigated.

The first line of defense in the anti-fraud effort is the insurer or self-insured employer staff who are involved in the processing of claims. They are in a position to identify potential suspected fraud and refer them to the Fraud Division for investigation of criminal activity. The California Insurance Code and California Code of Regulations<sup>3</sup> outline responsibilities for identifying and referring fraud by insurers and self-insured organizations. The Fraud Division provides additional guidance by meeting with and training insurers and self-insured organizations to provide more accurate and efficient referrals as part of its Outreach Program.

California licensed insurers are required by law and regulations to establish units, also known as Special Investigative Units (SIUs), to identify, investigate and refer incidents of suspected insurance fraud to the Fraud Division. The Fraud Division monitors the statutory and regulatory compliance of the insurer SIU via audits of these units and evaluation of its required annual report.<sup>4</sup>

The core mission of the Fraud Division is to protect the public from economic loss and distress by actively investigating and arresting those who commit insurance fraud. The Fraud Division has developed methods for consumers to report incidents of suspected insurance fraud, and to do so anonymously, if desired. Consumers can contact one of the Fraud Division's nine statewide Regional Offices and report suspected incidents of insurance fraud. Other types of complaints can be directed to the Consumer Services Division by calling the Consumer Hotline at 800-927-4357 or by using the online Consumer Request for Assistance Form. All of this information can be found on the Department's public Web site at <http://www.insurance.ca.gov>.

**3:** CIC Section 1872.4(a) and 18773(b) and CCR, Title 10, Section 2698.37, promulgated October 6, 2005. **4:** CIC Sections 730, 1872.4, 1875.20-23 and 1877, and CCR, Title 10, Sections 2698.30-43, promulgated October 6, 2005.

## II. Workers' Compensation Fraud Schemes

After years of comprehensive anti-fraud efforts, the Fraud Division and district attorneys have identified many types of workers' compensation fraud.

### Claimant Fraud

Claimant fraud occurs when a worker files a suspected fraudulent claim arising out of an injury allegedly sustained in the workplace. Claimant fraud can vary from simple misrepresentation to more elaborate, multiple overlapping claims.

Examples of indicators of a fraudulent claim include:

- Denial of prior workers' compensation claims
- Denial of prior injuries to the same body part
- Denial of working while collecting disability benefits
- Denial of the ability to do various activities or functions
- Being injured away from work and reporting as a workers' compensation claim

### Insider Fraud

Insider fraud results in insurer employees obtaining financial gain from the processing of an actual or fictitious claim, or an actual or fictitious policy. In the case of a claim, the claim staff can authorize a claim payment to an outside party who is not an actual beneficiary to the claim. This outside party will then share the proceeds of these payments with the claim staff. In the case of policy fraud, the processing agent may fail to report a premium payment, issue a fraudulent insurance certificate, and pocket the premium. In both cases, the processing staff may also delay payment by temporarily placing the payment in an interest-bearing account in his or her name before forwarding the payment to the claim or policy.

Effective investigation and prosecution of insurer staff who commit fraud sends a strong message regarding the insurer's internal controls for the prevention of criminal activity and the negative consequences for such actions.

### Medical-Legal Fraud

Medical-legal "mills" continue to operate in California and to utilize diversified billing schemes that fraudulently consume the premiums of policyholders and the funds of insurance carriers at the expense of legitimately injured/ill patients. These mills constitute, in many cases, organized crime rings that are methodically organized, inclusive of medical/chiropractic providers, attorneys (typically "of record" only), cappers (recruiters), management personnel, and various other specialized individuals to achieve the goals of the fraudulent enterprise.

The billing practices utilized by these questionable providers continue to vary from abusive billing tactics (i.e., up coding, unbundling of procedures, unnecessary diagnostic tests, exams and treatments, etc.) to blatant fraudulent billing activities (i.e., billing for services not rendered and patient visits not made, conspiring with attorneys and cappers, making prohibited referrals, and organizing illegal, corporate, medical practices, etc.). These ongoing billing schemes and corporate violators not only impact the insurance premiums patients are required to pay, but also influence the quality of care given, or not given to legitimately injured/ill patients.

An ongoing scheme in California (as well as in certain other states) entails the collaboration of medical doctors and chiropractors to form illegal medical corporations. The medical doctor owns the majority (51 percent) of the corporate shares but fails to either be physically present ("absentee owner") and/or to be in control of the day-to-day functions and responsibilities of the medical corporation, while the 49 percent chiropractic

owner controls both the day-to-day management functions (through his solely-owned management company) and the clinical component of the business. Part of the corporation's processes is to employ a range of questionable billing practices, including, but not limited to billing for services not rendered and visits not made to obtain revenue to which they are not entitled. The illegal corporate practice of medicine as described above has resulted in millions of dollars taken fraudulently from the workers' compensation system during the past five to seven years by these scheming providers. Given the current threshold of proof required in our justice system, detecting, investigating and prosecuting providers that have no intention of helping their patients is very costly and represents a serious crime that often requires countless hours of investigation to document and prosecute.

While many of the most flagrant medical-legal mills operating in California have been investigated and successfully prosecuted, new operations continue to spring into operation each year. The ongoing improvement of workers' compensation regulations and procedures together with the enhancement in accountability required of medical/chiropractic providers in the workers' compensation system has made documenting medical-legal fraud and determining criminal responsibility less problematic.

### Media-Generated Fraud Schemes

In media-generated fraud, the claimant usually has less sophisticated motives. Laid-off or simply disgruntled with work, the claimant becomes aware of the possibility of entitlement to relief or compensation through media advertisements promising fast cash. These advertisements target claimants in mass quantities and showcase hotline numbers for referral services to funnel new patients/clients into medical or legal "mills." The claimants who decide to participate in the media-

driven schemes are usually coerced into making false or exaggerated claims to realize promises of fast cash. To address the media-generated claimant fraud, statutory prohibitions have recently been placed on these hotline and referral advertisements.

### Employer Misrepresentation

Workers' compensation employment misrepresentation, also known as premium fraud, is defined as a "willful misrepresentation" of fact in order to obtain workers' compensation insurance at a lower cost."

Employer misrepresentation is usually committed by an employer who misrepresents the amount of payroll or classification of employees, or who attempts to avoid a higher insurance risk modifier by transferring employees to a new business entity rated as a lower risk category.

- + Payroll misrepresentation – Businesses underreport payroll to insurance companies in order to cut costs. For example, a company with \$1,000,000 of payroll fraudulently reports only \$500,000 to the insurance company. Insurance premiums are thus reduced because only half of the payroll is reported. The employer may hide the payroll by paying employees in cash or falsely claiming employees are independent contractors.
- + Job classification misrepresentation – A business misclassifies the type of work they do or their employees' hourly rates to insurance companies. A business may falsely classify roofers as clerical staff because insurance rates are lower. Roofers are more likely to be injured than clerical staffs. Similarly, higher paid employees are less likely to be injured than lower paid, less skilled employees are. For example, workers' compensation rates for a carpenter making \$22 per hour are less than a carpenter earning \$10 per hour. A dishonest employer seeking to slash costs will falsely report to carriers that all of their carpenters earn \$22/hr.
- + Experience modification misrepresentation –

Employer misrepresentation is also committed by experience modification (x-mod) evasion. Workers' compensation rates, similar to auto insurance rates, increase after many accidents and injuries. Employers are given a surcharge or high x-mod as a result. To avoid this x-mod on premiums, a dishonest employer will change the company name and purchase insurance for a "new" company without an x-mod. In reality, nothing has changed other than the company's name but this "new" company is charged a lower rate because of no reported accidents or injuries.

Currently, the highest priorities in anti-fraud efforts deal with the investigation of those persons and entities that drive up the cost of claims and insurance premiums. Anti-fraud investigations have identified employers who file false payroll information to reduce insurance premiums as one of the primary cost drivers. Continuing anti-fraud efforts, with respect to this identified cost driver, are necessary to maintain the legislative intent of workers' compensation reform.

### Uninsured Employers

California law requires employers to have workers' compensation insurance that covers all of their employees for job-related injury and illness. A joint study conducted by the Department of Industrial Relations (DIR) and Employment Development Department (EDD) in June 2001, reported that approximately twenty-five percent of employers have no workers' compensation insurance. Using the twenty-five percent number determined by the study and extrapolating that percentage to the current number of more than 1.2 million employers in California, it is conceivable that from 240,000 to 300,000 employers do not

carry workers' compensation insurance. Under current law, willfully uninsured employers are only criminally subject to a misdemeanor offense.

Employers not providing proof of valid workers' compensation coverage are considered uninsured and face a "Stop Notice" and penalty assessment from the Labor Commissioner. The Labor Code Section 3700.5<sup>5</sup> specifies that uninsured employers who willfully fail to secure workers' compensation insurance can be fined up to \$10,000 and/or imprisoned in the county jail for up to one year. If an injury occurs, the fine increases to \$10,000 per employee. A worker injured while working for an uninsured employer can sue for damages and the employer is presumed negligent in such cases. The cost of injuries to employees of uninsured employers is borne by the Uninsured Employers Fund (UEF), a program managed by the Department of Industrial Relations (DIR) and funded by California employers.

### III. Workers' Compensation Program Activities

California's workers' compensation system was designed to support legitimate injured workers and to protect employers from tort action and civil litigations. To deter fraud and abuse in the system, the Fraud Assessment Commission (FAC)<sup>6</sup> each year determines an assessment level for the investigation and prosecution of workers' compensation insurance fraud in accordance with California Insurance Code, Section 1872.83. The funding amount is split between district attorneys and the California Department of Insurance (Fraud Division)<sup>7</sup>. For FY 2006/07, the level of assessment was \$40,977,541, of which \$22,560,968 was designated for district attorneys and \$17,087,575 for the Fraud Division.

**5:** Statute 2002, AB 749 (Calderon). **6:** As specified in the California Insurance Code (CIC) Section 1872.83, the FAC is comprised of seven members appointed by the Governor consisting of two representatives of organized labor, two representatives of self-insured employers, one representative of insured employers, one representative of workers' compensation insurers, and the President of the State Compensation Insurance Fund, or his or her designee. **7:** The funding split is applied in accordance with CIC Section 1872.83(d).

The following provides a summary of accomplishments achieved by the Fraud Division and district attorney's during FY 2006/07, which are consistent with the goals and objectives of the Insurance Commissioner and FAC.

## Fraud Division

The Fraud Division, established by statute in 1979, provides all investigative and supporting services necessary to implement and manage the statewide Workers' Compensation Insurance Anti-Fraud Program. Under the direction of the Insurance Commissioner, the Fraud Division administers the Local Assistance Grant Program and the distribution of funds for enhanced investigation and prosecution of insurance fraud. During FY 2006/07, the Fraud Division maintained nine regional offices statewide that serviced 58 counties, including 36 that participated that in the Workers' Compensation Insurance Fraud Grant Program.

The goal of the Fraud Division is to produce quality and cost-effective investigations, which result in successful enforcement actions. There are four critical elements required to achieve successful outcomes: an aggressive outreach program, partnership with key stakeholders, effective trend analysis, and a balanced caseload. Past successful outcomes 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 and 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 of criminals have been accomplished by civil actions. A single victim, collective group of individuals, or an insurance carrier has followed up with civil actions, which have terminated the criminal enterprise and provided civil fines and restitution.

Additionally, the Fraud Division has worked closely with district attorneys on investigations involving unfair business practices and related actions.

- **Investigative inquiry:** Potential fraud activity or abuse have been stopped and deterred by an 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 prevents escalation to the level of a full criminal investigation.

## Partnership with Key Stakeholders

### *Reducing Incidents of Employer Misrepresentation (492 cases investigated)*

As highlighted in our significant cases, the Fraud Division continues to coordinate and participate in actions to confront the issues of workers' compensation employment misrepresentation through on-going participation in joint activities with allied state, county, and local agencies including the Underground Economy Task Force and the Premium Fraud Task Force.

As the result of a Memorandum of Understanding (MOU) with the Employment Development Department (EDD) Tax Audit Branch, quarterly reports of employers who are assessed additional taxes following an audit and who have fines imposed are forwarded to the Fraud Division.

In addition, the Fraud Division obtains information from the Workers' Compensation Insurance Rating Bureau (WCIRB) such as employers' history of insurance policies, the identity of carriers, audit, and rating information, and data on cancelled policies. This information proves vital during investigations.

### *Reducing Incidents of Medical Provider Fraud (69 cases investigated)*

The fraudulent billing for medical expenses continues to be a significant cost driver in the

workers' compensation system. The Fraud Division knows from experience that the successful prosecution of a medical provider for insurance fraud, although labor intensive, serves as a strong deterrent to those already committing insurance fraud or those individuals thinking about committing fraud.

The Fraud Division created a report to identify those providers who were consistently referred for suspected fraudulent activity. Although this report was initially requested for the Los Angeles County District Attorneys' Fraud Interdiction Program, copies of the report were sent to each Fraud Division Regional Office. While the results from these reports are still pending, arrests have been made and additional arrests are expected.

*Reducing Incidents of Employers Defrauding Employees (36 cases investigated)*

The Fraud Division regularly participates in sweeps with the Division of Labor Standards Enforcement (DLSE) and the Contractors State Licensing Board (CSLB). These sweeps have resulted in identifying numerous employers in violation of Labor Code Section 3700.5, as well as providing leads for premium fraud investigations.

Outreach training to Uninsured Employers Fund (UEF) claim staff was carried forward to FY 2006/07 in San Francisco, Sacramento, and Los Angeles. Instruction was designed to provide insight on employers who are found in violation of Labor Code 3700.5. Although it was found that most of the claims submitted are two or more years old when received, the Fraud Division will continue to review the claims.

**Maintaining a Balanced Caseload**

Each Fraud Division Regional Office's caseload is representative of the demographics within their 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 their 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 – FY 2006-07**

Fraud Activity Type	Total Caseload
Claimant fraud. . . . .	778
Insider fraud. . . . .	12
Employer defrauding employee . . . . .	36
Medical/Legal provider . . . . .	69
Misclassification. . . . .	39
Other workers' comp. . . . .	46
Premium fraud. . . . .	2
Underreported wages . . . . .	139
Employer. . . . .	312
X-Mod evasion . . . . .	6
<b>Total . . . . .</b>	<b>1,439</b>

**Studies of Cost-Drivers or Indicators of Fraud/Abuse**

*Workers' Compensation Fraud Research Study*

On April 29, 2004, in its report, the Bureau of State Audits (BSA) recommended that the Fraud Division and the Fraud Assessment Commission conduct the research necessary to fulfill its statutory role as an advisor regarding the level of funding and the direction of fraud reduction efforts. These efforts include: 1) measure the nature and extent of fraud in the workers' compensation system and the effectiveness of anti fraud efforts 2) monitor the performance of county district attorneys who receive grants of fraud assessment funds, and 3) conduct the research



necessary to meet its advisory and reporting responsibilities.

In December 2004, the Fraud Assessment Commission (FAC) and the Department of Insurance (CDI) requested the California Commission on Health and Safety, and Workers' Compensation (CHSWC), to assist with the anti-fraud research. CHSWC, CDI, and FAC then formed a working group to address these issues. Besides the FAC, CDI, and CHSWC, other key partners include the Department of Industrial Relations, local law enforcement agencies, district attorneys, self-insured employers, insured employers, organized labor organizations, and workers' compensation insurers. Dr. Malcolm Sparrow, a nationally renowned researcher from Harvard University, was invited to participate in the working group. The working group identified several types of workers' compensation insurance fraud, mainly medical provider, premium fraud, claimant, and uninsured employer.

The participants agreed that CHSWC would conduct research on workers' compensation employment misrepresentation (premium fraud), underground economy and develop a study with the assistance of CDI focusing on fraudulent workers' compensation medical bills that are overpaid and underpaid with the dual purpose of creating a baseline for monitoring future transactions as well as developing anti-fraud recommendations. Inaccurate payments are undesired costs for everyone in the system. Discovery of a pattern and practice of underpayments and/or overpayments can reveal system vulnerabilities that need correction. The State of California, policymakers, and stakeholders alike stand to benefit from a research study that addresses accurate costs in a regulated health care system.

In July 2006, a proposed budget was approved by the Legislature to conduct a study to identify medical provider overpayments and

underpayments of all types including fraud, waste, abuse, billing and processing errors. Identification within these types of fraud could help to reduce the high medical costs in the workers' compensation system. A Request-For-Proposal was released on May 19, 2006 with the final deadline of June 23, 2006. On July 27, 2006, Navigant Consulting was confirmed by the Fraud Assessment Commission to conduct the study.

Navigant will develop and recommend overall measurements for the type and extent of suspected fraud identified. Furthermore, Navigant will address:

- Measurements of abuse and suspected fraud in workers' compensation system including the suggestion of how agencies can best work together to detect, assess, and deter fraud.
- The extent of workers' compensation cases where medical overpayments and underpayments of all types exist such as misdiagnosis, documentation errors, over-billing, duplicate billing, medically unnecessary, services exceeding medical treatment guidelines, etc.
- The costs due to any or all situations where medical provider overpayments and underpayments of all types exist such as suspected fraudulent claim billing patterns, potential overpayment or underpayment due to non-compliance with published rules, policies.

The data is being audited, reviewed, and compiled. The result will be summarized by types of medical payment errors as well as categories of provider. Navigant plans to submit a report no later than April 2008.

#### *Fraud in Workers' Compensation Payroll Reporting Study*

It has long been suspected that a fraction of employers fraudulently under-report and misreport payroll for calculation of workers' compensation premium or illegally forgo purchasing workers' compensation insurance altogether. Previously, the

Commission on Health and Safety and Workers' Compensation (CHSWC) contracted with the University of California, Berkeley to develop a pilot project and analyze the degree to which employers fail to secure coverage (Neuhauser, 1998). The present study extends that prior study to include the impact of fraudulent under-reporting and misreporting of payroll used by insurers to calculate premiums. During the period studied for this report, 1997-2002, rates were initially low (for California) and increased rapidly. Subsequent to the study period, rates continued to increase through 2004 and then dropped to near earlier levels. This study examines the extent of fraudulent reporting and the impact of the rapid increase in premium rates on employer fraudulent behavior. This report was published August 2007.

### Findings

#### Extent of Under-reporting

- During the study period, the level of under-reporting increased from between 6%-10% of private industry payroll when premium levels were low (\$2.47/\$100 payroll) to 19%-23% when premium levels were high (\$4.28/\$100 payroll).
- This translates to a change from \$19.5-\$31.3 billion in 1997 to as much as \$100 billion in under-reported payroll in 2002.

#### Under-reporting and Misreporting by Class Code and Premium Level

Besides under-reporting payroll, employers can fraudulently misreport, reporting workers in high-risk, high-premium classes as earning wages in lower risk occupations.

- Findings show that under-reporting and misreporting increases dramatically as the premium rate increases for a class of workers.
- For very low risk classes of workers, for example clerical and professional employees, misreporting of payroll might even lead to over-reporting of payroll for some premium classes as employers

fraudulent shift payroll from higher premium rate classes.

- On the other hand, for very high-risk classes, as much as 65% to 75% of payroll is being under or misreported.

#### Impact on Honest Employers' Premium Rates

If employers misreport payroll to reduce premiums but report injuries accurately when they occur, premiums for high-risk class codes will be inappropriately high. The study found:

- Above the median premium level for all classes, honest employers were consistently facing premium levels that were inappropriately high because of fraudulent reporting by dishonest employers.
- Employers in the highest class codes were paying rates up to 8 times the rate we would expect to see under full reporting.
- These multiples to the appropriate premium levels are surprising, but they were confirmed by other data sources that showed actual occupational medical costs rose much less steeply than employers' premium rates when comparing low and high-risk classes of workers.
- The use of Experience Modification (X-mod) factors to adjust employers premium rates based on experience does reduce the impact of fraud on honest employers. However, the impact is limited and only a fraction of employers has premiums adjusted by an X-mod.

#### An Aggressive Outreach Program

A major component of the Fraud Division's mission statement is to provide anti-fraud outreach and training to the public, private, and governmental sectors. During the past fiscal year, outreach was provided by each of the nine regional offices, as well as by headquarters office staff, to a variety of entities from the public, private, and governmental sectors.

## Public Outreach

- † Posting convictions on web site – Consistent with the requirements of AB 2866, which went into effect January 1, 2005, the Department continues to post 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, the following information concerning convictions in workers' compensation insurance fraud cases:
  - † The name, case number, county or court, and other identifying information with respect to the case
  - † The full name of the defendant
  - † The city and county of the defendant's last known residence or business address
  - † The date of conviction
  - † A description of the offense
  - † The amount of money alleged to have been defrauded
  - † A description of the punishment imposed, including the length of any sentence of imprisonment and the amount of any fine imposed.
- † Community forums/town hall meetings – The Fraud Division participates in community-sponsored events, such as town hall meetings, public hearings, and underground economy seminars. These forums give the Fraud Division opportunities to hear directly from consumers regarding their insurance concerns, and provide information communities can use to protect themselves from insurance fraud.
- † Media/Public service announcements – The Fraud Division participates with local, state, and national broadcasting outlets to educate the public about insurance fraud in California. One example is the video, "Workers' Compensation: Employee Rights & Responsibilities" produced by the Employers' Fraud Task Force.

## Private Outreach

During FY 2006/07, the Fraud Division has actively participated with the California District Attorneys Association (CDAAs) in two-day SIU training sessions held in both Berkeley and Anaheim. This training was designed to bring together those who investigate, prosecute, or are targets of insurance fraud to address common issues relative to the effective investigation, regulation compliance, and prosecution of fraud cases. Those who attended include SIU staff, investigators, and district attorney staff.

The Fraud Division also does joint training sessions with local law enforcement for SIUs throughout the State. The following includes, but is not limited to, joint outreach sessions with local law enforcement:

- † SIU and employers with Orange County (September 2006)
- † Valley Medical Hospital with Santa Clara County (September 2006)
- † Training sessions for American All-Risk Loss Administrators with Fresno County (November 2006)
- † SIU with Orange County (November 2006)
- † NorCal Waste Outreach with San Francisco County (December 2006)
- † SIU roundtable with Fresno and Kern Counties (January 2007)
- † Watsonville Law Center (January 2007, April 2007)
- † SIU roundtable with Monterey County (February 2007)
- † Majestic Insurance SIU with EDD (February 2007)
- † SIU with Fresno County (March 2007)
- † Local hospitals in Fresno, Parlier, and Selma with Fresno County (March 2007)

- † Mule Creek Prison and Preston Youth Facility with Amador County (April 2007)
- † Victims rights seminar with Riverside County (April 2007)
- † Los Angeles County Unified School District seminar with Los Angeles County (June 2007)
- † American Insurance Services with Contra Costa County (June 2007)
- † SIU roundtable with Monterey County (June 2007)

### *Governmental Outreach*

The Fraud Division participates in Labor Council meetings, held regularly each month at the Capitol. In attendance are representatives from State agencies, as well as representatives from various labor related affiliates. Those who regularly attend these meetings are legislators, or their staff members, and members of the Board of Equalization or their staff members. Among those who have attended these meetings have been a Governor's Cabinet Secretary, the State Controller, and the Labor Commissioner. During these meetings, the Fraud Division gives updates on workers' compensation anti-fraud activities that have occurred throughout the State.

The Fraud Division has met with the Counsel General of Mexico in Los Angeles through a training seminar presented by the Mexican Consulate and the U.S. Department of Labor. As a result, the Fraud Division is participating with the Mexican Consulate in Los Angeles on a community outreach program addressing workers' compensation fraud issues. The goal of the program is the following:

- † Educate and inform workers and the public on workers' compensation laws
- † Explain entitlements to workers' compensation benefits if injured on the job
- † Explain the laws regarding unlawful denial of

workers' compensation benefits

- † Explain claimant fraud
- † Develop leads on premium fraud or unlawful denial of workers' compensation benefits allegations.

### *Fraud Division Program Statistics for FY 2006/07*

During FY 2006/07, the Fraud Division received 5,933 Suspected Fraudulent Claims (SFC) for the workers' compensation program. The reported losses<sup>8</sup> entered on the completed SFCs were as follows: \$222,916,515 - Potential Loss, \$260,628,287 - Suspected Fraud, \$129,590,876 - Actual Paid, and \$16,276,079 - Premium Fraud Loss.

There were 724 new cases assigned to Fraud Division investigative staff, bringing the overall total caseload to 1,439 for the FY. The Fraud Division investigators and allied agencies executed 48 search warrants resulting in 483 workers' compensation cases submitted for prosecution. There were 401 suspects arrested and 186 defendants were convicted.

### **District Attorneys – Local Assistance Program**

The district attorney offices utilize the grant program funding allocated to them to investigate and prosecute workers' compensation insurance fraud cases brought to them by the Fraud Division and other agencies within their prosecutorial jurisdiction. The Local Assistance Program funded 36 counties in FY 2006/07.

### *Joint Investigative Plan*

The Joint Investigative Plan is a required document for funding and assists the Insurance Commissioner in assessing the effectiveness of the shared fraud program funding. It is the framework for effective communication and resource management between the Fraud Division and the district attorneys in the investigation and

prosecution of insurance fraud. Therefore, it is critical that the elements of the plan such as the statement of goals, receipt of assignment of cases, problem resolution, etc., are agreed upon and clear in order to control the flow of cases from initial referral through filing and sentencing.

Regular meetings between the Division and district attorneys' staff are held to expand avenues of communication and to develop a greater understanding on the requirements necessary for the successful investigation and prosecution of workers' compensation fraud cases. Most counties conduct monthly meetings between the assigned case investigator and prosecutor, as well as between the chief investigator and the district attorney staff in charge of the program.

#### *Investigations*

Of the investigations opened in FY 2006/07 and carried forward from the previous FY, claimant fraud continues to be the area generating the greatest number of cases – 1,362 claimant fraud cases out of 2,547. The number of employment misrepresentation (premium fraud) cases was 220.

#### *FY 2006/07 Cases in Court*

At the end of FY 2006/07, there were 1,115 cases consisting of 1,224 suspects still pending in court, an increase of 17 percent from the prior year's cases of 946. The types of district attorney cases in court in FY 2006/07 varied in number and type as illustrated in the following list:

- + 473 Claimant cases
- + 103 Premium fraud cases
- + 12 Provider fraud, multiple entity cases
- + 16 Provider fraud, single entity cases

- + 21 Insider fraud
- + 464 Uninsured employer fraud
- + 26 Other types of workers' compensation fraud

Claimant fraud cases held the greatest percentage at 42 percent of all in-court cases for FY 2006/07. The lowest number of in-court cases was multiple entity provider fraud at 1 percent. The total chargeable fraud from these cases totals \$260,292,381, a 36 per cent increase from the FY 2005/06 chargeable fraud total of \$190,858,814

#### *Arrests and Convictions*

The district attorneys participating in the Workers' Compensation Insurance Fraud Program for FY 2006/07 reported 549 arrests. These arrests resulted in 188 felony and 311 misdemeanor convictions.

#### *Fines and Restitution*

In many instances, workers' compensation insurance fraud cases are most challenging to prosecute because of their magnitude and complexity. Extensive investigations and litigation are required for cases involving medical-legal "mills" and employment misrepresentation, particularly when the perpetrator is a businessperson, doctor, or attorney who has accumulated vast wealth through criminal activities. These clinics usually hire highly paid, aggressive defense attorneys. This translates into voluminous motions and ceaseless litigation that can consume enormous amounts of investigative and attorney time spent in court due to hearings on remote issues raised by the defense. Due to the adjudication of more workers' compensation fraud cases, the courts have ordered \$24.9 million in restitution and district attorneys

**8:** As defined in the Fraud Division's FD-1 Instruction Manual, Potential Loss is the dollar loss/exposure for the claim if the fraud had gone undiscovered. Suspected Fraud is defined as that amount of the Actual Paid suspected to be fraudulent. Actual Paid is defined as the total dollar amount on the claim of the referral date. Premium Fraud is defined as actual or potential loss of premium dollars paid by employers.

have reported \$8,639,562 collected. During FY 2006/07, fines totaling \$1,148,369 were ordered and \$843,811 was collected.

#### IV. Summary

As mentioned in this report, numerous elements intensify and affect workers' compensation fraud, including personal and business hardship, public acceptance of insurance fraud, and inadequate manpower and funding to investigate insurance fraud cases. Consequently, the Fraud Division will continue to work in partnership with the Fraud Assessment Commission, district attorneys, allied law enforcement, state and local agencies, and the insurance industry to produce quality and cost-effective investigations resulting in successful prosecutions. Additionally, the Fraud Division will continue to identify trends in order to measure the successful outcomes of its collaborative anti-fraud efforts.

#### APPENDICES:

- + DA Funding
- + Fraud Division Offices
- + Significant Cases
- + Suspected Fraudulent Claims
- + Fraud Division Arrests
- + DA Convictions
- + DA Program Activities
- + Press Clippings

## DA Funding

County	Carry-Over Funds into FY 06-07	Funding Requested	Fiscal Year 2006-07 Funding	First Distribution 2006-07	Second/Final Distribution 2006-07
Alameda	\$72,432	\$1,214,960	\$1,023,842	\$511,921	\$511,921
Amador		\$345,000	\$299,661	\$149,831	\$149,831
Butte		\$219,438	\$214,757	\$107,379	\$107,379
Contra Costa	\$70,778	\$635,453	\$474,463	\$237,232	\$237,232
El Dorado	\$15,137	\$52,017	\$49,944	\$24,972	\$24,972
Fresno	\$139,577	\$1,067,654	\$898,983	\$449,492	\$449,492
Imperial		\$96,977	\$49,944	\$24,972	\$24,972
Kern	\$40,377	\$494,196	\$449,492	\$224,746	\$224,746
Kings		\$240,085	\$239,729	\$119,864	\$119,864
Los Angeles	\$331,905	\$4,205,604	\$4,145,334	\$2,072,662	\$2,072,662
Madera	\$9,829	\$36,894	\$24,972	\$12,486	\$12,486
Marin		\$199,000	\$198,775	\$99,388	\$99,388
Mendocino		\$30,297	\$24,972	\$12,486	\$12,486
Merced	\$837	\$128,844	\$128,698	\$64,349	\$64,349
Modoc		\$15,000	\$12,486	\$6,243	\$6,243
Monterey		\$240,907	\$219,751	\$109,876	\$109,876
Orange	\$608,540	\$2,053,146	\$1,897,853	\$948,927	\$948,927
Riverside		\$911,609	\$908,972	\$454,486	\$454,486
Sacramento		\$929,431	\$913,966	\$456,983	\$456,983
San Bernardino	\$111,562	\$1,409,599	\$1,398,418	\$699,209	\$699,209
San Diego		\$4,074,033	\$3,995,480	\$1,997,740	\$1,997,740
San Francisco		\$810,902	\$599,322	\$299,661	\$299,661
San Joaquin	\$9,408	\$662,887	\$599,322	\$299,661	\$299,661
San Luis Obispo		\$74,186	\$69,921	\$34,960	\$34,960
San Mateo	\$95,828	\$560,745	\$474,463	\$237,232	\$237,232
Santa Barbara	\$3,000	\$204,720	\$201,772	\$100,886	\$100,886
Santa Clara		\$1,364,262	\$1,362,720	\$681,360	\$681,360
Santa Cruz		\$101,409	\$99,887	\$49,944	\$49,944
Shasta		\$207,000	\$199,774	\$99,887	\$99,887
Siskiyou		\$21,739	\$9,989	\$4,994	\$4,994
Solano		\$147,671	\$134,847	\$67,424	\$67,424
Sonoma		\$146,507	\$146,341	\$73,171	\$73,171
Stanislaus	\$112,329	\$327,828	\$149,831	\$74,915	\$74,915
Tulare	\$18,973	\$303,214	\$302,871	\$151,436	\$151,436
Ventura		\$590,242	\$589,575	\$294,788	\$294,788
Yolo	\$13,932	\$160,864	\$139,842	\$69,921	\$69,921
<b>Total</b>	<b>\$1,654,444</b>	<b>\$24,284,320</b>	<b>\$22,650,968</b>	<b>\$11,325,484</b>	<b>\$11,325,484</b>

## Fraud Division Offices

STATE OF CALIFORNIA  
**DEPARTMENT OF INSURANCE**  
**FRAUD DIVISION**

**Dale Banda**  
**Deputy Commissioner**  
**Enforcement Branch**

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 Phone: (916) 854-5760 and Fax: (916) 255-3308

E-Mail: [Fraud@insurance.ca.gov](mailto:Fraud@insurance.ca.gov)  
 Web address: [www.insurance.ca.gov](http://www.insurance.ca.gov)  
 HOTLINE: 800-927-4357

**John Standish, Bureau Chief** /  
**Auto Program**

**Rick Plein, Bureau Chief**  
**Workers' Compensation Program**

/ **Michael Ingram, Bureau Chief**  
**Property & Casualty, Training &  
 Outreach, and Healthcare Programs**

**REGIONAL OFFICES AND ASSIGNED COUNTIES**

**Southern Los Angeles County**

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Southern Los Angeles County

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Monterey, San Benito, San Mateo,  
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Fresno, Inyo, Kern, Kings, Madera,  
 Mariposa, Merced, San Luis Obispo and  
 Tulare Counties

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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 Counties

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 Humboldt, Lake, Marin, Mendocino,  
 Napa, San Francisco, Solano and  
 Sonoma Counties

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Northern Los Angeles, Santa  
 Barbara and Ventura Counties

## Significant Cases

### Premium Fraud:

- + **Checkmate (02HW016442)**—In October 2006, Department of Insurance's Fraud Division investigators served arrest warrants against eight individuals in which to date is likely the largest amount of fraud committed against an insurance company in California. The suspects are alleged to have committed more than \$39,280,000 worth of workers' compensation premium fraud against three insurance companies.

Those arrested were Luiz Perez of Dove Canyon, Paul Rodas of Costa Mesa, Donald Grant of Los Angeles, Paul Beauregard of West Hills, Regina Williams of Whittier, Javier Chabolla, Elizabeth Waldo, and Oscar Hildago, of Yorba Linda. All of the suspects were either owners or principal employees of temporary employment agencies known as Checkmate Staffing, Inc., Checkmate Staffing West, Inc., Checkmate Transport, Inc., Tower Temps, Inc., Staffaide, Inc., RPM Staff Leasing; and Tower Staffing, Inc.

The suspects were alleged to have fraudulently underreported and/or misclassified employees to several insurance companies including State Compensation Insurance Fund (SCIF), Zurich American Insurance Company, and Redland Insurance Company. The suspects' companies were neither licensed insurers nor were they bonded and able to act as a third party administrator.

Each of the eight suspects have been charged with multiple counts including conspiracy to commit workers' compensation insurance fraud, conspiracy to commit denial or workers' compensation insurance benefits, premium fraud, and grand theft.

*Prosecuting Authority:* San Bernardino County  
*Fraud Type:* Premium Fraud/  
 Underreported Wages/ Misclassification  
*Status:* Pending

- + **Cover-All, Inc. (05JW009433)**—Gad Leshem, Zeev Golan, and Irit Golan, all of Northridge, were each charged, on October 18, 2006, with four counts of premium fraud and one count of conspiracy after an investigation conducted by the Fraud Division.

Gad Leshem is the president and CEO of Cover-All, Inc., a flooring and carpet installation company headquartered in Chatsworth. Zeev Golan is the vice president and his wife, Irit Golan, is executive secretary and payroll supervisor.

Cover-All, Inc. obtained a workers' compensation policy from SCIF on September 1, 2001. A routine SCIF audit revealed that the payroll reported to SCIF was significantly lower than that reported to the Employment Development Department (EDD). As a result, SCIF referred the case to the Fraud Division.

During the course of the investigation, it was learned that Zeev and Irit Golan were responsible for preparing the alleged fraudulent monthly payroll reports provided to SCIF. The monthly payroll reports were approved by President Gad Leshem. The investigation determined that over a four-year period, Cover-All, Inc. underreported payroll of \$26,937,575 to SCIF. This underreported payroll resulted in a premium loss of \$7,565,009.

*Prosecuting Authority:* Los Angeles County  
*Fraud Type:* Premium Fraud/  
 Underreported Wages  
*Status:* Pending

- + **Avoca Trucking and Excavating (AT&E) company (04BW023411)**—Martha P. O'Neill of San Francisco, was arrested on 49 felony counts of alleged workers' compensation insurance premium fraud and employment tax fraud.

O'Neill is the corporate officer of Avoca Trucking and Excavating (AT&E) company. O'Neill was

charged with five felony counts of premium fraud; five felony counts of preparing false documents; three felony counts of knowingly providing a forged or fraudulent document; 30 felony counts of employment tax fraud; and four felony counts of taking a portion of workers' wages in connection with a public works project.

According to investigators, O'Neill owned and operated AT&E since 1996 as a general engineering and building contractor. O'Neill worked primarily for the City and County of San Francisco and other Bay Area cities and counties. To do so, she was required to comply with state laws, wage, and union requirements. She employed over 100 employees from January 1, 2001, through June 9, 2005. O'Neill allegedly underreported her employee payroll to State Compensation Insurance Fund (SCIF) by \$2,255,173 and to EDD by \$3,160,319. As a result, SCIF was defrauded out of \$283,528 in premiums and EDD was defrauded out of \$629,235 in payroll taxes.

*Prosecuting Authority:* San Francisco County  
*Fraud Type:* Premium Fraud/  
 Underreported Wages  
*Status:* Pending

- ✦ **Shawn Dodd (03FW018451)**—Shawn Dodd was arrested on January 29, 2007 on four felony counts of insurance fraud, one count of workers' compensation insurance premium fraud, two counts of employer tax evasion, one count of money laundering, and two counts of conspiracy to obtain property under false pretenses.

The California Department of Insurance, Fraud Division, received a Suspected Fraudulent Claim Form (SFC) on November of 2003 alleging that Shawn Dodd, owner of a chiropractic and therapy conglomerate consisting of Provident Medical Management Group, Neurosport Chiropractic, Old River Medical Center, and Cal-Sport Physical Therapy, was operating

her business without workers' compensation insurance. The SFC went on to say that Dodd was attempting to get an injured employee to accept in-house medical treatment and forestall her workers' compensation claim until Dodd could get a policy in place.

On February 20, 2004, a search warrant was served on Dodd's business and her home in conjunction with the above allegation, as well as a multitude of other business and personal fraudulent insurance practices. Evidence retrieved, following the service of the search warrant and the ensuing investigation, revealed that Shawn Dodd deliberately provided the State Compensation Insurance Fund (SCIF) with false information regarding the number of employees she had working for her and the amount of her employee payroll, in order to minimize the deposit requirement on her 2000 and 2001 workers' compensation policies. Dodd also provided SCIF with a false employee job classification on her 2003 policy renewal, which resulted in a substantial premium rate reduction and she was responsible for preventing the injured employee from filing a timely workers' compensation claim that same year.

*Prosecuting Authority:* Kern County  
*Fraud Type:* Premium Fraud  
*Status:* Pending

- ✦ **Gerald Quint and Susan Stommel (05GW019185)**—Gerald Quint and Susan Stommel were both arrested on February 14, 2007 on 14 felony charges including workers' compensation insurance fraud, grand theft, income and corporate tax evasion and unemployment insurance tax evasion.

Quint and Stommel own and operate New Century Transportation, Inc., a Nevada corporation registered in California.

The investigation revealed that between 2004 and 2006, New Century failed to report over

\$4.5 million in paid wages to the Employment Development Department (EDD) as required by law. The defendants deducted personal income taxes and disability taxes from employees' wages during that time, but pocketed the funds instead of remitting them to EDD. The alleged illegal actions caused an estimated total loss of nearly \$3 million to the State of California and the workers' compensation carriers.

The arrests were a result of a joint investigation by the Santa Clara County District Attorney's Office, as the lead agency, with assistance from the Fraud Division, the Franchise Tax Board, and the Employment Development Department.

*Prosecuting Authority:* Santa Clara County  
*Fraud Type:* Premium Fraud  
*Status:* Pending

- ✦ **Guzman Brothers Farm Labor** (05AW008621)—Rafael Guzman was arrested on March 14, 2007 and Lourdes Guzman was arrested on May 21, 2007.

The San Joaquin County District Attorney's Office received an anonymous phone call regarding Rafael Guzman, owner of Guzman Brothers Farm Labor. Guzman is a farm labor contractor in San Joaquin County. The caller indicated Guzman was underreporting his payroll. An initial inquiry made by the District Attorney's office indicated that Guzman has contracts with Ronald Nunn and Tamayo Vinyards. A review of the 2001 1099s show Guzman grossed \$988,484.00, but only reported \$198,665 in wages to the Employment Development Department (EDD). A review of 2002 1099s show Guzman grossed \$1,491,972.00, but only reported \$404,761.00 in wages to EDD.

The arrests were a result of a joint investigation by the San Joaquin County District Attorney's Office, the Fraud Division and the Employment Development Department.

*Prosecuting Authority:* San Joaquin County  
*Fraud Type:* Premium Fraud  
*Status:* Pending

- ✦ **Carlos Garcia, Jr. and Christina Perez** (03HW020615)—Carlos Garcia, Jr. was arrested on May 15, 2007 and Christina Perez was arrested on May 18, 2007.

The suspects, Carlos Garcia and his wife Christina Perez are the former owners of CG Enterprises, CG Painting & Wallcoverings, and Millennium Coatings in Chino. In 2002, two employees were injured while working for them. Garcia subsequently denied their employment. An investigation revealed information that the employees were, in fact, employed there and further evidence was obtained from the California Employment Development Department showing that payroll was underreported to the State Compensation Insurance Fund. The premium loss is currently estimated to be at least \$243,000.

*Prosecuting Authority:* San Bernardino County  
*Fraud Type:* Premium Fraud  
*Status:* Pending

- ✦ **Castle Rock** (02GW013894)—On February 15, 2006, Wade Peebles and Gigi Peebles were convicted of three counts of workers' compensation insurance premium fraud, 40 felony counts of payroll tax fraud and conspiracy, following a trial before a Santa Clara County judge.

The convictions follow the arrests of six individuals in May of 2005. In addition to the Peebles, Kevin Stimson Killeen, Peter Morin, Robert Hartford Wyckoff Jr., and Gabor Maghera were also arrested in May 2005.

The Peebles, Killeen, and Morin owned and operated a construction framing company in Saratoga called Castle Rock Industries (Castle Rock), also known as Sequoia Construction

Company. The CDI's initial investigation revealed that during the period of July 2000 through November 2004, Castle Rock Industries had initially underreported payroll to its workers' compensation insurance carriers by as much as \$4,049,238. The fraudulent underreporting resulted in a premium loss to the carriers of approximately \$1,893,878. During this time, Castle Rock had been insured by Clarendon National Insurance Company, the State Compensation Insurance Fund (SCIF), and Virginia Surety Company. Because Castle Rock was not paying the proper workers' compensation insurance premiums, it was able to outbid competitors for several public works projects.

Evidence initially seized from Castle Rock's bank and payroll accounts revealed an additional \$916,920 in payroll that was unreported to the workers' compensation insurance carriers. The seized evidence showed Castle Rock had been paying the employees cash and that the workers' compensation claims process was circumvented by paying medical providers directly for the treatment of injured employees. Because of evidence seized during the May 2005 search warrants, CDI conducted a revised audit of Castle Rock's payroll, which resulted in the discovery of an approximate total premium loss of \$1,245,048.

The investigation was conducted by the CDI Fraud Division and the Santa Clara County District Attorney's Office. Also assisting in the investigation were the Contractors State License Board, the Employment Development Department and SCIF's Special Investigative Unit.

*Prosecuting Authority:* Santa Clara County

*Fraud Type:* Premium Fraud

*Conviction:* Wade Peebles was sentenced on December 6, 2006 to 12 months in jail, 5 years of probation, ordered to pay a criminal fine of \$677, and a restitution amount of \$1,313,197;

Gigi Peebles was sentenced on December 6, 2006 to 6 months in jail, 5 years of probation, ordered to pay a criminal fine of \$677, and a restitution amount of \$1,313,197; Peter Morin was sentenced on July 18, 2006 to 60 days in jail; and Kevin Killeen was sentenced on May 25, 2006 to 2 days in jail, 1 year probation, and ordered to pay a \$290 criminal fine.

- † **Thomas Roger (01HW009018)**—Thomas James Roger, DBA. T. J. Roger's Drywall/ Team Drywall, was insured with Insurance Company of the West (ICW) from July 1, 1999, to July 1, 2000. Roger reported the majority of payroll in a higher wage category, resulting in lower premiums. An audit performed by ICW determined the payroll was substantially larger than the amount reported to the Employment Development Department (EDD). T. J. Roger's Drywall also had existing workers' compensation policies with American International Companies (AIG), Redland Insurance Company and State Compensation Insurance Fund (SCIF).

*Prosecuting Authority:* San Bernardino County

*Fraud Type:* Premium Fraud

*Conviction:* Thomas Roger was sentenced on November 30, 2006 to 150 hours of community service, 1 year of probation, ordered to pay a criminal fine of \$130, and a restitution amount of \$204,701.

- † **Natural Building Maintenance (03CW009904)**—Charles Yi underreported manpower on certified payroll records, and based on employees' interviewed by various sources, non-payment of prevailing wages on public works projects for the purpose of lowering insurance premiums.

*Prosecuting Authority:* Los Angeles County

*Fraud Type:* Premium Fraud/  
Underreported Wages

*Conviction:* Charles Yi was sentenced on

December 1, 2005 to 3 days in jail, 5 years of

probation, ordered to pay a civil fine of \$600, a criminal fine of \$20, and a restitution amount of \$1,337,299.

- † **National Independent Contractors Association (NICA) (05EW004491)**—Eight owners and employees of Massachusetts-based National Independent Contractors Association were indicted on 50 felony insurance fraud charges by a San Diego County Grand Jury. Thomas M. McGrath; Eileen Rogantino, Wesley McClure, Daniel M. Curran, Mary Jayne Graham, Timothy F. Bergin, Andrew Rogantino, and David B. Kenyon, all of Braintree, Massachusetts, were arraigned on May 17, 2006 in San Diego Superior Court.

NICA promotes a model that allows employers, who utilize NICA's services, to classify employees as independent contractors. The selling point for the use of independent contractors is that employers can save money because they are not required to obtain workers' compensation coverage or pay the Employment Development Department's (EDD) related assessments. Courier businesses in California are the major proponents of this business model.

Defendants McGrath and Rogantino, officers of NICA, used a San Diego County insurance broker, applied for, and received a workers' compensation insurance policy from the State Compensation Insurance Fund (SCIF) in October 2002. Over the next year, NICA reported 47 claims for injured workers who were classified as independent contractors by courier services who purchased NICA's coverage. These claims included injuries for bicycle, motorcycle, and motor vehicle couriers. The eight were charged with one count of conspiracy to commit premium fraud, six counts of premium fraud and

43 counts of filing false injury claims in a scheme that totaled more than \$600,000 in losses.

In October 2005, more than 300 boxes of evidence were seized as the result of search warrants served in San Diego, Los Angeles, and San Francisco and at NICA's headquarters offices in Braintree, Massachusetts.

*Prosecuting Authority:* San Diego County

*Fraud Type:* Premium Fraud/  
Underreported Wages

*Conviction:* On May 15, 2007, Thomas McGrath, Dan Curran, and David Kenyon were sentenced to 1 day in jail, 3 years probation, and ordered to pay \$350,000 in restitution, and \$14,000 investigative costs.

#### **San Joaquin Valley Premium Fraud Task Force<sup>1</sup>:**

- † **Larry Gonzales (06FW001716)**—Larry Gonzales of Bakersfield, was arrested on May 30, 2007 on one felony count of workers' compensation insurance premium fraud and one felony count of insurance fraud.

During a routine audit by the State Compensation Insurance Fund (SCIF), auditors found that Larry Gonzalez, Farm Labor Contracting, underreported their payroll for two policy years by over \$2,000,000. The Employment Development Department (EDD) DE-6s confirm that Gonzalez reported more to EDD than to SCIF. This resulted in a loss of approximately \$810,000 to SCIF.

A search warrant was served on Larry Gonzales' business and residence in September of 2006. Payroll evidence and other documents were obtained that confirmed Gonzales had underreported his employee payroll by a significant amount. Gonzales confirmed,

**1:** The San Joaquin Premium Fraud Task Force is comprised of prosecutors, investigators, and support personnel from the Fraud Division and District Attorney's offices in Merced, Fresno, Tulare, Kings, and Kern Counties.

during an interview, that he underreported his payroll claiming his bookkeeper was filing fictitious paperwork under his direction. Payroll records were obtained from Gonzales' primary employer which shows a large amount of payroll underreporting by Gonzales.

*Prosecuting Authority:* Kern County

*Fraud Type:* Premium Fraud/  
Underreporting Wages

*Status:* Pending

- **Armando Rios (05FW000239)**—Armando Rios of Reedley, was arrested on May 29, 2007 on four counts of workers' compensation insurance premium fraud and nine felony counts of failure to remit withheld payroll taxes.

Armando Rios, DBA Rios and Sons Farm Labor Services, under reported payroll to the State Compensation Insurance Fund (SCIF). Records provided to the Employment Development Department (DE-6) reflected amounts that were in excess of those reported on SCIF monthly payroll reporting. The payroll reports submitted by the policyholder during the period from January 1, 2003 to January 1, 2004 totaled \$2,582,000, but the year-end audited dollars totaled \$5,289,000. This is an additional \$2,700,000 in payroll not reported to SCIF on the required monthly payroll reports. Currently this employer has an outstanding balance owing of \$307,970. The outstanding balance represents misrepresentation of payroll by classification and underreporting to SCIF.

*Prosecuting Authority:* Fresno County

*Fraud Type:* Premium Fraud/  
Underreporting Wages

*Status:* Pending

- **Ramirez AG (05FW007209)**—Elizabeth Montero was charged with four felony counts of workers' compensation insurance premium fraud and nine felony counts of making material

misrepresentations on payroll tax reports.

Ramirez Ag Labor, located in Kerman, is a farm labor contracting service operating mostly in Fresno and Madera counties.

The task force investigation revealed through her company, Montero allegedly underreported and misclassified employee payroll for approximately \$2.75 million. Her alleged misrepresentations resulted in a loss of approximately \$310,000 to SCIF and about \$395,000 to EDD.

*Prosecuting Authority:* Fresno County

*Fraud Type:* Premium Fraud

*Conviction:* On January 12, 2007, Elizabeth Montero was sentenced to 180 days in jail, 5 years probation, ordered to pay a criminal fine of \$800 and restitution of \$320,553.

#### Medical Provider:

- **Accident Help Line (03FW003701)**—Charles Affatato, Marisela Montes, Elizabeth Rodriguez, William Sheaffer, and Jason Walker were arrested on September 14, 2006; Lorene Hebert, Ralph Howell, Mark Lungren, Mikel Meyer, Eva Prieto, and Ronald Richards were arrested on September 15, 2006; and Emma Mendez Defarless was arrested on September 19, 2006. All suspects have been charged with felony insurance fraud. The arrests were the result of a three-and-a-half year investigation.

Investigators from the California Department of Insurance's (CDI) Fraud Division, as well as the Fresno and Kings County District Attorneys' offices made the arrests, after undercover operatives and investigators found that various Accident Help line clinics in Hanford, Fresno and Merced allegedly provided excessive and unnecessary treatment to patients for the purpose of over-billing insurance companies. They also allegedly prescribed excessive Total Temporary Disability time off work to patients covered by workers' compensation insurance.

Accident Help Line came to the attention of CDI investigators through complaints, tips and information received from the Special Investigative Units (SIU) of Geico and Zenith Insurance Companies, State Compensation Insurance Fund (SCIF), and other insurance carriers. Since late 2002, investigators have received numerous suspected fraud referrals accounting for millions of dollars in suspected workers' compensation insurance fraud.

*Prosecuting Authority:* Merced County

*Fraud Type:* Medical Provider

*Status:* Pending

- † Ramon Reynoso (03BW004909)—Ramon Reynoso was arrested on October 30, 2006.

Chiropractor Ramon Reynoso is suspected of billing insurance carriers for the use of certified interpreters when non-certified interpreters were used during qualified medical examinations of Spanish speaking claimants. Reynoso is fluent in Spanish and may not have used an interpreter at all and still may have billed for the use of one.

On October 30, 2006, a federal grand jury indicted Reynoso for income tax evasion of more the \$3.6 million dollars.

This was a joint investigation with the Internal Revenue Service.

*Prosecuting Authority:* US Attorney

Northern District

*Fraud Type:* Medical Provider

*Status:* Pending

- † Karen D. Azevedo (00AW000180)—Chiropractor Karen Azevedo is suspected of upcoding for patient treatments associated with insurance billings. This was a joint investigation with the Butte County District Attorney's Office.

*Prosecuting Authority:* Butte County

*Fraud Type:* Medical Provider

*Conviction:* Karen Azevedo was sentenced on July

19, 2006 to 100 hours of community service, 36 months of probation and ordered to pay restitution in the amount of \$26,211.

### **Employer Fraud:**

- † David Fernandes, Sr. (06AW016711)—David Fernandes, Sr. was arrested on January 30, 2007 on one count of workers' compensation fraud and one count of insurance fraud.

A former Integrity Electric employee called the Department of Insurance and reported that the owner of the Company, David Fernandes, discouraged one of his employees from filing a workers' compensation claim. Fernandes had workers' compensation insurance with Endurance Workers' Compensation Insurance Company at the time of the injury. The former employee stated that Fernandes took the injured employee to the VA Hospital and told him to say the injury happened while working at home.

The injured employee was interviewed and stated he was encouraged by the owner not to report the injury as work related to the treating doctor at the VA Hospital. He also stated Fernandes answered the nurse for him when he was asked about how the injury happened and Fernandes told the nurse that the employee injured himself while working at home. The employee said he was asked several more times by doctors and nurses how he was hurt and that he also told them he was hurt while working at home.

David Fernandes was interviewed and denied discouraging the employee from filing a workers' compensation claim. Fernandes said it was the employee's choice not to file a claim with the insurance company. Fernandes said the employee knew what would happen if a claim was filed. Investigators asked what would happen and Fernandes said his rates would go up.

*Prosecuting Authority:* Sacramento County

*Fraud Type:* Employer Fraud

*Status:* Pending

- † Jose Javier Quiroz (04EW017845)— Investigators claimed that the employer, Calxico Metal Recollectors (CMR), had misrepresented the date of injury of an employee to obtain workers' compensation benefits. This investigation revealed that Jose Javier Quiroz, owner of CMR, knowingly conspired to conceal the date of injury of their employee. Quiroz purchased workers' compensation insurance coverage after the employee's injury and materially misrepresented the date of injury as March 19, 2003, when in fact, Arroyo reported his injury on or around January 27, 2003. Jose Quiroz was arrested on October 12, 2006.

*Prosecuting Authority:* Imperial County

*Fraud Type:* Employer Fraud

*Conviction:* Jose Javier Quiroz was sentenced on February 12, 2007 to 1 day in jail, 3 days of probation, ordered to pay a criminal fine of \$200, and a restitution amount of \$8,694.

### **Employer Defrauding Employee:**

- † Khanh Tran (05GW007240)—On December 16, 2004, Khanh Tran, the owner of the business, and Manager Jose Velazco took an employee, who fell off a roof top while working, to the Santa Clara Valley Medical Center and told the medical staff that the employee had fallen off a bicycle. The medical staff was given a fictitious name for the injured worker. The injured worker was not informed by either the Velazco or Tran that he was entitled to file a workers' compensation claim for his injury. In fact, they conspired to offer him cash not to file a claim.

*Prosecuting Authority:* Santa Clara County

*Fraud Type:* Employer Defrauding Employee

*Conviction:* Tran was sentenced on July 19, 2006 to 1 day in jail, 2 years of probation, and ordered to pay a restitution amount of \$3,147 and Jose Rojas was sentenced on July 19, 2006 to 13 days in jail, 2 years of probation, and ordered to pay a restitution amount of \$3,147.

- † Galstanyan and Tergalstanyan (04HW011853)—Shagen Galstanyan and his son, Vahe Tergalstanyan were arrested on May 15, 2006, for workers' compensation insurance fraud. Galstanyan and Tergalstanyan were charged with making knowingly false statements and attempting to deny workers' compensation benefits to an injured employee.

The two suspects owned two car washes in Moreno Valley, the Alessandro Car Wash, and the Sunnymead Car Wash. On March 4, 2004, the employee suffered severe lacerations to his right hand when it was caught in the wheel of a vehicle moving along a conveyor belt at the Sunnymead Car Wash. Co-workers drove the injured worker to the Moreno Valley Community Hospital where treatment was rendered. Shortly thereafter, Galstanyan arrived at the hospital and demanded that the injured worker be relocated to a different facility; he then drove the employee to the Riverside County Regional Medical Center in Moreno Valley.

Galstanyan allegedly told the injured worker to remove his work shirt in the parking lot before walking into the emergency room. He further allegedly instructed the injured worker to lie and say that he was cut by glass at home, instead of reporting the truth about his injuries. Galstanyan left the injured worker at the entrance to the emergency room and shortly thereafter, his son Tergalstanyan arrived to continue monitoring the employee and his communications with hospital staff. The emergency room personnel found inconsistencies with the injured worker's story and were able to obtain the facts of his work related injury. The injured worker did receive the necessary treatment and follow-up under the employer's workers' compensation insurance benefits. Galstanyan and Tergalstanyan also attempted to conceal information about the true nature of the employee's injury from their insurance carrier, Safeco Insurance.

*Prosecuting Authority:* Riverside County  
*Fraud Type:* Employer Defrauding Employee  
*Conviction:* Vahe Tergalstanyan was sentenced on October 25, 2006 to 120 days in jail, 3 years of probation, ordered to pay a criminal fine of \$200 and a restitution amount of \$2,500, and Shagen Galstanyan was sentenced on October 25, 2006 to 60 days in jail, 3 years of probation, ordered to pay a criminal fine of \$200 and a restitution amount of \$2,500.

#### **Claimant Fraud:**

- † **Robert and Rosemary Bunch (04FW022208)**— Robert Bunch worked as an electrician with National Cement Company in the city of Lebec, and his wife was a clerk at United Methodist Church in Lancaster. According to investigators, CNA Insurance, the carrier handling Mr. Bunch's claim, reported the workers' compensation insurance fraud after receiving information that Robert was videotaped working beyond his reported limitations. The California Insurance Guarantee Association (CIGA) is handling Mrs. Bunch's claim. Despite the fact the Bunches reported to doctors that they were unable to return to work, CNA Insurance obtained information proving they both performed physical activities such as yard work and construction. Mr. and Mrs. Bunch had each filed workers' compensation claims with their employers with benefit payments of more than \$300,000 and \$800,000 respectively.

Videotape was obtained of Mr. Bunch working on top of a large metal building, lifting a ladder, and doing yard work with no visible signs of injury. His wife was videotaped at her home doing yard work without the use of a cane or wheelchair; however, she was always either using a cane or in a wheelchair at workers' compensation hearings, doctor visits, or at public shopping malls.

Investigators say Rosemary was provided limousine service for two years as part of her workers' compensation claim because she reported to her doctor that she could not drive. Limousine driver Peter Babroudi testified in his deposition regarding Rosemary's workers' compensation claim that she was so disabled he had to assist her into the limousine. However, videotaped evidence showed Babroudi and Rosemary on different occasions carrying Rosemary's cane to the limousine while Rosemary walked on her own without assistance. Babroudi pled guilty in June 2006 to a misdemeanor charge of insurance fraud prior to his preliminary hearing.

*Prosecuting Authority:* Kern County  
*Fraud Type:* Claimant Fraud  
*Conviction:* Both defendants were ordered to serve 31 days in jail and to pay criminal fines of \$4,000 each. Robert Bunch was ordered to pay \$58,000 in restitution, and Rosemary Bunch was ordered to pay \$48,000 in restitution.

- † **Eduardo Rocha and Noemi Quirino (01EW000209)**—On June 3, 1996, Eduardo Rocha, a mechanic for Aircraft Services International, was injured while repairing an engine. Rocha sustained second degree burns to his torso, thighs, and genitals as well as a fractured right ankle. Over the next several years, his condition allegedly worsened physically, mentally and emotionally to the point where the Rochas alleged that Mr. Rocha could no longer care for himself.

Due to Rocha's alleged disability, his wife, Noemi Rocha, was paid to stay home and provide home health care services to Rocha. A subsequent investigation revealed that Rocha was performing physical activities including, but not limited to, the following: lifting bicycles, walking without a cane, throwing away trash, driving, socializing, and shopping. All of which exceeded

the limitation stated by Eduardo Rocha, Noemi Rocha, and the limitations exhibited by Eduardo Rocha. The Rochas made material misrepresentations regarding Eduardo Rocha's ability to perform certain activities in order to effect Eduardo Rocha's right to collect/obtain workers' compensation benefits.

Investigators also discovered that Mrs. Rocha submitted her own fraudulent workers' compensation claim after she was arraigned in this case on May 16, 2006. On the morning of June 20, 2003, while working at Victoria Special Care Nursing Home, Mrs. Rocha claimed to have injured her back in a slip and fall. Her supervisor questioned her injury and believed it did not actually occur. A follow-up investigation by the CDI beginning on January 23, 2004, confirmed this was also a fraudulent claim. On February 15, 2005, Mrs. Rocha was charged with insurance fraud.

*Prosecuting Authority:* San Diego County  
*Fraud Type:* Claimant Fraud

*Conviction:* Eduardo Rocha was sentenced on August 29, 2006 to 365 days in jail, 5 years of probation, ordered to pay a criminal fine of \$239, and a restitution amount of \$37,988; Noemi Quirino was sentenced on August 29, 2006 to 180 days in jail, 5 years of probation, and ordered to pay a restitution amount of \$37,988.

- ✦ **Ladole Morris (05JW006164)**—On January 20, 2006, Ladole Morris was arrested by Fraud Division investigators and officers from the Los Angeles Police Department (LAPD) Internal Affairs Unit on charges of workers' compensation insurance fraud, insurance fraud, and attempted perjury.

Morris, a LAPD officer, sustained admitted cervical and left shoulder injuries on April 21, 2001. He returned to full duty on October 24, 2001. On May 12, 2003, he could not work because of neck and shoulder pain, resulting

in six additional months of temporary total disability (TTD). Surveillance revealed that while on TTD, he played full-court basketball several times an activity that was inconsistent with his representations to doctors. His employer regularly advised him that light duty was available but he failed to notify his employer or doctor that he could perform light duty. He concealed these physical activities by providing false and misleading testimony at his deposition on October 14, 2003.

*Prosecuting Authority:* Los Angeles County  
*Fraud Type:* Claimant Fraud

*Conviction:* On October 30, 2006, Morris pled guilty to one count of workers' compensation insurance fraud (1871.4 [a][1]) and was sentenced to one day in jail, 342 hours of community service, three years probation, a civil fine of \$220 and restitution of \$12,709.

- ✦ **Pedro Medina Meza (04BW009440)**—Pedro Medina claimed that he sustained an industrial injury to his back, neck, and shoulder. When deposed, Medina denied working after his injury. Zurich American Insurance Company conducted an investigation and determined, through subroa, that Medina did construction work while receiving work related benefits.

*Prosecuting Authority:* Contra Costa County  
*Fraud Type:* Claimant Fraud

*Conviction:* On January 24, 2007, Pedro Medina Meza was convicted of two felony counts of workers' compensation fraud and sentenced to 240 days in jail, 5 years of probation, and ordered to pay a restitution amount of \$100,000.

- ✦ **Derek Alldred (05AW017051)**—Between January 6, 2005 and August 1, 2005, Alldred went to various Kaiser hospitals and clinics claiming he was covered by Kaiser. He made two workers' compensation claims, claiming he was injured while at work. Alldred also claimed chest pain on the other two occasions. He

was subsequently admitted to the hospital and received treatment based on his statements. This investigation revealed that Alldred is not employed or insured with Kaiser. Alldred made false statements to obtain benefits to which he was not entitled. Alldred was charged and plead on three separate cases in Sacramento, Yolo, and El Dorado counties.

*Prosecuting Authority:* Sacramento County

*Fraud Type:* Claimant Fraud

*Conviction:* Derek Allred was sentenced on March 30, 2007 to 180 days in jail and 3 years probation in Sacramento County. He was also ordered to pay a restitution amount of \$72,458.

Reyes' agent/broker license was revoked by the Department in September 2002 for various penal and vehicle code violations. In June 2005, an investigation revealed that Reyes sold the fraudulent policies after his license had been revoked. He collected a total of \$54,379 in premium for the fraudulent policies.

*Prosecuting Authority:* Los Angeles County

*Fraud Type:* Broker/Agent Fraud

*Conviction:* Ray Reyes was sentenced on January 23, 2007 after pleading guilty to two counts of grand theft and was sentenced to serve 32 months in state prison and ordered to pay \$54,379 in restitution.

### Insider:

- **Dennis Fisher and Colleen Moore** (05BW005112)—Dennis Fisher and Colleen Moore were arrested December 14, 2006, on suspicion of perpetrating fraud against a workers' compensation company.

Fisher, who was a Claims Examiner with American Commercial Claims Administrator (ACCA) allegedly stole \$246,000 from ACCA by issuing checks to Colleen Moore for services not rendered. An employee at ACCA discovered the discrepancies and filed a complaint with the San Francisco County District Attorney's Office.

*Prosecuting Authority:* San Francisco County

*Fraud Type:* Insider Fraud

*Status:* Pending

### Broker/Agent Fraud:

- **Ray Ramiro Reyes**—An investigation by the California Department of Insurance, Investigation, revealed 14 small businesses in the Los Angeles area were defrauded by former fire and casualty insurance agent/broker, Ray Ramiro Reyes. Reyes sold fraudulent workers' compensation and commercial fire and liability insurance policies to the small business owners.

## Suspected Fraudulent Claims

County	2004 SFCs	2005 SFCs	2006 SFCs	TOTAL
Alameda	316	439	322	1,077
Alpine	0	0	1	1
Amador	7	19	5	31
Butte	25	44	27	96
Calaveras	7	17	14	38
Colusa	2	5	5	12
Contra Costa	149	268	160	577
Del Norte	5	13	2	20
El Dorado	11	46	22	79
Fresno	153	251	153	557
Glenn	0	4	2	6
Humboldt	8	15	11	34
Imperial	28	43	27	98
Inyo	4	5	3	12
Kern	93	210	95	398
Kings	10	31	17	58
Lake	9	20	10	39
Lassen	7	12	9	28
Los Angeles	1,701	2,671	1,545	5,917
Madera	14	23	17	54
Marin	40	52	41	133
Mariposa	2	4	1	7
Mendocino	10	38	10	58
Merced	32	63	34	129
Modoc	1	4	0	5
Mono	1	6	2	9
Monterey	65	89	76	230
Napa	13	33	12	58
Nevada	11	26	9	46
Orange	472	766	452	1,690
Placer	39	68	35	142
Plumas	2	6	0	8
Riverside	259	705	399	1,363
Sacramento	217	378	216	811
San Benito	4	9	8	21
San Bernardino	272	509	311	1,092
San Diego	465	643	395	1,503
San Francisco	145	167	120	432
San Joaquin	115	157	95	367
San Luis Obispo	30	50	32	112

County	2004 SFCs	2005 SFCs	2006 SFCs	TOTAL
San Mateo	115	132	99	346
Santa Barbara	60	103	66	229
Santa Clara	304	299	192	795
Santa Cruz	27	49	45	121
Shasta	41	63	38	142
Sierra	1	2	0	3
Siskiyou	8	6	1	15
Solano	60	101	65	226
Sonoma	65	157	67	289
Stanilaus	72	141	70	283
Sutter	7	21	16	44
Tehama	8	13	1	22
Trinity	0	1	1	2
Tulare	32	84	76	192
Toulumne	3	21	6	30
Ventura	150	173	112	435
Yolo	27	36	32	95
Yuba	3	9	7	19
<b>Total</b>	<b>5,727</b>	<b>9,320</b>	<b>5,589</b>	<b>20,636</b>

## Fraud Division Arrests

### July

DOI Regional Office	Case Number	Suspect's Name	Prosecuting Authority
Benicia	05BW024670	Abel, Michael	Contra Costa
Benicia	05BW018351	Ambrose, Debbie	Contra Costa
Benicia	05BW018351	Ambrose, Stephen	Contra Costa
Sacramento	06AW001217	Anaya, Victor	Sacramento
Sacramento	00AW000180	Azevedo, Karen D	Butte
Inland Empire	06HW004144	Cervantes, Maria	Riverside
Benicia	05BW024675	Cullem, Christine	Contra Costa
Benicia	04BW018677	Driskell, Robert	Contra Costa
Orange	06DW002329	Elias, Magaly	Orange
Benicia	04BW015835	Epstein, Bill	Contra Costa
Benicia	04BW015835	Epstein, Musia	Contra Costa
Benicia	05BW020678	Gaytan, Martha	Solano

*July (Continued)*

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Benicia	06BW006853	Gomez, Heliodoro	Contra Costa
Fresno	06FW007276	Gonzalez - Bautista, Jose	Fresno
Fresno	06FW007276	Gonzalez, Xochihlt	Fresno
Inland Empire	06HW013500	Hernandez, Miguel	Orange
Benicia	05BW024677	Isa, Adel	Contra Costa
Benicia	06BW013190	Jussen, Jeffrey	Alameda
Benicia	05BW024673	Morphy, Anthony	Contra Costa
Benicia	05BW024670	Murphy, Daniel	Contra Costa
Benicia	06BW008373	Naranjo, John	Alameda
Benicia	06BW001529	Nguyen, James	Contra Costa
Sacramento	05AW010711	Raya, Mark	Sacramento
Benicia	04BW008498	Verbish, Chavelle	Sonoma
Benicia	06BW006854	Warner, Michael	Contra Costa

**August**

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Southern Los Angeles County	05CW010695	Alas, Nelson	Los Angeles
Benicia	06BW015709	Angeles, Arnulfo	Solano
Inland Empire	06HW006872	Arafiles, Alvin	San Bernardino
Benicia	06BW014987	Beas, Jose	Solano
Fresno	05FW018360	Carillo, Oscar	Kern
Orange	06DW005768	Castro, Marcelino	Orange
Benicia	06BW007345	Cervantes, Cesar	Contra Costa
San Diego	05EW000912	Cochran, Brian	San Diego
Benicia	06BW016292	Collazos, Walter	Contra Costa
Benicia	05BW013265	Dunham, Carol	Solano
Benicia	04BW023411	Feely, Martha	San Francisco
Sacramento	04AW023806	Gregorio, Lopez	Sacramento
Benicia	06BW007349	Guevara, Enrique	Contra Costa
Benicia	06BW014987	Hoang, Phe	Solano
Sacramento	06AW002396	Holloway, Lashundra	Sacramento
Benicia	06BW016292	Krumrei, Gary	Contra Costa
Benicia	06BW007346	Lara, Roberto	Contra Costa
Benicia	06BW016292	Malolo, Joseph	Contra Costa
Benicia	06BW016292	Matias, Domingo	Contra Costa

*August (Continued)*

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Benicia	06BW016292	Melendez, Francisco	Contra Costa
Benicia	06BW016292	Melendez, Pablo	Contra Costa
Benicia	06BW014987	Mora li, Carlos	Solano
Inland Empire	06HW013500	Pacheco, Margarita	Orange
Benicia	06BW016292	Pineda, Jose	Contra Costa
San Diego	01EW000209	Quirino, Noemi	San Diego
Benicia	06BW014987	Rios, Juan	Solano
San Diego	01EW000209	Rocha, Eduardo	San Diego
San Diego	04EW001038	Rocha, Noemi	San Diego
Southern Los Angeles County	05CW013269	Smith, Tashonne	
Benicia	06BW014987	Stanberry, Harold	Solano
Benicia	06BW014987	Thomas, Jefferson	Solano
Benicia	06BW014987	Trujillo, Jose Luis	Solano
Benicia	06BW007348	Tui, Pahulu	Contra Costa

**September**

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Sacramento	06AW015873	Aceves, Ralph	Sacramento
Fresno	03FW003701	Affatato, Charles	Merced
Sacramento	06AW016048	Aguilera, Hernando	Yolo
Sacramento	06AW015873	Akindayomi, Felix	Sacramento
Valencia	06JW008409	Aliakbarzadeh, Arash	Los Angeles
Benicia	06BW002721	Almendares, Margarita	Marin
Sacramento	06AW016048	Barakzyan, Razmik	Yolo
Sacramento	06AW016048	Barth, Henry	Yolo
Sacramento	06AW016048	Beregovnoy, Timofey	Yolo
Sacramento	06AW015873	Bodnar, Dan	Sacramento
Sacramento	06AW015873	Borsuk, Vladimir	Sacramento
Sacramento	06AW015873	Borsuk, Yaroslav	Sacramento
Sacramento	06AW015873	Bowling, Robert	Sacramento
Sacramento	06AW016048	Bristol, David	Yolo
Inland Empire	06HW016509	Buller, Luis	San Bernardino
Sacramento	06AW015873	Campoy, Rafael	Sacramento
Sacramento	06AW015873	Canahuati, Ramon	Sacramento
Inland Empire	06HW016512	Canchola, Luciano	San Bernardino

*September (Continued)*

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Sacramento	06AW016048	Castro, Noe	Yolo
Sacramento	06AW016048	Castro, Rafael	Yolo
Benicia	06BW002722	Chang, John	Marin
Sacramento	06AW016048	Chavarin, Jesus	Yolo
Benicia	06BW002719	Cho, Kyong	Marin
Benicia	06BW002719	Cho, Sun	Marin
Benicia	06BW014987	Coopwood, Rex	Solano
Inland Empire	06HW016505	Espinoza, Victor	San Bernardino
Sacramento	06AW016048	Fazlic, Amir	Yolo
Sacramento	06AW015873	Figueroa, Silverio	Sacramento
Sacramento	06AW016048	Finau, Talaiasi	Yolo
Benicia	06BW002716	Fix, Timothy	Marin
Sacramento	06AW016048	Gamino, Armando	Yolo
Sacramento	06AW016048	Garcia, Adrian	Yolo
Benicia	06BW008374	Garrick, Carlyle	Alameda
Sacramento	06AW016048	Gaspar-lorenzo, Mateo	Yolo
Benicia	06BW002697	Gonzalez, Alvaro	San Francisco
Sacramento	06AW015873	Gordillo, Omar	Sacramento
Sacramento	06AW016048	Guzman, Roman	Yolo
Sacramento	06AW015873	Habiba, George	Sacramento
Sacramento	06AW016048	Handree, David	Yolo
Fresno	03FW003701	Hebert, Lorene	Merced
Sacramento	06AW015873	Henda, Paulo	Sacramento
Sacramento	06AW016048	Herrera, Jesse	Yolo
Benicia	06BW014987	Hoang, Nghe	Solano
Fresno	03FW003701	Howell, Ralph	Merced
Sacramento	06AW016048	Huston, Paul	Yolo
Sacramento	06AW015873	Jimenez, Jorge	Sacramento
Sacramento	06AW015873	Johnson, Daniel	Sacramento
Sacramento	06AW015873	Keisler, Dave	Sacramento
Inland Empire	06HW016506	Kim, Dae	San Bernardino
Inland Empire	06HW016510	Kim, Yoon	San Bernardino
Sacramento	06AW015873	Lal, Akash	Sacramento
Benicia	06BW014987	Lehman, Jason	Solano
Valencia	02JW019106	Leon, Juan	Los Angeles
Benicia	07BW013112	Lolohea, Lingitoni	Alameda
Valencia	06JW008409	Lopez, Arturo	Los Angeles

## September (Continued)

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Sacramento	06AW015873	Lopez, Luis	Sacramento
Sacramento	06AW016048	Lopez, Miguel	Yolo
Sacramento	06AW015603	Lucena, June	Sacramento
Fresno	03FW003701	Lungren, Mark	Merced
Sacramento	06AW016048	Magana, Manuel	Yolo
Sacramento	06AW015873	Maharajh, Siddhartha	Sacramento
Sacramento	06AW015873	Martinez, Enoch	Sacramento
Benicia	04BW009440	Medina Meza, Pedro	Contra Costa
Sacramento	06AW016048	Mellor, Dennis	Yolo
Fresno	03FW003701	Mendez Defarless, Emma	Merced
Valencia	06JW008409	Mendikyan, Meline	Los Angeles
Fresno	03FW003701	Meyer, Mikel	Merced
Sacramento	06AW016048	Montelone, Charles	Yolo
Fresno	03FW003701	Montes, Marisela	Merced
Valencia	06JW008409	Morales, Elsa	Los Angeles
Sacramento	06AW016048	Nguyen, David	Yolo
San Diego	06EW003070	Nicol, Alan	San Diego
Sacramento	06AW016048	Perez, Romero	Yolo
Sacramento	06AW016048	Phang, Arch	Yolo
Inland Empire	06HW016517	Phumirat, Saros	San Bernardino
Sacramento	06AW015873	Pickering, Roy	Sacramento
Fresno	03FW003701	Prieto, Eva	Merced
Sacramento	06AW015873	Rackley, Sr., Frank	Sacramento
Sacramento	06AW016048	Reyes, Antonio	Yolo
Fresno	03FW003701	Richards, Ronald	Merced
Sacramento	06AW016048	Rivera-henriquez, Esmelin	Yolo
Fresno	03FW003701	Rodriguez, Elizabeth	Merced
Sacramento	06AW016048	Ruiz, Victor	Yolo
Benicia	06BW000974	Sandoval-muro, Daniel	Contra Costa
Inland Empire	06HW016503	Saysau, Roland	San Bernardino
Sacramento	06AW016048	Serrano, Demetrio	Yolo
Fresno	03FW003701	Sheaffer, William	Merced
Sacramento	06AW016048	Singh, Preem	Yolo
Sacramento	06AW016048	Steichen, Patrick	Yolo
Sacramento	06AW016048	Tulua, Lisiata	Yolo
Sacramento	06AW016048	Valle, Antonio	Yolo
Sacramento	06AW016048	Vargas, James	Yolo

*September (Continued)*

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Inland Empire	06HW013500	Vargas, Lorena	Orange
Sacramento	06AW016048	Vernanza, Lionel	Yolo
Fresno	03FW003701	Walker, Jason	Merced
Benicia	03BW017364	Wallen, Helen	Solano
Sacramento	06AW016048	Witzelberger, Jay	Yolo
Benicia	06BW002715	Yeh, Benny	Marin

**October**

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Inland Empire	06HW018082	Akhtar, Muhammad	Riverside
Inland Empire	06HW018108	Ayala, Maria	Riverside
Inland Empire	06HW018091	Barrajas, Humberto	Riverside
Inland Empire	02HW016442	Beauregard, Paul	San Bernardino
Inland Empire	06HW018049	Cabrera, Fredy	Riverside
Inland Empire	02HW016442	Chabolla, Javier	San Bernardino
Sacramento	05AW026340	Clark, Steven	Butte
Sacramento	04AW002833	Clements, Kevin	Sacramento
Valencia	05JW009433	Cover All Inc,	Los Angeles
Benicia	06BW012130	Diaz, Omar	Sonoma
Sacramento	06AW005871	Douke, Tabitha	Sacramento
Benicia	06BW005965	Duhon, Linda	Contra Costa
Inland Empire	06HW018205	Edmonson, Rose	Riverside
San Diego	05EW022666	Estrada, Jose	Imperial
Sacramento	06AW016048	Gasparayan, Ashot	Yolo
Valencia	05JW009433	Golan, Irit	Los Angeles
Valencia	05JW009433	Golan, Zeev	Los Angeles
Inland Empire	02HW016442	Grant, Donald	San Bernardino
Inland Empire	06HW018088	Harris, Debra	Riverside
Valencia	06JW008409	Hauf, Heinz	Los Angeles
Inland Empire	02HW016442	Hidalgo, Oscar	San Bernardino
Benicia	06BW005828	Hiller, Ron	Contra Costa
Benicia	06BW001951	Iselen Business Enterprises	Alameda
San Jose	05GW003984	Lagway, David	Santa Clara
Benicia	06BW016292	Leite, Kennedy	Contra Costa
Valencia	05JW009433	Leshem, Gad	Los Angeles

*October (Continued)*

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Inland Empire	06HW018041	Miller, Stanley	Riverside
Sacramento	06AW016048	Mnatsakanian, Gurgen	Yolo
Inland Empire	06HW018080	Mukerjce, Neil	Riverside
Valencia	04JW010785	Nicola, Antoine	Los Angeles
Inland Empire	06HW018105	Parlet, Tom	Riverside
Inland Empire	06HW018095	Patel, Mukesh	Riverside
Inland Empire	06HW018078	Patel, Nareshkumar	Riverside
Inland Empire	02HW016442	Perez, Luis	San Bernardino
Inland Empire	06HW018597	Pham, Binh	Riverside
Inland Empire	06HW018051	Pope, Mike	Riverside
San Diego	04EW017845	Quiroz, Jose Javier	Imperial
Benicia	03BW004909	Reynoso, Ramon	Alameda
Benicia	04BW001465	Rieger, Mi	Contra Costa
Inland Empire	02HW016442	Rodas, Paul	San Bernardino
Inland Empire	06HW018106	Russo, Johnny	Riverside
Benicia	05BW009547	Salazar-rivera, Melquiades	Solano
Benicia	06BW005828	Singh, Satwant	Contra Costa
Benicia	06BW005828	Stubbs, Stanley	Contra Costa
Inland Empire	06HW018096	Tabel, Eid	Riverside
Inland Empire	06HW018096	Tabel, Eid	Riverside
Inland Empire	04HW000587	Tagliarini, Joseph	Orange
Inland Empire	06HW017966	Tomlinson, Johnathan	Riverside
Inland Empire	06HW018595	Trujillo, Hector	Riverside
Inland Empire	06HW018045	Unknown, Unknown	Riverside
Inland Empire	06HW018083	Vargas, Jose	Riverside
Inland Empire	06HW018052	Viguerras, Marco	Riverside
Inland Empire	02HW016442	Waldo, Elisabeth	San Bernardino
Inland Empire	06HW018043	Wheat, Sandra	Riverside

**November**

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Inland Empire	06HW003899	Ahmed, Raja	San Bernardino
Sacramento	05AW017051	Alldred, Derek	Sacramento
Sacramento	04AW000838	Blount, Kenneth	Sacramento
Sacramento	06AW015474	Brathovd, Keith	Sacramento

*November (Continued)*

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Sacramento	05AW023164	Callison, Carole	Sacramento
Valencia	06JW013429	Cota, Mary	Santa Barbara
Sacramento	06AW016048	Dyachenko, Aleksey	Yolo
Benicia	05BW024256	Guzman, Francisco	Sonoma
Benicia	05BW018194	Jaffer, Anwar	Marin
Inland Empire	06HW021586	Kim, Yeon	San Bernardino
San Diego	05EW012964	Ledesma, Jose	San Diego
Benicia	05BW018965	Lee, Crishon	Contra Costa
Sacramento	06AW016048	Moa, Tevita	Yolo
Benicia	05BW022143	Moore, Sharon	San Francisco
Inland Empire	06HW003899	Ortega, Maria Del Rosario	San Bernardino
Sacramento	06AW016048	Scott, Jeffrey	Yolo
Sacramento	06AW016048	Stanley, Steve	Yolo
Inland Empire	06HW003899	Unknown, Jane Doe	San Bernardino
Inland Empire	02HW016442	Williams, Regina	San Bernardino
Inland Empire	06HW021626	Young, Stephen	San Bernardino

**December**

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
San Jose	07GW000444	Acevedo, Santiago	Santa Clara
San Jose	07GW000407	Aguilar, Jose	Santa Clara
Sacramento	06AW022016	Bader, Brian	Sacramento
San Jose	07GW000434	Benyamin, Baba	Santa Clara
Benicia	06BW017916	Cervantes-iniguez, Santos	Contra Costa
Sacramento	06AW022016	Chavez, Fernando	Sacramento
Benicia	06BW002719	Cho, Sun	Marin
Benicia	05BW018621	Coleman, Gerald	San Francisco
Benicia	05BW026302	Coupe, Nicole	Contra Costa
Sacramento	06AW016048	Cruz, Ebed	Yolo
Sacramento	06AW022016	Damaschin, Veaceslav	Sacramento
San Jose	07GW000352	Dieguez, Alfonso	Santa Clara
Sacramento	06AW022016	Enriquez, Jorge	Sacramento
San Jose	07GW000440	Estrada, Robert	Santa Clara
Benicia	05BW005112	Fisher, Dennis	San Francisco
Fresno	05FW006049	Galvan, Ememerio	Kern

*December (Continued)*

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Fresno	05FW005035	Garcia, Florinda	Fresno
Sacramento	06AW022016	Garcia, Jose	Sacramento
Benicia	06BW017917	Guerra, Jesus	Contra Costa
San Jose	07GW000457	Han, Yeon	Santa Clara
San Jose	07GW000525	Hill, Earl	Santa Clara
Benicia	06BW007373	Holani, Tuisila	Contra Costa
San Jose	07GW000431	Hubbell, Donald	Santa Clara
Sacramento	06AW022016	Huber, Joseph	Sacramento
Sacramento	06AW022016	Ingham, Gerald	Sacramento
Fresno	05FW017102	Jimenez, Adrian	Merced
San Jose	07GW000522	Knezevic, Anadelko (andy)	Santa Clara
San Jose	07GW000430	Lee, Kyung	Santa Clara
San Jose	07GW000356	Lopez, Eduardo	Santa Clara
Benicia	05BW022442	Mario, Bobbie	San Francisco
San Jose	07GW000353	Martinez, Jr., Sam	Santa Clara
Sacramento	06AW022016	Mcguire, Tonya	Sacramento
Benicia	05BW005112	Moore, Colleen	San Francisco
San Jose	07GW000385	Mousavinazari, Hooman	Santa Clara
Benicia	05BW026302	Orozco, Carlos	Contra Costa
San Jose	07GW000393	Ozuna, Rosario	Santa Clara
Sacramento	06AW022016	Pena, Francisco	Sacramento
San Jose	07GW000333	Ramos, Miguel	Santa Clara
Sacramento	06AW022016	Rangel, Ernesto	Sacramento
Sacramento	06AW022016	Rodriguez Navarro, Rigoberto	Sacramento
San Jose	07GW000464	Salas, Misael	Santa Clara
San Jose	07GW000534	Santillan, Francisco	Santa Clara
San Jose	07GW000468	Soto, Luis Alfonso	Santa Clara
Benicia	06BW004762	Thompson Jr., Henry	Contra Costa
San Jose	07GW000421	Timite, Massaty	Santa Clara
Sacramento	06AW022016	Timofeyev, Pavel	Sacramento
San Jose	07GW000382	Tokiwa, Bruce	Santa Clara
San Jose	07GW000462	Vargas, Michael	Santa Clara
San Jose	07GW000451	Yi, Chae (jerry)	Santa Clara
San Jose	07GW000361	Yoon, Eun Mi	Santa Clara

**January**

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Benicia	06BW001941	Abu-guazaleh, Adel	Alameda
Southern Los Angeles County	05CW013967	Bonilla, Conrad	Los Angeles
Benicia	06BW016173	Brawley, Angela	Alameda
Inland Empire	06HW003498	Castro Manzano, Luis	San Bernardino
Southern Los Angeles County	06CW018560	Cervantes, Baltazar	Los Angeles
Sacramento	06AW021493	Chen, Andy	Sacramento
Fresno	03FW018451	Dodd, Shawn	Kern
Sacramento	06AW021493	Donaldson, Bret	Sacramento
Sacramento	06AW021493	Donaldson, Cynthia	Sacramento
Sacramento	06AW016711	Fernandes Sr., David	Sacramento
San Jose	05GW004714	Johnson, Herman	Monterey
Benicia	06BW001945	Linder, Charles	Alameda
Benicia	06BW001945	Lindner, Marian	Alameda
Benicia	06BW004037	Marva, Samuel	Contra Costa
Benicia	07BW003011	Mendoza, Anthony	Alameda
Benicia	06BW001941	Nesheiwat, Roger	Alameda
Benicia	06BW001208	Ona, Godwin	Alameda
Inland Empire	06HW013500	Onofre, Freddy	Orange
Benicia	04BW009298	Powers, Cathy	Contra Costa
Benicia	04BW009298	Powers, Rick	Contra Costa
Benicia	06BW007655	Raines, Michael	Alameda
Sacramento	06AW022448	Saad, Mitri	Yolo
Benicia	06BW001942	Takhar, Jasbir	Alameda
Fresno	06FW001840	Tanner-dorn, Susan	Fresno
Inland Empire	06HW013500	Veneros, Maria	Orange

**February**

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Benicia	06BW018265	Andriani, Lynette	Alameda
Inland Empire	04HW024115	Carreon, Manuel	Riverside
Sacramento	04AW006075	Craven, Cheryl	Sacramento
San Jose	07GW002363	Escutia, Lucino	Santa Cruz
Benicia	06BW006581	Evans, Maurice	San Francisco
Inland Empire	06HW013500	Flores, Fernando	Orange

San Jose	07GW002357	Martinez, Armando	Santa Cruz
San Jose	07GW002361	Martinez, Santiago	Santa Cruz
Inland Empire	06HW010587	Melvin, Larry	San Bernardino
Sacramento	06AW006913	Peterson, Scott	Shasta
San Jose	05GW019185	Quint, Gerald	Santa Clara
Valencia	05JW016612	Reyes, Guadalupe	Los Angeles
San Jose	05GW019185	Stommel, Susan	Santa Clara
Southern Los Angeles County	05CW025450	Udechukwu, Angelia	Los Angeles
Fresno	06FW016760	Valenzuela, Gilbert	Fresno
Inland Empire	06HW017905	Vallin, Jr., Robert	San Bernardino

### March

DOI Regional Office	Case Number	Suspect's Name	Prosecuting Authority
Sacramento	07AW004182	Aguilar-hernandez, Pablo	Sacramento
San Diego	07EW004651	Ainza, Arsenio	San Diego
Sacramento	07AW004652	Akhtar, Muhammed	Yolo
San Diego	07EW004651	Aksel, Ilhan	San Diego
Sacramento	07AW004182	Amaya, Roberto	Sacramento
San Diego	07EW004651	Antonio, Gregorio	San Diego
Sacramento	07AW004652	Avendano, Mario	Yolo
Inland Empire	07HW004501	Barajas, Eduardo	Riverside
Sacramento	07AW004182	Barnes, Jacoby	Sacramento
Benicia	07BW003666	Barrera, Carlos	Marin
San Diego	07EW004651	Bautista, Francisco	San Diego
Sacramento	04AW020627	Beem, Marcia	Nevada
Sacramento	07AW004182	Blakely, Albert	Sacramento
Sacramento	07AW004182	Blakely, Harold	Sacramento
San Diego	07EW004651	Boyd, Kevin	San Diego
Inland Empire	07HW004501	Bravo, Rene	Riverside
San Diego	07EW004651	Brewer, Mitchell	San Diego
Sacramento	07AW004182	Brown, Mike	Sacramento
Benicia	07BW003666	Caamal, Reinaldo	Marin
Inland Empire	07HW004501	Campos, Jesus	Riverside
San Diego	07EW004651	Caro, Ernest	San Diego
Inland Empire	07HW004501	Carver, John	Riverside
San Diego	07EW004651	Castillo, Gabriel	San Diego
San Diego	07EW004651	Cedillo, Felipe	San Diego

*March (Continued)*

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
San Diego	07EW004651	Cermano, Abner	San Diego
Inland Empire	07HW004501	Chavez, Roberto	Riverside
San Diego	07EW004651	Clingman, Steven	San Diego
Inland Empire	07HW004501	Cobos, Jose	Riverside
Sacramento	07AW004182	Cotera-couttolenc, Arturo	Sacramento
Inland Empire	07HW004501	De Leon, Eddie	Riverside
Inland Empire	07HW004501	Defreitas, Marcelo	Riverside
Inland Empire	07HW004501	Dingle, Daniel	Riverside
San Jose	04GW017312	Duran, Gerardo	Monterey
Inland Empire	07HW004501	Falanai, Talafae	Riverside
Sacramento	07AW004182	Fapula, Tevita	Sacramento
Fresno	05FW017102	Fernandez, Kandi	Merced
Sacramento	06AW018928	Forristall, David	Sacramento
Inland Empire	07HW004501	Fuentes, Jorge	Riverside
Sacramento	07AW004652	Garcia, Arturo	Yolo
Inland Empire	07HW004501	Garcia-morales, Rigoberto	Riverside
San Diego	07EW004651	Garland, William	San Diego
Southern Los Angeles County	00CW000269	Gilland, Lloyd	Los Angeles
Inland Empire	07HW004501	Gonzalez, Jose	Riverside
San Diego	07EW004651	Gonzalez, Jose	San Diego
Sacramento	07AW004182	Greenfield, Matthew	Sacramento
Sacramento	07AW004652	Guitierrez, Raul	Yolo
Inland Empire	07HW004501	Guzman, Domingo	Riverside
Sacramento	05AW008621	Guzman, Rafael	San Joaquin
Sacramento	07AW004182	Habiba, George	Sacramento
Sacramento	07AW004182	Hernandez-pineda, Faustino	Sacramento
San Diego	07EW004651	Ibanez-arrazola, Juan	San Diego
Inland Empire	07HW004501	King, Ed	Riverside
Inland Empire	07HW004501	Klein, Robert	Riverside
San Diego	07EW004651	Kosmaz, Umut	San Diego
Sacramento	07AW004182	Lalonde, Donald	Sacramento
Sacramento	07AW004182	Lara, Efrain	Sacramento
Sacramento	07AW004182	Lavon, Pierre	Sacramento
Benicia	07BW003666	Le, Bien	Marin
Sacramento	07AW004182	Makihele, Mohelangi	Sacramento
Inland Empire	07HW004501	Martinez, Daniel	Riverside

*March (Continued)*

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Inland Empire	07HW004501	Martinez, Moises	Riverside
Inland Empire	07HW004501	Martinez, Oscar	Riverside
Inland Empire	07HW004501	Matamoros, Cesar	Riverside
Inland Empire	07HW004501	Melena, Gabriel	Riverside
Benicia	07BW003666	Mendez, Diaz	Marin
Benicia	07BW003666	Mendez, Hildago	Marin
San Diego	07EW004651	Mendiola, Benito	San Diego
Inland Empire	07HW004501	Miller, Clyde	Riverside
Sacramento	07AW004652	Nitsch, Paul	Yolo
Inland Empire	07HW004501	Pailate, Anita	Riverside
San Diego	07EW004651	Pearl, Alex	San Diego
San Diego	07EW004651	Quiroz, Pedro	San Diego
San Diego	07EW004651	Remington, Richard	San Diego
San Diego	07EW004651	Resendiz, Jose	San Diego
Sacramento	07AW004652	Reyes, Alfredo	Yolo
San Jose	06GW017333	Rodriguez, Jesus	Monterey
Inland Empire	07HW004501	Rogers, Rodney	Riverside
Southern Los Angeles County	07CW003401	Rojo, Leobardo	Los Angeles
San Diego	07EW004651	Rubio, Pablo	San Diego
Sacramento	07AW004652	Sadiq, Abdulmanau	Yolo
Benicia	07BW003666	Salas, Jose	Marin
Benicia	07BW003666	Saldivar, Rosbel	Marin
San Diego	07EW004651	Sanchez-navarro, Julio	San Diego
San Diego	07EW004651	Santos, Josaias	San Diego
Sacramento	07AW004652	Schuldheisz, Steve	Yolo
Inland Empire	07HW004501	Sekana, Sunia	Riverside
Inland Empire	07HW004501	Sierra, Everardo	Riverside
Sacramento	07AW004182	Singh, Nasib	Sacramento
Southern Los Angeles County	06CW018044	Stafford, Wendell	Los Angeles
Sacramento	07AW004182	Taloe, Alipate	Sacramento
Orange	04DW006242	Tellez, Luis	Orange
Sacramento	07AW004182	Telly, Jr., Raymond	Sacramento
Valencia	06JW013137	Travis, Latanya	Los Angeles
San Diego	07EW004651	True, William	San Diego
San Diego	07EW004651	Tuttle, Robert	San Diego
Sacramento	07AW004652	Vakulich, Dmitry	Yolo

*March (Continued)*

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
San Diego	07EW004651	Varela-soto, Emilio	San Diego
San Diego	07EW004651	Vasquez-perez, Joel	San Diego
Valencia	05JW002283	Vazquez, Linda	Santa Barbara
Sacramento	07AW004182	Velazquez, Roldolfo	Sacramento
Sacramento	07AW004182	Viktorovich, Dmitriy	Sacramento
Sacramento	07AW004652	Vo, Tho	Yolo
Sacramento	07AW004652	Warner, Roger	Yolo
Inland Empire	07HW004501	Williams, Doyle	Riverside
San Diego	07EW004651	Woolmer, John	San Diego
Benicia	07BW003666	Wright, Steven	Marin

**April**

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Valencia	06JW003895	Bucknor, Wesley	Los Angeles
Orange	07DW001831	Burke, Sheila	Los Angeles
Sacramento	05AW023164	Dannemiller, Andrew	Sacramento
Valencia	04JW018077	Hartfield, Yvonne	Riverside
Inland Empire	06HW021586	Kim, Yeon	San Bernardino
Fresno	06FW007073	Petuck, Alex	Fresno
Benicia	07BW001205	Robles, Jr., Frank	Contra Costa
Fresno	07FW000397	Rosas, Maria	Fresno
Benicia	06BW017480	Silva, Ismael	Solano
Benicia	06BW008917	Spiliotis, Mary	Marin
Southern Los Angeles County	06CW021206	Tejas-soriano, Mario	Los Angeles
Valencia	05JW025790	Valdez, Ricardo	Los Angeles
Benicia	07BW002873	Wong, Steven	Contra Costa

**May**

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Benicia	05BW001280	Angles, John	Contra Costa
Sacramento	07AW009360	Balsley, James	Amador
Benicia	07BW008855	Burr, Nelson	Lake
Sacramento	07AW009360	Burton, Norman	Amador
Sacramento	04AW018744	Clipper, Helen	San Joaquin

*May (Continued)*

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Sacramento	07AW009360	Curiel, Luis	Amador
San Diego	05EW004491	Curran, Daniel	San Diego
San Jose	07GW008260	Duarte, Jose	Monterey
San Jose	07GW008316	Floriani, C	Monterey
San Jose	06GW013751	Franco, Rosendo	Monterey
Inland Empire	03HW020615	Garcia, Carlos, Jr	San Bernardino
Fresno	06FW001716	Gonzales, Larry	Kern
Sacramento	07AW009360	Gonzales, Steve	Amador
Sacramento	07AW009360	Griffin, Bruce	Amador
Valencia	06JW008689	Gutierrez, Everardo	Santa Barbara
Sacramento	05AW008621	Guzman, Lourdes	San Joaquin
Sacramento	07AW009360	Hernandez, Antonio	Amador
Valencia	05JW001935	Hernandez, Christian	Los Angeles
San Diego	05EW004491	Kenyon, David	San Diego
San Jose	07GW008247	Law, John	Monterey
San Jose	07GW008290	Linn Jr., Ralph	Monterey
Fresno	05FW018627	Long, Robert	Kern
San Jose	07GW008272	Matias, Gilberto	Monterey
San Diego	05EW004491	Mcgrath, Thomas	San Diego
San Jose	07GW008292	Mendoza, Salvador	Monterey
San Jose	07GW008294	Meza, Manuel	Monterey
Sacramento	07AW009360	Munoz, Arturo	Amador
Sacramento	07AW009360	Nelson, Raymond	Amador
Sacramento	07AW009360	Olson, Eric	Amador
Inland Empire	03HW020615	Perez, Christina	San Bernardino
Inland Empire	06HW021587	Ramirez, Beatriz	San Bernardino
Fresno	05FW000239	Rios, Armando	Fresno
Benicia	04BW020630	Ryan, Keith	Contra Costa
Sacramento	07AW009360	Ryans, Richard	Amador
San Jose	07GW008270	Sanchez, Gerardo	Monterey
Southern Los Angeles County	05CW002261	Scott-charles, Beverly	Los Angeles
San Jose	07GW008214	Serratos, Fernando	Monterey
Benicia	07BW005292	Tan, Chao-hsing	Contra Costa
San Jose	07GW008289	Taylor, John	Monterey
Sacramento	07AW009360	Thomas, Shannon	Amador
San Jose	07GW008310	Trejo, Juan	Monterey

*May (Continued)*

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Sacramento	07AW009360	Upton, Larry	Amador
Sacramento	07AW005499	Vilchitsa, Aleksandr	Sacramento

**June**

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Benicia	04BW023474	Adams, Amy	Contra Costa
Orange	05DW020815	Aguilera, Marie	Orange
Fresno	07FW010608	Ahmed, Saleh	Kings
Fresno	07FW010612	Aldaylam, Saleh	Kern
Fresno	07FW010978	Ali, Akif	Fresno
Fresno	07FW010608	Alkobadi, Saleh	Kings
Inland Empire	06HW001450	Almazan, Fidencio	Riverside
Fresno	07FW010978	Andrade, Joe	Fresno
Fresno	07FW010010	Aranda, Alfonso	Madera
Fresno	07FW010978	Barranco, Gabino	Fresno
Fresno	07FW008515	Bradford, Mark	San Luis Obispo
Fresno	07FW010611	Chavez, Jesus	Merced
Fresno	07FW010978	Chavez, Tony	Fresno
Inland Empire	06HW003899	Chung, Soo	San Bernardino
Fresno	07FW010608	Dhillon, Balwinder	Kings
Fresno	07FW010010	Dominguez, Jose	Madera
San Jose	07GW010648	Folau, Isileli	San Mateo
Valencia	06JW003586	Garcia, Adan	Los Angeles
Fresno	07FW010010	Garcia, Jose	Madera
Fresno	07FW010010	Garcia, Marciala	Madera
Fresno	07FW010612	Garza, Melquiades Jr	Kern
San Jose	07GW009853	George, Jacob	Santa Cruz
San Jose	07GW010646	Gonzalez Ortiz, Joaquin	San Mateo
Fresno	07FW010978	Gutierrez, Joe	Fresno
San Jose	07GW010644	Guzman, Jose	San Mateo
Inland Empire	06HW003899	Han, Man	San Bernardino
Inland Empire	06HW001450	Kim, Ayoung	Riverside
Inland Empire	07HW011771	Kim, Seoung	San Bernardino
Inland Empire	07HW011769	Kwon, Howard	San Bernardino
Valencia	06JW021335	Maldonado, Beatriz	Santa Barbara
Inland Empire	06HW001450	Mcclellan, Mark	Riverside

*June (Continued)*

<b>DOI Regional Office</b>	<b>Case Number</b>	<b>Suspect's Name</b>	<b>Prosecuting Authority</b>
Fresno	07FW010612	Obaid, Karim	Kern
Sacramento	07AW007110	Parhar, Moninder	Yolo
Inland Empire	06HW001450	Pena, Omar	Riverside
Inland Empire	06HW001450	Polus, Aked	Riverside
Fresno	07FW010978	Ponce, Francisco	Fresno
Fresno	07FW010010	Quintero-bernal, Victor	Madera
Fresno	07FW010010	Resendez, Javier	Madera
San Jose	07GW010641	Revuelta, Luis	San Mateo
Fresno	07FW010978	Rodearamirez, Juan	Fresno
San Jose	07GW009850	Russo, Joe	Santa Cruz
Fresno	07FW010978	Salas, Jesse	Fresno
Fresno	07FW010010	Saldana-castro, Jose	Madera
San Diego	07EW002164	Schaible, Craig	San Diego
San Diego	07EW002164	Schaible, Shaila	San Diego
Inland Empire	07HW011776	Tran, Lani	San Bernardino
San Jose	07GW010154	Vasquez, Jose	Monterey
Fresno	07FW010612	Vega, Rafael	Kern
Valencia	06JW002605	Vilanova, Oscar	Los Angeles
San Jose	07GW010643	Vilchez, Jose	San Mateo
San Jose	07GW012615	Won, Doo	San Mateo

## DA Convictions

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Alameda	Sione Alatini	Uninsured Employer	24 Months Prison. 60 Months Probation.		\$39,570	\$5,000
Alameda	Nadar Albarouki	Uninsured Employer	20 Days Jail. 36 Months Prison.			
Alameda	Adangelica Arrellano	Claimant Fraud	36 Months Probation.		\$15,000	
Alameda	Angela Brawley	Claimant Fraud	60 Months Probation.			\$1,000
Alameda	Reginald Ellis	Claimant Fraud	6 Days Jail. 60 Months Probation.		\$3,808	
Alameda	Louise Fernandes	Uninsured Employer	Defendant Was Given An Infraction And Fine.			\$3,000
Alameda	Tevita Fifita	Uninsured Employer	36 Months Probation.		\$5,700	
Alameda	Sione Fissiiahi	Uninsured Employer	60 Months Probation. Restitution Not Yet Determined.			
Alameda	Suli Fissiiahi	Uninsured Employer	60 Months Probation. Restitution & Fines Not Yet Determined.			
Alameda	Christina Gonzalez	Claimant Fraud	30 Days Jail. 60 Months Probation.		\$40,100	\$1,000
Alameda	Connye Gonzalez	Claimant Fraud	2 Days Jail. 60 Months Probation.			
Alameda	Richard Hinds	Uninsured Employer	36 Months Probation.			\$1,000
Alameda	Iselen Business Enterprise	Uninsured Employer	Business Charged & Convicted			\$3,000
Alameda	Clifton Johnson	Single Entity Provider Fraud	36 Months Probation.		\$60,000	
Alameda	Jeffrey Jussen	Uninsured Employer	36 Months Probation.		\$15,000	
Alameda	Smayra Laudy	Claimant Fraud	60 Months Probation.		\$40,000	
Alameda	Charles Lindner	Uninsured Employer	36 Months Probation.			\$4,500
Alameda	Lingitoni Lolohea	Uninsured Employer	16 Months Prison. 60 Months Probation. 30 Days Cts		\$12,570	\$1,000
Alameda	Richard Mckewan	Uninsured Employer	36 Months Probation.			\$3,000
Alameda	Anthony Mendoza	Claimant Fraud	60 Months Probation.			

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Alameda	Brian Milburn	Claimant Fraud	3 Days Jail. 60 Months Probation.			
Alameda	Florentine Miranda	Uninsured Employer	36 Months Probation.			\$2,000
Alameda	Roger Nesheiwat	Uninsured Employer	18 Months Probation.			\$4,500
Alameda	Eddie Rada	Claimant Fraud	7 Days Jail. 36 Months Probation.		\$7,500	\$1,000
Alameda	Jasbir Takhar	Uninsured Employer	Fine Only			\$3,000
Alameda	Kevin Tran	Uninsured Employer	36 Months Probation.		\$3,500	\$1,000
Alameda	Jason Trescher	Claimant Fraud	4 Days Jail.		\$6,167	\$1,000
Amador	Robert Christman	Uninsured Employer	12 Months Probation.			\$2,000
Amador	Steven Felter	Claimant Fraud	100 Days Jail. 60 Months Probation. Restitution To Be Determined			
Amador	Darren Jonutz	Uninsured Employer	12 Months Probation. WC Fraud Fund Fine			\$2,000
Amador	Aline Kostakis	Uninsured Employer	12 Months Probation. WC Fraud Fund Fine			\$2,000
Amador	Jeffrey Lindsay	Uninsured Employer	12 Months Probation. WC Fraud Fund Fine			\$2,000
Amador	Renee Miller	Claimant Fraud	90 Days Jail. 48 Months Probation.		\$26,917	\$1,690
Amador	Daniel Pino	Uninsured Employer	12 Months Probation. WC Fraud Fund Fine			\$2,000
Amador	Manuel Soto	Uninsured Employer	12 Months Probation. WC Fraud Fund Fine			\$500
Amador	Robert Tattersfield, Jr.	Uninsured Employer	12 Months Probation. WC Fraud Fund Fine			\$2,500
Amador	Jeffrey Todd	Claimant Fraud	48 Months Probation.		\$70,000	
Amador	Silvia Todorean	Claimant Fraud	60 Days Jail. 48 Months Probation.		\$3,000	\$765
Amador	Bryon Vanness	Uninsured Employer	12 Months Probation. WC Fraud Fund Fine			\$2,700
Amador	Richard Wishon	Uninsured Employer	12 Months Probation. WC Fraud Fund Fine			\$2,000

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Butte	Michael Burke	Single Entity Provider Fraud			\$0	\$30,000
Butte	Richard George Wheeler	Uninsured Employer				
Butte	Frank Norton	Uninsured Employer				
Butte	Edward Oltjenbruns	Uninsured Employer				
Butte	Kelly Starr Tidwell	Uninsured Employer				
Contra Costa	Michael Abel	Uninsured Employer	36 Months Probation.			\$8,120
Contra Costa	Bernabe Carrasco	Uninsured Employer	90 Days Jail. 36 Months Probation. Restitution To Be Determined.			\$260
Contra Costa	Mi Cha Reiger	Claimant Fraud	18 Months Probation. 75 Hours Community Service.		\$8,500	\$120
Contra Costa	Byung Chung	Other	24 Months Probation.			\$1,000
Contra Costa	Linda Duhon	Claimant Fraud	36 Months Probation. 200 Hours Community Service.		\$3,686	\$120
Contra Costa	Bill Epstein	Claimant Fraud	Civil judgment and permanent injunction filed 8/07.			\$5,000
Contra Costa	Hilidoro Gomez	Uninsured Employer	24 Months Probation.			\$5,120
Contra Costa	Joey Griffin	Claimant Fraud	7 Days Jail. 36 Months Probation. 150 Hours Community Service.		\$68,503	\$220
Contra Costa	Mary Hamid	Claimant Fraud	1 Days Jail. 36 Months Probation. 200 Hours Community Service.		\$12,341	\$200
Contra Costa	Adel Isa	Uninsured Employer	24 Months Probation.			\$2,100
Contra Costa	Pedro Medina	Claimant Fraud	240 Days Jail. 60 Months Probation.		\$100,000	\$240
Contra Costa	Anthony Morphy	Uninsured Employer	36 Months Probation.			\$8,120
Contra Costa	Daniel Murphy	Uninsured Employer	36 Months Probation.			\$120
Contra Costa	James Nguyen	Uninsured Employer	24 Months Probation.			\$1,620

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Contra Costa	John Pastore	Uninsured Employer	90 Days Jail. 60 Months Probation. 240 Hours Community Service.		\$4,159	\$400
Contra Costa	Frank Robles	Claimant Fraud	24 Months Probation.			\$2,120
Contra Costa	Chaosing Tan	Uninsured Employer	24 Months Probation.			\$2,120
Contra Costa	Nanette Udjurconley	Uninsured Employer	40 Hours Community Service.			\$3,620
Contra Costa	Michael Warner	Uninsured Employer	24 Months Probation.		\$8,000	\$145
Contra Costa	Steven Wong	Uninsured Employer	24 Months Probation.			\$1,120
El Dorado	Stephen Wood	Uninsured Employer	150 Days Jail.			
Fresno	Carlos Garcia	Claimant Fraud	24 Months Probation. 80 Hours Community Service.		\$9,840	\$100
Fresno	Victoria Juarez	Claimant Fraud	Fta'd At Sentencing			
Fresno	Duane Lutz	Claimant Fraud	24 Months Probation.			\$220
Fresno	Graciella Mejia	Claimant Fraud				
Fresno	Elizabeth Montero	Premium Fraud	180 Days Jail. 60 Months Probation.		\$420,554	\$400
Fresno	Dennis Noradian	Claimant Fraud	Pending Sentencing			
Fresno	Alex Petuck	Claimant Fraud	2 Days Jail. 36 Months Probation.		\$3,500	\$255
Fresno	Maria Rosas	Claimant Fraud	180 Days Jail. 36 Months Probation.		\$1,638	\$100
Imperial	Jose Estrada	Claimant Fraud	60 Months Probation.		\$27,996	
Imperial	Jose Quiroz	Claimant Fraud	36 Months Probation.		\$8,594	\$3,900
Kern	Robert Bunch	Claimant Fraud	90 Days Jail. 36 Months Formal Probation	\$264,000	\$58,000	\$4,220
Kern	Rosemary Bunch	Claimant Fraud	31 Days Jail. 36 Months Formal Probation	\$264,000	\$48,000	\$4,020
Kern	Enemario Galvan	Claimant Fraud	2 Days Jail. 36 Months Probation			\$355
Kern	Jesus Albert Pintor	Claimant Fraud	36 Months Probation			\$1,555
Kings	Antonio Cervantes	Claimant Fraud	24 Months Prison.		\$28,052	\$400

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Kings	Janet Price	Claimant Fraud	60 Months Probation.			\$1,200
Kings	Rogelio Ramirez	Premium Fraud	180 Days Jail. 60 Months Probation. 250 Hours Community Service.		\$65,000	\$600
Kings	Sergio Ramirez	Premium Fraud	180 Days Jail. 60 Months Probation. 250 Hours Community Service.			\$600
Kings	David Rocha	Premium Fraud	180 Days Jail. 60 Months Probation. 200 Hours Community Service.			\$400
Los Angeles	Nelson Alas	Claimant Fraud	16 Months Prison.		\$5,000	\$693
Los Angeles	Guadalupe Alvarez	Uninsured Employer	24 Months Probation.			\$3,560
Los Angeles	Armando Arias	Claimant Fraud	90 Days Jail. 60 Months Probation.		\$12,543	\$693
Los Angeles	Jaime Arreguin	Uninsured Employer	24 Months Probation.			\$3,565
Los Angeles	Gonzalo Arreguin	Uninsured Employer	24 Months Probation.			\$3,560
Los Angeles	Ignacio Arrincon	Uninsured Employer				\$1,000
Los Angeles	Michael Attia	Uninsured Employer	24 Months Probation.			\$3,565
Los Angeles	Mark Bailey	Claimant Fraud	2 Days Jail. 36 Months Probation.		\$12,000	\$693
Los Angeles	Mashhood Bahram	Uninsured Employer	24 Months Probation.			\$1,365
Los Angeles	Hugo Balderas	Claimant Fraud	60 Months Probation. 200 Hours Community Service.		\$44,345	\$693
Los Angeles	Joseph Bao	Uninsured Employer	24 Months Probation.			\$1,830
Los Angeles	Howard Bare	Uninsured Employer	24 Months Probation.			\$3,560
Los Angeles	Maria Barreto	Claimant Fraud	60 Months Probation. 100 Hours Community Service.		\$2,400	\$693
Los Angeles	Rolando Berdote	Uninsured Employer	24 Months Probation.			\$3,565
Los Angeles	Conrad Bonilla	Claimant Fraud	1 Days Jail. 60 Months Probation.		\$21,034	\$1,220

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Los Angeles	William Burks	Claimant Fraud	60 Months Probation. 100 Hours Community Service.		\$27,339	\$693
Los Angeles	David Calero	Uninsured Employer	24 Months Probation.			\$3,755
Los Angeles	Salvador Campos	Uninsured Employer	24 Months Probation.			\$3,565
Los Angeles	Jose Canales	Uninsured Employer	24 Months Probation.			\$3,565
Los Angeles	Ruben Carrillo	Claimant Fraud	36 Months Probation. 494 Hours Community Service.			\$3,465
Los Angeles	Demita Carter	Claimant Fraud	24 Months Probation. 250 Hours Community Service.		\$2,748	\$693
Los Angeles	Baltazar Cervantes	Claimant Fraud	3 Days Jail. 36 Months Probation. 150 Hours Community Service.		\$3,815	\$693
Los Angeles	Robert Chairez	Claimant Fraud	2 Days Jail. 60 Months Probation. 150 Hours Community Service.		\$42,685	\$693
Los Angeles	James Chavez	Premium Fraud	Pending Sentencing			
Los Angeles	Rene Coronado	Claimant Fraud	24 Months Probation. 25 Hours Community Service.		\$6,200	\$693
Los Angeles	Lucio Cruz	Uninsured Employer	24 Months Probation.			\$495
Los Angeles	Cesar De Paz	Claimant Fraud	10 Days Jail. 60 Months Probation. 100 Hours Community Service.		\$35,555	\$693
Los Angeles	Roberto De Vicente	Uninsured Employer	24 Months Probation.			\$3,565
Los Angeles	Brian Dela Vara	Uninsured Employer	24 Months Probation.			\$3,460
Los Angeles	David Doung	Uninsured Employer				\$1,000
Los Angeles	Rigoberto Flores	Uninsured Employer	24 Months Probation.			\$3,460
Los Angeles	Natanael Garcia	Uninsured Employer	24 Months Probation.			\$3,560
Los Angeles	Lloyd Gilland	Claimant Fraud	4 Days Jail. 60 Months Probation.		\$8,513	\$693

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Los Angeles	Lorena Gomez	Claimant Fraud	36 Months Probation. 200 Hours Community Service.		\$4,595	\$693
Los Angeles	Bradley Gordon	Uninsured Employer	24 Months Probation.			\$1,060
Los Angeles	Seon Han	Uninsured Employer	24 Months Probation.			\$1,865
Los Angeles	Christine Hasir	Uninsured Employer	24 Months Probation.			\$1,865
Los Angeles	Jane Hendricks	Uninsured Employer	24 Months Probation.			\$3,565
Los Angeles	Christian Hernandez	Claimant Fraud	20 Days Jail. 36 Months Probation.		\$31,539	\$693
Los Angeles	Edgardo Hernandez	Claimant Fraud	4 Days Jail. 60 Months Probation. 250 Hours Community Service.		\$11,510	\$693
Los Angeles	Luis Herrera	Uninsured Employer	24 Months Probation.			\$3,620
Los Angeles	Six Huim	Uninsured Employer	24 Months Probation.			\$1,960
Los Angeles	Don Kaawkai	Uninsured Employer	36 Months Probation.			\$3,465
Los Angeles	Smon Karian	Uninsured Employer	24 Months Probation.			\$1,860
Los Angeles	Gaik Kazarian	Claimant Fraud	36 Months Probation. 350 Hours Community Service.		\$4,000	\$693
Los Angeles	Allan Kim	Uninsured Employer	24 Months Probation.			\$1,865
Los Angeles	Kyu Kim	Uninsured Employer	24 Months Probation.			\$3,560
Los Angeles	Michael Kinnard	Claimant Fraud	48 Months Prison.		\$12,000	\$693
Los Angeles	Chad Kline	Claimant Fraud	36 Months Probation.		\$7,500	\$693
Los Angeles	Joseph Kossky	Uninsured Employer	24 Months Probation.			\$1,960
Los Angeles	Juan Leon	Claimant Fraud	1 Days Jail. 60 Months Probation.		\$38,000	\$693
Los Angeles	Margarita Lucero	Claimant Fraud	2 Days Jail. 60 Months Probation. 120 Hours Community Service.			\$5,693
Los Angeles	Yousef Machhour	Uninsured Employer	24 Months Probation.			\$1,860

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Los Angeles	Mohsen Majd	Claimant Fraud	1 Days Jail. 60 Months Probation. 100 Hours Community Service.		\$65,000	\$693
Los Angeles	Jaime Manjarres	Claimant Fraud	60 Months Probation. 150 Hours Community Service.		\$21,842	\$693
Los Angeles	Jorge Mata	Uninsured Employer	24 Months Probation.			\$3,550
Los Angeles	Rogelio Mata	Premium Fraud	3 Days Jail. 36 Months Probation.		\$100,000	\$693
Los Angeles	Guillermo Melara	Claimant Fraud	6 Days Jail. 50 Months Probation.		\$9,591	\$693
Los Angeles	Vicente Mendez	Uninsured Employer	2 Months Probation.			\$3,465
Los Angeles	Silvano Mestas	Uninsured Employer	24 Months Probation.			\$1,960
Los Angeles	Eng Moeung	Uninsured Employer	24 Months Probation.			\$1,865
Los Angeles	Carlos Montalvo	Claimant Fraud	2 Days Jail. 36 Months Probation.		\$10,000	\$693
Los Angeles	Francisco Moreno	Uninsured Employer	24 Months Probation.			\$3,565
Los Angeles	Ladole Morris	Claimant Fraud	36 Months Probation. 342 Hours Community Service.		\$12,709	\$693
Los Angeles	Antoine Nicola	Claimant Fraud	1 Days Jail. 36 Months Probation. 50 Hours Community Service.		\$6,473	\$693
Los Angeles	Albert Norzagaray	Claimant Fraud	24 Months Probation. 120 Hours Community Service.		\$15,000	\$120
Los Angeles	Itzel Ochoa	Uninsured Employer	24 Months Probation.			\$3,565
Los Angeles	Hui Pak	Uninsured Employer	24 Months Probation.			\$1,015
Los Angeles	Josefina Paredes	Claimant Fraud	1 Days Jail. 60 Months Probation. 200 Hours Community Service.		\$18,289	\$693
Los Angeles	Marlano Patino	Uninsured Employer	24 Months Probation.			\$3,760
Los Angeles	Norma Peralta	Uninsured Employer	24 Months Probation.			\$3,320

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Los Angeles	Antonio Puentes	Uninsured Employer				\$1,000
Los Angeles	Alejandro Ramirez	Uninsured Employer	36 Months Probation. 83 Hours Community Service.			\$8,760
Los Angeles	Danny Ramirez	Uninsured Employer				\$700
Los Angeles	Jesse Ramirez	Uninsured Employer				\$1,000
Los Angeles	Jose Ramirez	Uninsured Employer	24 Months Probation.			\$1,120
Los Angeles	Nick Rastar	Uninsured Employer	24 Months Probation.			\$1,865
Los Angeles	Kevin Reneau	Uninsured Employer	24 Months Probation.			\$1,960
Los Angeles	Guadalupe Reyes	Claimant Fraud	Pending Sentencing			
Los Angeles	Ray Reyes	Claimant Fraud	32 Months Prison.		\$54,000	\$693
Los Angeles	Ignacio Rios	Claimant Fraud	36 Months Probation.		\$4,250	\$693
Los Angeles	Ignacio Rivera	Uninsured Employer	24 Months Probation.			\$3,565
Los Angeles	Jose Rodriguez	Uninsured Employer	24 Months Probation.			\$1,732
Los Angeles	Sun Roh	Uninsured Employer	24 Months Probation.			\$3,760
Los Angeles	Joaquin Rojas	Uninsured Employer	24 Months Probation.			\$3,569
Los Angeles	Armando Rubio	Uninsured Employer	24 Months Probation.			\$3,565
Los Angeles	Ricardo Ruiz	Uninsured Employer	24 Months Probation.			\$3,760
Los Angeles	Rafael Salas-rivera	Uninsured Employer	36 Months Probation.			\$3,465
Los Angeles	Francisco Salinas	Uninsured Employer	24 Months Probation.			\$3,760
Los Angeles	Yensi Samayoa	Claimant Fraud	62 Days Jail. 60 Months Probation.		\$5,032	\$693
Los Angeles	Manjt Singh	Uninsured Employer	24 Months Probation.			\$765
Los Angeles	Deanna Sloan	Uninsured Employer	24 Months Probation.			\$3,465
Los Angeles	Anthony Smets	Claimant Fraud	24 Months Probation. 100 Hours Community Service.		\$2,000	\$693
Los Angeles	Tashonne Smith	Claimant Fraud	60 Months Probation.		\$24,666	\$693

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Los Angeles	Ranjit Sohd	Uninsured Employer	24 Months Probation.			\$1,620
Los Angeles	Jack Tatekawa	Uninsured Employer	24 Months Probation.			\$1,015
Los Angeles	Ramon Valdez	Uninsured Employer	24 Months Probation.			\$1,960
Los Angeles	Norma Varquez	Claimant Fraud	60 Months Probation. 200 Hours Community Service.		\$3,200	\$693
Los Angeles	Aurelio Vega	Claimant Fraud	7 Days Jail. 60 Months Probation. 40 Hours Community Service.		\$9,500	\$693
Los Angeles	Joey Vicuna	Uninsured Employer	24 Months Probation.			\$3,460
Los Angeles	Stephen Walker	Claimant Fraud	Pending Sentencing			
Los Angeles	Eric Yang	Uninsured Employer	36 Months Probation.			\$3,465
Los Angeles	Guo Yang	Uninsured Employer	36 Months Probation.			\$3,465
Los Angeles	Young Yi	Uninsured Employer	24 Months Probation.			\$3,565
Los Angeles	Khan Yip	Uninsured Employer	24 Months Probation.			\$3,565
Los Angeles	Evelyne Yoeung	Uninsured Employer	24 Months Probation.			\$3,760
Marin	Margarita Almendares	Uninsured Employer	36 Months Probation. 30 Hours Community Service.			\$10,000
Marin	John Chang	Uninsured Employer	3 Months Probation. 30 Hours Community Service.			\$10,000
Marin	Sun Cho	Uninsured Employer	24 Months Probation. (special Mitigating Circumstances).			
Marin	Alexander Deguzman	Uninsured Employer	6 Months Probation. 20 Hours Community Service.			\$2,000
Marin	Timothy Fix	Uninsured Employer	3 Months Probation. 30 Hours Community Service.			\$7,000
Marin	Frank Flores	Uninsured Employer	36 Months Probation. 60 Hours Community Service.			\$7,000



County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Marin	Juan Flores	Uninsured Employer	24 Months Probation. 60 Hours Community Service.			\$6,500
Marin	Anwar Jaffer	Uninsured Employer	18 Months Probation. 60 Hours Community Service.			\$3,500
Marin	Tanh Phetphadoung	Uninsured Employer	36 Months Probation. 100 Hours Community Service.			\$11,000
Marin	Candito Quiroz	Uninsured Employer	36 Months Probation. 100 Hours Community Service.			\$11,000
Marin	Doc Tran	Uninsured Employer	30 Hours Community Service.			\$1,100
Marin	Benny Yeh	Uninsured Employer	36 Months Probation. 60 Hours Community Service.			\$5,500
Merced	Alberto Chavez	Claimant Fraud	36 Months Probation. 120 Hours Community Service.		\$5,000	
Merced	Ngia Thao	Multiple Entities Provider Fraud	36 Months Probation. 120 Hours Community Service.			
Monterey	Jose Chavez	Claimant Fraud	253 Days Jail. 36 Months Probation.		\$21,390	\$200
Monterey	Elena Cornejo	Claimant Fraud	32 Days Jail. 36 Months Probation.		\$7,300	\$200
Monterey	Gerardo Duran	Claimant Fraud	92 Days Jail. 36 Months Probation.		\$36,000	\$100
Monterey	Herman Johnson	Uninsured Employer	36 Months Probation.		\$50,000	\$100
Monterey	Indar Lal	Claimant Fraud	90 Days Jail. 36 Months Probation.		\$6,000	\$200
Monterey	Ralph Linn	Other	36 Months Probation.		\$1,000	\$400
Monterey	Saul Martinez	Claimant Fraud	210 Days Jail. 36 Months Probation.		\$23,142	\$200
Monterey	Salvador Mendoza	Other	5 Days Jail. 36 Months Probation.		\$1,000	
Monterey	Michael Meza	Other	36 Months Probation.		\$700	

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Monterey	Mario Navarro	Claimant Fraud	31 Days Jail. 36 Months Probation.			\$100
Monterey	Maria Puga	Claimant Fraud	36 Months Probation.		\$35,000	\$100
Monterey	Javier Torres	Claimant Fraud	30 Days Jail. 36 Months Probation.		\$13,948	\$100
Monterey	Genaro Vargas	Claimant Fraud	1 Days Jail. 36 Months Probation.			\$200
Orange	Mike Abeyta	Uninsured Employer	36 Months Probation.			\$1,000
Orange	Jason Adams	Uninsured Employer	36 Months Probation.			\$1,000
Orange	Marcelino Castro	Claimant Fraud	180 Days Jail. 60 Months Probation.		\$48,811	\$200
Orange	Gary Conwell	Uninsured Employer	36 Months Probation.			\$1,000
Orange	Maria Eliasramos	Claimant Fraud	270 Days Jail. 36 Months Probation.		\$4,000	\$1,000
Orange	Victor Flores	Claimant Fraud	30 Days Jail. 36 Months Prison.		\$5,575	\$100
Orange	Islas Guillermo	Claimant Fraud	24 Months Prison.		\$92,908	\$200
Orange	David Haber	Claimant Fraud	60 Months Probation.		\$10,000	\$17,500
Orange	Nabil Karam	Uninsured Employer	36 Months Probation.			\$1,100
Orange	Bryan Mcdaniel	Other	120 Hours Community Service.		\$122,850	\$200
Orange	Oscar Mcdaniel	Other	180 Days Jail.		\$179,426	\$200
Orange	Rafael Najera	Uninsured Employer	36 Months Probation.			\$1,000
Orange	Brenda Nonnette	Insider Fraud	365 Days Jail.			\$200
Orange	Kavita Patel	Uninsured Employer	36 Months Probation.			\$9,000
Orange	Luis Tellez	Claimant Fraud	36 Months Probation.		\$4,813	\$3,000
Orange	Henri Traboulis	Uninsured Employer	36 Months Probation.			\$1,100
Orange	Rudy Valdivia	Uninsured Employer	36 Months Probation. 10 Days Home Confinement			\$10,500
Riverside	Don Avila	Claimant Fraud	90 Days Jail. 36 Months Probation.			

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Riverside	Maria Cervantes	Claimant Fraud	1 Days Jail. 36 Months Probation.			
Riverside	Jeanette Edmonds	Uninsured Employer	5 Days Jail. 36 Months Probation.			\$1,000
Riverside	Shagen Galstanyan	Claimant Fraud	60 Days Jail. 36 Months Probation.		\$2,500	
Riverside	Juan Gonzalez	Other				
Riverside	Debra Harris	Uninsured Employer	36 Months Probation.			\$1,000
Riverside	Gregory Henss	Uninsured Employer	36 Months Probation.			\$1,000
Riverside	Oscar Moreno	Claimant Fraud	24 Months Prison.		\$13,164	
Riverside	Denise Mowbray	Premium Fraud	144 Months Prison.	\$5,340,000	\$5,340,000	
Riverside	Richard Mowbray	Premium Fraud	152 Months Prison.			
Riverside	Neil Mukerjee	Uninsured Employer	12 Months Probation.			\$10,000
Riverside	Mukesh Patel	Uninsured Employer	36 Months Probation.			\$250
Riverside	Akhtar Saleem	Uninsured Employer	36 Months Probation.			\$1,000
Riverside	Jeremy Sebestyen	Other	36 Months Probation. 100 Hours Community Service.			
Riverside	Christina Smith	Insider Fraud	90 Days Jail. 36 Months Probation.		\$4,932	\$200
Riverside	Vahe Tergalstanyan	Claimant Fraud	120 Days Jail. 36 Months Probation.		\$2,500	\$200
Riverside	James Williams	Premium Fraud	108 Months Prison.			
Sacramento	Derek Alldred	Claimant Fraud	365 Days Jail. 60 Months Probation.		\$72,458	\$200
Sacramento	Victor Anaya	Uninsured Employer	36 Months Probation. 18 Hours Community Service.			\$600
Sacramento	Kenneth Blount	Claimant Fraud	36 Months Probation. 270 Hours Community Service.		\$3,583	\$100
Sacramento	Vladimir Borsuk	Uninsured Employer	5 Days Jail. 36 Months Probation.			\$100

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Sacramento	Yaroslav Borsuk	Uninsured Employer	5 Days Jail. 36 Months Probation.			\$100
Sacramento	Robert Bowling	Uninsured Employer	5 Days Jail. 36 Months Probation.			\$556
Sacramento	Carole Callison	Uninsured Employer	5 Days Jail. 36 Months Probation.			\$456
Sacramento	Andy Chen	Uninsured Employer	3 Days Jail. 26 Months Probation.			\$252
Sacramento	Andrew Danneremiller	Claimant Fraud	36 Months Probation. 318 Hours Community Service.		\$5,821	\$100
Sacramento	Pablo Deltoro	Claimant Fraud	90 Days Jail. 60 Months Probation. Deported			\$200
Sacramento	Cynthia Donaldson	Uninsured Employer	5 Days Jail. 12 Months Probation.			\$300
Sacramento	Tabitha Douke	Claimant Fraud	180 Hours Community Service. Rest. Tbd			\$100
Sacramento	Rhonda Frostad	Uninsured Employer	36 Months Probation. 30 Hours Community Service.			\$9,100
Sacramento	Kecia Hawarneh	Claimant Fraud	30 Days Jail. 60 Months Probation. Vop		\$161,438	\$200
Sacramento	Paulo Henda	Uninsured Employer	5 Days Jail. 36 Months Probation.			\$456
Sacramento	Daniel Johnson	Uninsured Employer	36 Months Probation. 30 Hours Community Service.			\$456
Sacramento	Gregorio Lopez	Claimant Fraud	180 Days Jail. 60 Months Probation.			\$200
Sacramento	Enoch Martinez	Uninsured Employer	10 Days Jail. 36 Months Probation.			\$556
Sacramento	Shawn Neuman	Premium Fraud	365 Days Jail. 68 Months Probation. Rest		\$257,393	\$200
Sacramento	James O'donnell	Uninsured Employer	4 Days Jail. 36 Months Probation.			\$1,500
Sacramento	Mark Raya	Claimant Fraud	90 Days Jail. 36 Months Probation.		\$1,453	\$100

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Sacramento	Randeep Singh	Uninsured Employer	6 Days Jail. 36 Months Probation.			\$600
Sacramento	William Stephenson	Claimant Fraud	90 Days Jail. 60 Months Probation.		\$18,000	\$200
San Bernardino	Cynthia Amrine	Uninsured Employer	6 Days Jail. 36 Months Probation.			\$5,130
San Bernardino	Alvin Arafiles	Uninsured Employer	4 Days Jail. 36 Months Probation.			\$5,130
San Bernardino	Jesus Arana	Claimant Fraud	24 Months Probation. 200 Hours Community Service.		\$25,000	\$130
San Bernardino	Jaen Baldwin	Uninsured Employer	36 Months Probation.			\$130
San Bernardino	Eddie Carrodine	Claimant Fraud	24 Months Probation. 200 Hours Community Service.		\$25,000	\$130
San Bernardino	Evan Chapman	Premium Fraud	36 Months Probation. 100 Hours Community Service.		\$75,000	\$2,610
San Bernardino	Tae Choe	Uninsured Employer	36 Months Probation.			\$3,130
San Bernardino	Matthew Day	Other	Not Yet Sentenced			\$220
San Bernardino	Yolanda Denton	Claimant Fraud	Sent. Pending		\$8,431	\$220
San Bernardino	Jeffrey Gagnon	Premium Fraud	24 Months Probation. 100 Hours Community Service.		\$50,000	\$130
San Bernardino	Georgette Harris	Uninsured Employer	24 Months Probation.			\$630
San Bernardino	Xiomara Huescas	Uninsured Employer	36 Months Probation.			\$3,430
San Bernardino	Yoon Kim	Uninsured Employer	36 Months Probation.			\$2,110
San Bernardino	Enice Layon	Uninsured Employer	36 Months Probation.			\$2,130
San Bernardino	Ha Lee	Uninsured Employer	36 Months Probation.			\$3,000
San Bernardino	Luis Manzano	Uninsured Employer	5 Days Jail. 6 Months Probation.			\$10,130
San Bernardino	Jesse Marquez	Premium Fraud	3 Days Jail. 36 Months Probation. 150 Hours Community Service.		\$35,000	\$130

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
San Bernardino	George Navarez	Uninsured Employer				\$3,130
San Bernardino	Isioma Orihu	Uninsured Employer	24 Months Probation.			\$380
San Bernardino	Victor Orihu	Uninsured Employer	24 Months Probation.			\$380
San Bernardino	Olga Ortiz	Uninsured Employer	36 Months Probation.			\$6,130
San Bernardino	Nitaya Phumirat	Uninsured Employer	36 Months Probation. 100 Hours Community Service.			\$630
San Bernardino	Sarjol Phumirat	Uninsured Employer	36 Months Probation. 100 Hours Community Service.			\$630
San Bernardino	Martha Ramirez	Claimant Fraud	180 Days Jail. 60 Months Probation. 200 Hours Community Service.		\$57,137	\$220
San Bernardino	Iris Richardson	Claimant Fraud	Sent. Pending		\$15,000	\$220
San Bernardino	Thomas Roger	Premium Fraud	12 Months Probation. 150 Hours Community Service.		\$204,701	\$130
San Bernardino	Orlando Sanchez	Claimant Fraud	100 Days Jail.		\$16,102	\$220
San Bernardino	Julie Sedillo	Uninsured Employer	36 Months Probation.			\$1,610
San Bernardino	Sueheil Shakouj	Claimant Fraud	Sent. Pending		\$15,085	\$220
San Bernardino	Scott Song	Uninsured Employer	24 Months Probation.			\$3,130
San Bernardino	Bach Starr	Uninsured Employer	12 Days Jail. 36 Months Probation.			\$3,000
San Bernardino	Kelly Thomas-Loreman	Claimant Fraud	12 Months Probation. 100 Hours Community Service.		\$36,740	\$130
San Bernardino	Perry Tobin	Claimant Fraud	Sent. Pending		\$48,000	\$220
San Bernardino	Loretta Wolter-Pinkowski	Claimant Fraud	12 Months Probation. 100 Hours Community Service.		\$16,368	\$139
San Diego	Gloria Acfalle	Uninsured Employer				\$156
San Diego	All Access Equipment Rental	Uninsured Employer	36 Months Probation.		\$7,000	\$270
San Diego	Jorge Aragon	Premium Fraud	Sent. Pending			
San Diego	David Archer	Premium Fraud	36 Months Probation.		\$3,081,649	\$920

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
San Diego	Kevin Aylesworth	Uninsured Employer			\$7,000	\$156
San Diego	Aza Industries, Inc.	Uninsured Employer	36 Months Probation.		\$5,000	\$120
San Diego	Tom Behrendt	Premium Fraud	1 Days Jail. 36 Months Probation.		\$173,000	
San Diego	Kenneth Bojok	Premium Fraud	Sent. Pending			
San Diego	David Brown	Uninsured Employer				
San Diego	Alfredo Buendia	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$1,000	\$120
San Diego	Laura Caballero	Premium Fraud	36 Months Probation.			
San Diego	Erlinda Cabungcal	Single Entity Provider Fraud	1 Days Jail. 36 Months Probation. 200 Hours Community Service.		\$56,343	\$239
San Diego	Joseph Carone	Claimant Fraud	Sent. Pending			
San Diego	Paul Chu	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$3,000	\$120
San Diego	Jorge Conde	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$1,000	\$120
San Diego	Daniel Curran	Premium Fraud	Sent. Pending			
San Diego	Chien Dai	Uninsured Employer	36 Months Probation.		\$1,000	\$120
San Diego	Randall Darman	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$3,000	\$120
San Diego	Keith Davis	Uninsured Employer	Sent. Pending			
San Diego	Maria De Altamirano	Uninsured Employer				
San Diego	James Dennis	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$2,000	\$120
San Diego	Marites Dioso	Single Entity Provider Fraud	365 Days Jail. 60 Months Probation.		\$57,461	\$439
San Diego	Exequiel Felix	Uninsured Employer				
San Diego	David Fields	Claimant Fraud	1 Days Jail. 36 Months Probation.			\$120
San Diego	David Foreman	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$1,000	\$120

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
San Diego	Marco Galindo	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$3,000	\$120
San Diego	Noe Garcia	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$3,690	\$120
San Diego	Armenak Gekchyan	Claimant Fraud	1 Days Jail. 36 Months Probation. Restit. Tbd			\$120
San Diego	Rassoul Ghanadian	Uninsured Employer				
San Diego	Jose Gonzalez	Uninsured Employer	36 Months Probation.		\$500	\$120
San Diego	Maria Gonzalez	Uninsured Employer	36 Months Probation.		\$500	\$120
San Diego	Rogelio Gonzalez	Uninsured Employer	36 Months Probation.		\$4,500	\$245
San Diego	Beatriz Gracida	Uninsured Employer	36 Months Probation.		\$1,000	\$120
San Diego	Raul Gracida	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$1,000	\$120
San Diego	Randy Gretler	Uninsured Employer	Sent. Pending			
San Diego	William Gretler	Uninsured Employer	Sent. Pending			
San Diego	Benjamin Gudoy	Uninsured Employer	36 Months Probation.		\$7,500	\$120
San Diego	Mary Hamilton	Claimant Fraud	36 Months Probation.		\$1,850	\$200
San Diego	James Harris	Uninsured Employer	36 Months Probation.		\$1,000	\$120
San Diego	Mark Henry	Claimant Fraud	180 Days Jail. 60 Months Probation. 80 Hours Community Service.		\$126,372	\$439
San Diego	Jay Hershoin	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$5,000	\$120
San Diego	Aaron Johnson	Uninsured Employer	1 Days Jail. 60 Months Probation.		\$50,000	
San Diego	Tanya Johnson	Uninsured Employer				
San Diego	Wali Karimi	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$1,000	\$120
San Diego	David Kenyon	Premium Fraud	Sent. Pending			
San Diego	Young Kwon	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$3,000	\$120

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
San Diego	Jose Landeros	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$4,500	\$120
San Diego	Fernando Lantano	Single Entity Provider Fraud	Sent. Pending			
San Diego	Jose Ledesma	Claimant Fraud	39 Days Jail. 36 Months Probation.			\$519
San Diego	Gary Libak	Claimant Fraud	36 Months Probation.		\$64,000	\$383
San Diego	Ismael Lopez	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$11,700	\$220
San Diego	Rene Lopez-Osuna	Uninsured Employer	1 Days Jail. 36 Hours Community Service.		\$1,500	\$120
San Diego	George Lutes	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$1,500	\$100
San Diego	Jorge Macdonald	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$500	\$120
San Diego	Lorena Macdonald	Uninsured Employer	36 Months Probation.		\$500	\$120
San Diego	Milika Makaric	Premium Fraud	Sent. Pending			
San Diego	Tony Manero	Uninsured Employer			\$250,295	
San Diego	Anush Manukyan	Single Entity Provider Fraud	24 Months Prison.		\$1,082,705	
San Diego	Rafik Manukyan	Single Entity Provider Fraud	24 Months Prison.			
San Diego	Said Marcos	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$1,000	\$120
San Diego	Francisco Martines	Claimant Fraud	6 Days Jail. 36 Months Probation. 120 Hours Community Service.		\$16,061	\$639
San Diego	Blanca Martinez	Claimant Fraud	120 Days Jail. 60 Months Probation. 200 Hours Community Service.		\$200	\$239
San Diego	Margarito Martinez	Claimant Fraud	1 Days Jail. 60 Months Probation. 200 Hours Community Service.		\$17,181	\$439
San Diego	Paul Mayer	Premium Fraud	36 Months Probation. Joint Rest. w/Co-Defendant Archer			

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
San Diego	Thomas Mcgrath	Premium Fraud	Sent. Pending			
San Diego	Macario Melchor	Claimant Fraud	1 Days Jail. 60 Months Probation.		\$54,470	\$1,080
San Diego	Margarita Morales	Claimant Fraud	19 Days Jail. 36 Months Probation.		\$519	\$120
San Diego	Miles Morrison	Claimant Fraud	36 Months Probation.		\$1,628	\$100
San Diego	Esteban Ochoa	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$6,500	\$120
San Diego	Raymundo Ochoa	Uninsured Employer				
San Diego	Jacinto Oropeza	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$2,000	\$200
San Diego	Anabel Osuna	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$1,000	\$120
San Diego	Levi Paiz	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$5,000	\$120
San Diego	Cesar Palacios	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$500	\$120
San Diego	Julio Perez	Claimant Fraud	180 Days Jail. 60 Months Probation.		\$24,031	\$430
San Diego	Leoma Perry	Uninsured Employer	36 Months Probation.		\$1,500	\$120
San Diego	Dave Piper	Uninsured Employer				
San Diego	Mark Portman	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$1,500	\$120
San Diego	Raul Quintero	Claimant Fraud	Pending			
San Diego	David Raik	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$1,000	\$220
San Diego	Petra Ramos	Uninsured Employer	36 Months Probation.		\$7,000	\$120
San Diego	Ranch Catering	Premium Fraud	Civil Jud.		\$3,500,000	\$100,000
San Diego	Thu Ranck	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$1,000	\$120
San Diego	William Raupp	Single Entity Provider Fraud	240 Days Jail. 36 Months Probation. 160 Hours Community Service.		\$200	\$439

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
San Diego	Jesus Renteria	Uninsured Employer	36 Months Probation.			\$156
San Diego	Jesus Reyes	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$1,000	\$120
San Diego	Yvonne Richardson	Claimant Fraud	1 Days Jail. 60 Months Probation. 80 Hours Community Service.		\$24,144	\$439
San Diego	Renee Roque	Uninsured Employer				
San Diego	Javier Rosales	Uninsured Employer	180 Days Jail. 36 Months Probation.		\$5,000	\$439
San Diego	Graciana Sanchez	Claimant Fraud	36 Months Probation. 40 Hours Community Service.		\$3,564	\$519
San Diego	Guadalupe Sandez	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$1,500	\$140
San Diego	Cary Schaffner	Claimant Fraud	180 Days Jail. 36 Months Probation.		\$94,264	\$239
San Diego	Sd City Events	Uninsured Employer	60 Months Probation.			
San Diego	Payam Shayani	Multiple Entities Provider Fraud	36 Months Probation. 100 Hours Community Service.		\$25,000	\$200
San Diego	Victor Silva	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$500	\$120
San Diego	Skill Centers Of America	Uninsured Employer	Sent. Pending			
San Diego	Suphat Somlikhun	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$1,000	\$120
San Diego	Janthorn Stoica	Uninsured Employer	36 Months Probation.		\$2,500	\$100
San Diego	Laszlo Svercsics	Claimant Fraud	Sent. Pending			
San Diego	Marc Taylor	Claimant Fraud	36 Months Probation.		\$2,000	\$120
San Diego	Judy Toledo	Premium Fraud	36 Months Probation.			
San Diego	Gloria Tovar	Uninsured Employer	36 Months Probation.		\$2,000	\$120
San Diego	Arthur Vallejo	Single Entity Provider Fraud	365 Days Jail. 60 Months Probation.		\$1,082,705	\$680
San Diego	Juan Vasquez	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$5,000	\$120

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
San Diego	Abraham Villegas	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$3,000	\$120
San Diego	Chris Wilburn	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$500	\$120
San Diego	Jorge Zepeda	Uninsured Employer				
San Joaquin	Robin Barney	Multiple Entities Provider Fraud	Pending			
San Joaquin	Martin Garcia	Uninsured Employer	36 Months Probation.			\$480
San Joaquin	Amado Ledesma Jr.	Claimant Fraud	30 Days Jail. 60 Months Probation.		\$44,000	\$220
San Joaquin	Jose Marron	Uninsured Employer	36 Months Probation.			\$480
San Joaquin	Sean Mcdaniel	Uninsured Employer	36 Months Probation.			\$480
San Joaquin	Jorge Morales	Claimant Fraud	13 Days Jail. 60 Months Probation.		\$11,543	\$240
San Joaquin	Baljit Muhar	Claimant Fraud	1 Days Jail. 36 Months Probation.		\$10,441	
San Joaquin	Betty Rascoe	Claimant Fraud	36 Months Probation.			\$220
San Joaquin	Zeferino Silva	Claimant Fraud	360 Days Jail. 48 Months Probation.		\$8,000	\$110
San Joaquin	Kenneth Simmons	Claimant Fraud	30 Days Jail. 36 Months Probation.		\$6,352	
San Joaquin	Carol Woodington	Claimant Fraud	30 Days Jail. 36 Months Probation.		\$10,000	\$110
San Luis Obispo	Mark Frey	Premium Fraud	30 Days Jail. 36 Months Probation.		\$100,000	\$0
San Mateo	Wendy Butcher	Claimant Fraud	30 Days Jail. 36 Months Probation.		\$1,118	\$130
San Mateo	Ricki Inglassbe	Uninsured Employer	30 Days Jail. 18 Months Probation.			\$130
San Mateo	Rito Zapata-perez	Claimant Fraud	120 Days Jail. 36 Months Probation.		\$18	\$120
Santa Barbara	Mark Burnett	Premium Fraud	60 Days Jail. 60 Months Probation.		\$900	\$1,700

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Santa Barbara	Maria Contreras	Claimant Fraud	60 Months Probation. Full Restitution Paid.		\$4,387	\$145
Santa Barbara	Dennis Cordinez	Uninsured Employer	Case closed by civil compromise.			
Santa Barbara	Mary Cota	Claimant Fraud	1 Days Jail. 36 Months Probation.		\$17,887	\$145
Santa Barbara	Everado Gutierrez	Claimant Fraud	36 Months Probation.		\$4,169	\$145
Santa Barbara	Jose Macias	Other	25 Days Jail.			
Santa Barbara	Gildardo Soto	Uninsured Employer	1 Days Jail. 36 Months Probation.		\$3,000	\$387
Santa Barbara	Linda Vasquez	Claimant Fraud	60 Days Jail. 60 Months Probation.		\$17,157	\$1,300
Santa Clara	Santiago Acevedo	Uninsured Employer	10 Days Jail. 36 Months Probation.			\$110
Santa Clara	Roberto Blanco	Uninsured Employer	24 Months Probation.			\$110
Santa Clara	Carmen Chavez	Claimant Fraud	2 Days Jail.		\$358	\$110
Santa Clara	Salvador Chavez	Claimant Fraud	30 Days Jail. 36 Months Probation.		\$2,121	\$220
Santa Clara	Enrique Covarrubias	Uninsured Employer	12 Months Probation.			\$500
Santa Clara	Alejandro Flores	Uninsured Employer	12 Months Probation. 50 Hours Community Service.			\$110
Santa Clara	Marco Flores	Uninsured Employer	36 Months Probation.			\$110
Santa Clara	Artenio Hernandez	Uninsured Employer	24 Months Probation. 250 Hours Community Service.			
Santa Clara	David Lagway	Claimant Fraud	1 Days Jail. 12 Months Probation.		\$2,090	\$100
Santa Clara	Nga Le	Uninsured Employer	1 Months Probation.			
Santa Clara	Pedro Leiba	Uninsured Employer	24 Months Probation.			\$110
Santa Clara	Wei Liang	Uninsured Employer	12 Months Probation.			
Santa Clara	Edwardo Marroquinn	Uninsured Employer	36 Months Probation.			\$110
Santa Clara	Armando Rodriguez	Uninsured Employer	36 Months Probation.			\$110
Santa Clara	Maria Ruiz	Claimant Fraud	Pending			

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Santa Clara	Tony Tu	Uninsured Employer	24 Months Probation. 50 Hours Community Service.			\$110
Santa Clara	John Ung	Uninsured Employer	24 Months Probation.			\$110
Santa Clara	Billy Williams	Claimant Fraud	12 Months Probation.		\$2,636	\$100
Santa Cruz	Lucino Escutia	Uninsured Employer	3 Days Jail. 12 Months Probation.		\$100	\$430
Santa Cruz	Jacob George	Uninsured Employer	24 Months Probation.		\$600	\$120
Santa Cruz	Armando Martinez	Uninsured Employer	3 Days Jail. 12 Months Probation.		\$100	\$430
Santa Cruz	Santiago Martinez	Uninsured Employer	3 Days Jail. 12 Months Probation.		\$100	\$430
Shasta	David Harvin	Claimant Fraud	10 Days Jail. 36 Months Probation.		\$170	\$325
Solano	Edward Barry	Single Entity Provider Fraud	180 Days Jail. 60 Months Probation.		\$219,000	\$530
Solano	Martha Gayton	Claimant Fraud	180 Days Jail. 36 Months Probation.		\$26,500	\$420
Solano	Delma Jones	Claimant Fraud	36 Months Probation.		\$3,750	
Solano	Shameem Khan	Claimant Fraud	90 Days Jail. 36 Months Probation.		\$19,344	\$420
Solano	Melaquiades Salazar-Rivera	Claimant Fraud	90 Days Jail. 36 Months Probation.		\$32,500	\$520
Sonoma	Luis Arroyo	Claimant Fraud	120 Days Jail. 36 Months Probation. 40 Hours Community Service.		\$20,591	\$795
Sonoma	Diane Brabetz	Uninsured Employer	40 Hours Community Service.			\$120
Sonoma	Robert Keech	Premium Fraud	24 Months Probation. 40 Hours Community Service.			\$1,020
Sonoma	Chavell Verbish	Claimant Fraud	36 Months Probation.		\$18,165	\$220
Stanislaus	Larry Gwartney	Claimant Fraud	1 Days Jail. 12 Months Probation.		\$1,000	\$100
Stanislaus	Deborah Heath	Claimant Fraud	12 Months Probation.			\$100

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Stanislaus	Miguel Moreno	Claimant Fraud	1 Days Jail. 12 Months Probation.		\$1,000	\$100
Stanislaus	Michael Stanley	Claimant Fraud	12 Months Probation.		\$1,000	\$100
Tulare	Ron Schnable	Uninsured Employer				\$1,500
Tulare	Diane Robles	Premium Fraud	36 Months Probation.		\$3,840	\$130
Tulare	Oscar Robles	Uninsured Employer	36 Months Probation.			\$725
Tulare	Eddie Spence	Claimant Fraud	365 Days Jail.			
Tulare	Kevin Trift	Uninsured Employer	36 Months Probation.			\$3,300
Ventura	David Allen	Uninsured Employer				
Ventura	Martin Gillitt	Claimant Fraud	20 Days Jail. 36 Months Probation.			\$10,000
Ventura	Alejandro Lopez	Claimant Fraud	180 Days Jail. 60 Months Probation.		\$35,263	
Ventura	Thomas McGarry	Uninsured Employer	20 Days Jail. 36 Months Probation.			\$10,000
Ventura	Eduardo Meneses	Uninsured Employer	24 Months Probation.			\$10,000
Ventura	Michael Ondras	Uninsured Employer				
Ventura	Moises Pena	Uninsured Employer	24 Months Probation.			\$10,000
Ventura	Shilo Perkins	Uninsured Employer				
Ventura	Kent Pollock	Single Entity Provider Fraud	365 Days Jail. 60 Months Probation.		\$119,350	\$380,650
Ventura	Rodrigo Quirino	Uninsured Employer				
Ventura	Salvador Solarzano	Uninsured Employer				
Ventura	Carlos Villacana	Uninsured Employer				
Yolo	Sara Banderas	Claimant Fraud	Sentencing And Restitution Pending			
Yolo	Ebed Cruz	Claimant Fraud	36 Months Probation. Pending Fines			
Yolo	Hernan Galeas	Uninsured Employer	36 Months Probation. Pending Fines			

County	Subject Name	Role	Sentence	Assets Frozen	Restitution	Criminal Fine
Yolo	Guy Griffin	Claimant Fraud	Pending Restitution And Sentencing			
Yolo	Nguyen Long	Uninsured Employer	36 Months Probation.			
Yolo	Romney Lynn	Claimant Fraud	90 Days Jail. 36 Months Probation.		\$33,750	
Yolo	Dennis Mellor	Uninsured Employer	36 Months Probation.			\$500
Yolo	Bryan Rose	Claimant Fraud	Pending Judgment And Restitution.			
Yolo	Xay Xiong	Claimant Fraud	36 Months Probation.		\$5,000	

### Restitution & Fine by County

County	Criminal Fine
Alameda .....	\$35,000
Amador .....	\$20,155
Butte .....	\$30,000
Contra Costa .....	\$41,885
El Dorado .....	\$0
Fresno .....	\$1,075
Imperial .....	\$3,900
Kern .....	\$10,150
Kings .....	\$3,200
Los Angeles .....	\$214,311
Marin .....	\$74,600
Merced .....	\$0
Monterey .....	\$1,900
Orange .....	\$48,300
Riverside .....	\$14,650
Sacramento .....	\$16,632
San Bernardino .....	\$59,039
San Diego .....	\$116,144
San Joaquin .....	\$2,340
San Luis Obispo .....	\$0
San Mateo .....	\$380
Santa Barbara .....	\$3,822
Santa Clara .....	\$2,020
Santa Cruz .....	\$1,410
Shasta .....	\$325
Solano .....	\$1,890
Sonoma .....	\$2,155
Stanislaus .....	\$400
Tulare .....	\$5,655
Ventura .....	\$420,650
Yolo .....	\$500
<b>Grand Total .....</b>	<b>\$1,132,488</b>

## Restitution &amp; Fine by County (Continued)

County	Restitution
Alameda . . . . .	\$248,915
Amador . . . . .	\$99,917
Butte . . . . .	\$0
Contra Costa . . . . .	\$205,189
El Dorado . . . . .	\$0
Fresno . . . . .	\$435,532
Imperial . . . . .	\$36,590
Kern . . . . .	\$106,000
Kings . . . . .	\$93,052
Los Angeles . . . . .	\$694,873
Marin . . . . .	\$0
Merced . . . . .	\$5,000
Monterey . . . . .	\$195,480
Orange . . . . .	\$468,383
Riverside . . . . .	\$5,363,096
Sacramento . . . . .	\$520,146
San Bernardino . . . . .	\$627,564
San Diego . . . . .	\$9,922,532
San Joaquin . . . . .	\$90,336
San Luis Obispo . . . . .	\$100,000
San Mateo . . . . .	\$1,136
Santa Barbara . . . . .	\$47,500
Santa Clara . . . . .	\$7,205
Santa Cruz . . . . .	\$900
Shasta . . . . .	\$170
Solano . . . . .	\$301,094
Sonoma . . . . .	\$38,756
Stanislaus . . . . .	\$3,000
Tulare . . . . .	\$3,840
Ventura . . . . .	\$154,613
Yolo . . . . .	\$38,750
<b>Grand Total . . . . .</b>	<b>\$19,809,569</b>

## Restitution &amp; Fine by Role

Role	Restitution
Claimant Fraud . . . . .	\$2,814,276
Insider Fraud . . . . .	\$4,932
Multiple Entities Provider Fraud . . . . .	\$25,000
Other . . . . .	\$304,976
Premium Fraud . . . . .	\$13,407,037
Single Entity Provider Fraud . . . . .	\$2,677,764
Uninsured Employer . . . . .	\$575,584
<b>Grand Total . . . . .</b>	<b>\$19,809,569</b>

Role	Criminal Fine
Claimant Fraud . . . . .	\$113,676
Insider Fraud . . . . .	\$400
Multiple Entities Provider Fraud . . . . .	\$200
Other . . . . .	\$2,020
Premium Fraud . . . . .	\$109,663
Single Entity Provider Fraud . . . . .	\$412,977
Uninsured Employer . . . . .	\$493,552
<b>Grand Total . . . . .</b>	<b>\$1,132,488</b>

## Role by County

County	Count		
<b>Alameda</b>	<b>27</b>	<b>Los Angeles</b>	<b>106</b>
Claimant Fraud .....	10	Claimant Fraud .....	39
Single Entity Provider Fraud .....	1	Premium Fraud .....	2
Uninsured Employer .....	16	Uninsured Employer .....	65
<b>Amador</b>	<b>13</b>	<b>Marin</b>	<b>12</b>
Claimant Fraud .....	4	Uninsured Employer .....	12
Uninsured Employer .....	9	<b>Merced</b>	<b>2</b>
<b>Butte</b>	<b>5</b>	Claimant Fraud .....	1
Single Entity Provider Fraud .....	1	Multiple Entities Provider Fraud .....	1
Uninsured Employer .....	4	<b>Monterey</b>	<b>13</b>
<b>Contra Costa</b>	<b>20</b>	Claimant Fraud .....	9
Claimant Fraud .....	7	Other .....	3
Other .....	1	Uninsured Employer .....	1
Uninsured Employer .....	12	<b>Orange</b>	<b>17</b>
<b>El Dorado</b>	<b>1</b>	Claimant Fraud .....	6
Uninsured Employer .....	1	Insider Fraud .....	1
<b>Fresno</b>	<b>8</b>	Other .....	2
Claimant Fraud .....	7	Uninsured Employer .....	8
Premium Fraud .....	1	<b>Riverside</b>	<b>17</b>
<b>Imperial</b>	<b>2</b>	Claimant Fraud .....	5
Claimant Fraud .....	2	Insider Fraud .....	1
<b>Kern</b>	<b>4</b>	Other .....	2
Claimant Fraud .....	4	Premium Fraud .....	3
<b>Kings</b>	<b>5</b>	Uninsured Employer .....	6
Claimant Fraud .....	2	<b>Sacramento</b>	<b>23</b>
Premium Fraud .....	3	Claimant Fraud .....	9
		Premium Fraud .....	1
		Uninsured Employer .....	13

<b>San Bernardino</b>	<b>34</b>	<b>Shasta</b>	<b>1</b>
Claimant Fraud .....	10	Claimant Fraud .....	1
Other .....	1	<b>Solano</b>	<b>5</b>
Premium Fraud .....	4	Claimant Fraud .....	4
Uninsured Employer .....	19	Single Entity Provider Fraud .....	1
<b>San Diego</b>	<b>107</b>	<b>Sonoma</b>	<b>4</b>
Claimant Fraud .....	20	Claimant Fraud .....	2
Multiple Entities Provider Fraud .....	1	Premium Fraud .....	1
Premium Fraud .....	12	Uninsured Employer .....	1
Single Entity Provider Fraud .....	7	<b>Stanislaus</b>	<b>4</b>
Uninsured Employer .....	67	Claimant Fraud .....	4
<b>San Joaquin</b>	<b>11</b>	<b>Tulare</b>	<b>5</b>
Claimant Fraud .....	7	Claimant Fraud .....	1
Multiple Entities Provider Fraud .....	1	Premium Fraud .....	1
Uninsured Employer .....	3	Uninsured Employer .....	3
<b>San Luis Obispo</b>	<b>1</b>	<b>Ventura</b>	<b>12</b>
Premium Fraud .....	1	Claimant Fraud .....	2
<b>San Mateo</b>	<b>3</b>	Single Entity Provider Fraud .....	1
Claimant Fraud .....	2	Uninsured Employer .....	9
Uninsured Employer .....	1	<b>Yolo</b>	<b>9</b>
<b>Santa Barbara</b>	<b>8</b>	Claimant Fraud .....	6
Claimant Fraud .....	4	Uninsured Employer .....	3
Other .....	1	<b>Grand Total</b> .....	<b>501</b>
Premium Fraud .....	1		
Uninsured Employer .....	2		
<b>Santa Clara</b>	<b>18</b>		
Claimant Fraud .....	5		
Uninsured Employer .....	13		
<b>Santa Cruz</b>	<b>4</b>		
Uninsured Employer .....	4		

## DA Program Activities



### Arrest—Prosecution Summary (Part 1)

County	Arrests		Prosecutions			Convictions	
	Felony	Misdemeanor	Cases	Suspects	Total Chargeable	Felony	Misdemeanor
Alameda	4	12	46	52	\$1,678,892	13	14
Amador	1	6	17	17	\$324,000	4	9
Butte	4	11	15	15	\$142,000	1	4
Contra Costa	2	18	39	42	\$316,997	5	14
El Dorado	1	10	12	12	\$150,000		1
Fresno	4	1	24	27	\$2,617,787	3	5
Imperial			7	7	\$0	2	
Kern	1		10	14	\$1,211,950	2	2
Kings	1		7	9	\$132,981	5	
Los Angeles	47	73	172	188	\$19,414,786	34	72
Madera					\$0		
Marin		11	15	15	\$86,000		12
Mendocino			2	2	\$32,000		
Merced	1		7	22	\$1,052,071	1	1
Modoc					\$0		
Monterey	7	3	21	21	\$255,164	4	9
Orange	13	10	36	51	\$104,267,548	8	9
Riverside	4	14	26	30	\$13,302,298	10	7
Sacramento	20	19	50	54	\$3,487,324	5	18
San Bernardino	6	13	152	175	\$59,540,707	15	19
San Diego	53	77	208	208	\$15,066,514	42	65
San Francisco	5		16	16	\$1,231,010		
San Joaquin	2		27	32	\$28,708,100	7	4
San Luis Obispo	1	1	12	12	\$100,000	1	0
San Mateo		1	7	6	\$146,730	2	1
Santa Barbara	4	4	11	12	\$98,966	5	2
Santa Clara	11	14	38	39	\$2,724,752	5	13
Santa Cruz	1	9	7	7	\$40,000		4
Shasta		1	5	5	\$9,769		1
Siskiyou	2	1	3	3	\$250,000		
Solano	2		12	12	\$488,250	4	1
Sonoma	4	6	12	9	\$69,694	2	2
Stanislaus		1	6	7	\$0		4
Tulare		3	47	48	\$626,877	1	4
Ventura	8	11	24	33	\$2,422,836	3	9
Yolo		10	22	22	\$296,378	4	5
<b>Total</b>	<b>209</b>	<b>340</b>	<b>1115</b>	<b>1224</b>	<b>\$260,292,381</b>	<b>188</b>	<b>311</b>

## Arrest—Prosecution Summary (Part 2)

County	Penalties		Restitution		Search Warrants	
	Ordered	Collected	Ordered	Collected	Search Warrants Issued	Number of Suspects
Alameda	\$36,900	\$27,000	\$343,491	\$73,860	1	1
Amador	\$20,575	\$9,680	\$163,540	\$4,050	1	1
Butte	\$30,000	\$0	\$300	\$0		
Contra Costa	\$42,625	\$27,373	\$205,189	\$53,676		
El Dorado	\$0	\$0	\$0	\$0		
Fresno	\$1,375	\$1,375	\$439,166	\$128,170	9	9
Imperial	\$0	\$0	\$50,666			
Kern	\$9,595	\$8,440	\$106,000	\$106,000	2	4
Kings	\$3,200	\$0	\$93,052	\$65,000	14	12
Los Angeles	\$203,313	\$259,495	\$1,575,167	\$1,324,301	10	11
Madera	\$0	\$0	\$0	\$0		
Marin	\$74,600	\$74,600	\$0	\$0		
Mendocino	\$0	\$0	\$0	\$0		
Merced	\$200	\$0	\$5,000	\$0	1	1
Modoc	\$0	\$0	\$0	\$0		
Monterey	\$2,100	\$0	\$335,930	\$2,482		
Orange	\$42,800	\$20,000	\$468,383	\$21,719	3	3
Riverside	\$14,850	\$3,570	\$5,363,096	\$2,743	10	4
Sacramento	\$16,432	\$3,458	\$528,609	\$30,393		
San Bernardino	\$53,230	\$3,793	\$705,845	\$577,718	6	8
San Diego	\$266,920	\$200,000	\$13,847,518	\$5,388,780	34	25
San Francisco	\$0	\$0	\$0	\$0	5	5
San Joaquin	\$3,870	\$1,721	\$98,336	\$177,160	4	3
San Luis Obispo			\$100,000	\$100,000		
San Mateo	\$350	\$100	\$19,567	\$8,843		
Santa Barbara	\$6,290	\$3,290	\$46,221	\$33,173	1	1
Santa Clara	\$2,020	\$1,752	\$7,205	\$229,122	6	8
Santa Cruz	\$1,390	\$1,390	\$4,300	\$4,300		
Shasta	\$325	\$325	\$107	\$107	1	1
Siskiyou	\$0	\$0	\$0	\$0		
Solano	\$1,890	\$0	\$81,594	\$19,544		
Sonoma	\$2,930	\$1,120	\$40,450	\$18,165		
Stanislaus	\$400	\$200	\$2,000	\$7,224		
Tulare	\$23,142		\$4,410	\$3,840	2	2
Ventura	\$272,182	\$192,909	\$313,508	\$256,422		
Yolo	\$14,865	\$2,220	\$5,000	\$2,770	1	1
<b>Total</b>	<b>\$1,148,369</b>	<b>\$843,811</b>	<b>\$24,953,650</b>	<b>\$8,639,562</b>	<b>111</b>	<b>100</b>

## Investigations

County	Claimant Fraud	Premium Fraud	Multiple Entities Provider Fraud	Single Entity Provider Fraud	Insider Fraud	Uninsured Employer	Other	Total
Alameda	39	6		1	1	4	2	53
Amador	67	6		1		19	1	94
Butte	11	1		1		13		26
Contra Costa	27	3		2		28	2	62
El Dorado	8	1				43		52
Fresno	33	15	1	6		13	6	74
Imperial	5							5
Kern	34	8	1	1				44
Kings	21	8		1		11		41
Los Angeles	121	34		3		242	7	407
Madera								0
Marin	13	2		4				19
Mendocino	4							4
Merced	25	2		1		1		29
Modoc								0
Monterey	18		1			3	11	33
Orange	78	15	15		2	52	6	168
Riverside	16	3		1		23		43
Sacramento	58	2				7		67
San Bernardino	87	13	2	1	2	27	1	133
San Diego	337	65		60		122	1	585
San Francisco	47	1		3	2	7		60
San Joaquin	58	3	3	3	1	12		80
San Luis Obispo	5					1		6
San Mateo	9	1			1	1		12
Santa Barbara	19	2	1	5		7	6	40
Santa Clara	40	15	1			35	2	93
Santa Cruz	3					5		8
Shasta	28	2		4		10		44
Siskiyou	2					1		3
Solano	28					2		30
Sonoma	7	1				5		13
Stanislaus	28					23	1	52
Tulare	55	10		1		28		94
Ventura	18	1		3		18		40
Yolo	13					20		33
<b>Total</b>	<b>1,362</b>	<b>220</b>	<b>25</b>	<b>102</b>	<b>9</b>	<b>783</b>	<b>46</b>	<b>2,547</b>

## Cases in Court—Standard

County	Claimant Fraud	Premium Fraud	Multiple Entities Provider Fraud	Single Entity Provider Fraud	Insider fraud	Uninsured Employment	Others	Sub-Total
Alameda	12					23		35
Amador						11		11
Butte						11	2	13
Contra Costa	6					25		31
El Dorado								0
Fresno	2							2
Imperial	7							7
Kern	1	2						3
Kings						4		4
Los Angeles	12			1		78		91
Madera								0
Marin	1					8		9
Mendocino	1							1
Merced	2					1	1	4
Modoc								0
Monterey	8					2	11	21
Orange	1					11		12
Riverside	5				2	14		21
Sacramento	12					18		30
San Bernardino	15					37		52
San Diego	37					97		134
San Francisco	6				1			7
San Joaquin	5				1	5		11
San Luis Obispo	8	1				2		11
San Mateo	2					1		3
Santa Barbara	2	1				2	2	7
Santa Clara	15	1				18		34
Santa Cruz	1					6		7
Shasta	3					2		5
Siskiyou						1		1
Solano	1					3		4
Sonoma	6	1				5		12
Stanislaus	2					1		3
Tulare	20	1				14		35
Ventura	2					11		13
Yolo	4					12		16
<b>Total</b>	<b>199</b>	<b>7</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>423</b>	<b>16</b>	<b>650</b>

## Cases in Court—Medium

County	Claimant Fraud	Premium Fraud	Multiple Entities Provider Fraud	Single Entity Provider Fraud	Insider fraud	Uninsured Employment	Others	Sub-Total
Alameda	3							3
Amador	1					1		2
Butte							1	1
Contra Costa	5							5
El Dorado						11		11
Fresno	10					2		12
Imperial								0
Kern	1	1						2
Kings	2							2
Los Angeles	51	1						52
Madera								0
Marin	1					4		5
Mendocino	1							1
Merced								0
Modoc								0
Monterey								0
Orange	13					1		14
Riverside	1	1						2
Sacramento	12					1		13
San Bernardino	48	1		1	5		3	58
San Diego	8			8		3		19
San Francisco	1	1						2
San Joaquin	9					1		10
San Luis Obispo		1						1
San Mateo	1				1			2
Santa Barbara	3							3
Santa Clara	1	1						2
Santa Cruz								0
Shasta								0
Siskiyou								0
Solano	6							6
Sonoma								0
Stanislaus	1							1
Tulare	4	1				2		7
Ventura	7						1	8
Yolo	5							5
<b>Total</b>	<b>195</b>	<b>8</b>	<b>0</b>	<b>9</b>	<b>6</b>	<b>26</b>	<b>5</b>	<b>249</b>

## Cases in Court—Complex

County	Claimant Fraud	Premium Fraud	Multiple Entities Provider Fraud	Single Entity Provider Fraud	Insider fraud	Uninsured Employment	Others	Sub-Total
Alameda	5							5
Amador								0
Butte	1							1
Contra Costa	3							3
El Dorado	1							1
Fresno	4	3		1				8
Imperial								0
Kern	2							2
Kings								0
Los Angeles	16	4			2		1	23
Madera								0
Marin	1							1
Mendocino								0
Merced		1						1
Modoc								0
Monterey								0
Orange	1		3		1		2	7
Riverside	1							1
Sacramento	3	1						4
San Bernardino	12	7			2		1	22
San Diego	3	19		1		1		24
San Francisco						1		1
San Joaquin	2							2
San Luis Obispo								0
San Mateo	2							2
Santa Barbara						1		1
Santa Clara		2						2
Santa Cruz								0
Shasta								0
Siskiyou	2							2
Solano	2							2
Sonoma								0
Stanislaus	2							2
Tulare		3						3
Ventura								0
Yolo	1							1
<b>Total</b>	<b>64</b>	<b>40</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>121</b>

## Cases in Court—Very Complex

County	Claimant Fraud	Premium Fraud	Multiple Entities Provider Fraud	Single Entity Provider Fraud	Insider fraud	Uninsured Employment	Others	Sub-Total
Alameda		1		1			1	3
Amador	4							4
Butte								0
Contra Costa								0
El Dorado								0
Fresno		2						2
Imperial								0
Kern	1		2					3
Kings		1						1
Los Angeles		4	1		1			6
Madera								0
Marin								0
Mendocino								0
Merced			2					2
Modoc								0
Monterey								0
Orange		1	1		1			3
Riverside		2						2
Sacramento	2	1						3
San Bernardino	4	12		2	2			20
San Diego	1	18				12		31
San Francisco	3	1			2			6
San Joaquin		1	3					4
San Luis Obispo								0
San Mateo								0
Santa Barbara								0
Santa Clara								0
Santa Cruz								0
Shasta								0
Siskiyou								0
Solano								0
Sonoma								0
Stanislaus								0
Tulare		2						2
Ventura		2		1				3
Yolo								0
<b>Total</b>	<b>15</b>	<b>48</b>	<b>9</b>	<b>4</b>	<b>6</b>	<b>12</b>	<b>1</b>	<b>95</b>

## Cases in Court—Prosecuting Caseload

County	Total cases	Total Defendants	Total chargeable Fraud
Alameda	46	52	\$1,678,892
Amador	17	17	\$324,000
Butte	15	15	\$142,000
Contra Costa	39	42	\$316,997
El Dorado	12	12	\$150,000
Fresno	24	27	\$2,617,787
Imperial	7	7	\$0
Kern	10	14	\$1,211,950
Kings	7	9	\$132,981
Los Angeles	172	188	\$19,414,786
Madera	0	0	\$0
Marin	15	15	\$86,000
Mendocino	2	2	\$32,000
Merced	7	22	\$1,052,071
Modoc	0	0	\$0
Monterey	21	21	\$255,164
Orange	36	51	\$104,267,548
Riverside	26	30	\$13,302,298
Sacramento	50	54	\$3,487,324
San Bernardino	152	175	\$59,540,707
San Diego	208	208	\$15,066,514
San Francisco	16	16	\$1,231,010
San Joaquin	27	32	\$28,708,100
San Luis Obispo	12	12	\$100,000
San Mateo	7	6	\$146,730
Santa Barbara	11	12	\$98,966
Santa Clara	38	39	\$2,724,752
Santa Cruz	7	7	\$40,000
Shasta	5	5	\$9,769
Siskiyou	3	3	\$250,000
Solano	12	12	\$488,250
Sonoma	12	9	\$69,694
Stanislaus	6	7	\$0
Tulare	47	48	\$626,877
Ventura	24	33	\$2,422,836
Yolo	22	22	\$296,378
<b>Total</b>	<b>1115</b>	<b>1224</b>	<b>\$260,292,381</b>

## Case Referrals (Part 1)

County	Fraud Division				Private Carrier				Local Law Enforcement				Third Party Administrator			
	P	A	R	S-T	P	A	R	S-T	P	A	R	S-T	P	A	R	S-T
Alameda		8		8		9	12	21		1		1		21	17	38
Amador	14			14	5		1	6	8	4	2	14	9		2	11
Butte				0				0		1		1		8		8
Contra Costa		2		2	2		1	3	8	5		13				0
El Dorado		1	1	2				0	1		1	2		2	1	3
Fresno		3		3		1		1				0		1	1	2
Imperial	1	5	5	11				0				0				0
Kern	8		5	13	10		7	17				0			1	1
Kings		3		3		1		1				0				0
Los Angeles	1	12	2	15	41	46	50	137	2	4		6	15	19	24	58
Madera				0				0				0				0
Marin	2	11	3	16		7	1	8	1			1				0
Mendocino		1		1				0				0				0
Merced	2		1	3	1		2	3			1	1	6	2	1	9
Modoc				0				0				0				0
Monterey		2		2				0	1	2		3	3	4		7
Orange	2	3	89	94	11	3	46	60		2		2	22	14	57	93
Riverside	2			2	6		2	8				0	7		2	9
Sacramento	2	28	1	31	1	9	7	17		1	3	4		6	3	9
San Bernardino	5	5	4	14	6	4	2	12				0	9	2	11	22
San Diego		5	1	6		13		13				0				0
San Francisco	16	11	15	42	4	2	6	12				0				0
San Joaquin		1	1	2	1	1	1	3				0	7	6	1	14
San Luis Obispo		1		1		1	2	3		1		1				0
San Mateo		1		1	9		9	18				0			2	2
Santa Barbara		1		1	1	4		5		3		3				0
Santa Clara			1	1	5	14	10	29	1			1		1	1	2
Santa Cruz		9	1	10				0		10		10			1	1
Shasta		1		1		5	2	7		6		6		9	2	11
Siskiyou	1			1				0				0				0
Solano	8	4		12				0				0				0
Sonoma	6	6	2	14	2	1	2	5				0				0
Stanislaus				0	2			2				0	3			3
Tulare				0	6	3	3	12	3	3		6	10	4	6	20
Ventura	1		1	2	2	3	2	7		2		2	5	2	2	9
Yolo		1		1		1		1	2	13	4	19		6		6
<b>Total</b>	<b>71</b>	<b>125</b>	<b>133</b>	<b>329</b>	<b>115</b>	<b>128</b>	<b>168</b>	<b>411</b>	<b>27</b>	<b>58</b>	<b>11</b>	<b>96</b>	<b>96</b>	<b>107</b>	<b>135</b>	<b>338</b>

**P:** Pending      **A:** Accepted      **R:** Rejected      **S-T:** Sub-total

## Case Referrals (Part 2)

County	Department of Industrial Relations				Others				TOTAL			Total
	P	A	R	S-T	P	A	R	S-T	P	A	R	
Alameda		8		8		9	12	21		1		1
Amador	14			14	5		1	6	8	4	2	14
Butte				0				0		1		1
Contra Costa		2		2	2		1	3	8	5		13
El Dorado		1	1	2				0	1		1	2
Fresno		3		3		1		1				0
Imperial	1	5	5	11				0				0
Kern	8		5	13	10		7	17				0
Kings		3		3		1		1				0
Los Angeles	1	12	2	15	41	46	50	137	2	4		6
Madera				0				0				0
Marin	2	11	3	16		7	1	8	1			1
Mendocino		1		1				0				0
Merced	2		1	3	1		2	3			1	1
Modoc				0				0				0
Monterey		2		2				0	1	2		3
Orange	2	3	89	94	11	3	46	60		2		2
Riverside	2			2	6		2	8				0
Sacramento	2	28	1	31	1	9	7	17		1	3	4
San Bernardino	5	5	4	14	6	4	2	12				0
San Diego		5	1	6		13		13				0
San Francisco	16	11	15	42	4	2	6	12				0
San Joaquin		1	1	2	1	1	1	3				0
San Luis Obispo		1		1		1	2	3		1		1
San Mateo		1		1	9		9	18				0
Santa Barbara		1		1	1	4		5		3		3
Santa Clara			1	1	5	14	10	29	1			1
Santa Cruz		9	1	10				0		10		10
Shasta		1		1		5	2	7		6		6
Siskiyou	1			1				0				0
Solano	8	4		12				0				0
Sonoma	6	6	2	14	2	1	2	5				0
Stanislaus				0	2			2				0
Tulare				0	6	3	3	12	3	3		6
Ventura	1		1	2	2	3	2	7		2		2
Yolo		1		1		1		1	2	13	4	19
<b>Total</b>	<b>71</b>	<b>125</b>	<b>133</b>	<b>329</b>	<b>115</b>	<b>128</b>	<b>168</b>	<b>411</b>	<b>27</b>	<b>58</b>	<b>11</b>	<b>96</b>

P: Pending

A: Accepted

R: Rejected

S-T: Sub-total

## SFCs (Part 1)

County	2004 SFCs	2005 SFCs	2006 SFCs	Total
Alameda	316	439	322	1,077
Alpine	0	0	1	1
Amador	7	19	5	31
Butte	25	44	27	96
Calaveras	7	17	14	38
Colusa	2	5	5	12
Contra Costa	149	268	160	577
Del Norte	5	13	2	20
El Dorado	11	46	22	79
Fresno	153	251	153	557
Glenn	0	4	2	6
Humboldt	8	15	11	34
Imperial	28	43	27	98
Inyo	4	5	3	12
Kern	93	210	95	398
Kings	10	31	17	58
Lake	9	20	10	39
Lassen	7	12	9	28
Los Angeles	1,701	2,671	1,545	5,917
Madera	14	23	17	54
Marin	40	52	41	133
Mariposa	2	4	1	7
Mendocino	10	38	10	58
Merced	32	63	34	129
Modoc	1	4	2	7
Mono	1	6	0	7
Monterey	65	89	76	230
Napa	13	33	12	58
Nevada	11	26	9	46
Orange	472	766	452	1,690
Placer	39	68	35	142
Plumas	2	6	0	8
Riverside	259	705	399	1,363
Sacramento	217	378	216	811
San Benito	4	9	8	21
San Bernardino	272	509	311	1,092
San Diego	465	643	395	1,503
San Francisco	145	167	120	432
San Joaquin	115	157	95	367
San Luis Obispo	30	50	32	112

## SFCs (Part 2)

County	2004 SFCs	2005 SFCs	2006 SFCs	Total
San Mateo	115	132	99	346
Santa Barbara	60	103	66	229
Santa Clara	304	299	192	795
Santa Cruz	27	49	45	121
Shasta	41	63	38	142
Sierra	1	2	1	4
Siskiyou	8	6	65	79
Solano	60	101	67	228
Sonoma	65	157	70	292
Stanilaus	72	141	16	229
Sutter	7	21	1	29
Tehama	8	13	1	22
Trinity	0	1	76	77
Tulare	32	84	6	122
Toulumne	3	21	1	25
Ventura	150	173	112	435
Yolo	27	36	32	95
Yuba	3	9	7	19
<b>Total</b>	<b>5,727</b>	<b>9,320</b>	<b>5,590</b>	<b>20,637</b>

## Press Clippings

Tulare County Sheriff's Department Employee Arrested on Four Counts of Alleged Workers' Compensation Insurance Fraud – *July 13, 2006*

California Couple Sentenced for Workers' Comp Insurance Fraud – *August 8, 2006*

Former Prosecutor Sentenced in Fraud Case – *August 8, 2006*

San Diego Contractor to pay State Fund \$456,000 – *August 24, 2006*

S. F. Contractor Charged with Insurance Fraud – *August 24, 2006*

Trio Sentenced in Fraud Scheme – *August 29, 2006*

San Diego Contractor Must Pay \$475,000 in Restitution to State Fund – *August 31, 2006*

San Diego Contractor to pay Calif. State Fund \$119,000 – *September 6, 2006*

State Fund Gets Over \$500,000 in Workers, Comp Fraud Case – *September 11, 2006*

San Diego Couple Jailed for Insurance Fraud – *September 14, 2006*

Twelve Arrested for Over Billing Insurers, Fraud – *September 25, 2006*

Fraud Charge for Ex-Prison Guard – *September 26, 2006*

- Workers' Comp Fraud ends in Prison for Central Valley Man—*October 19, 2006*
- Five Arrested in Workers' Comp Fraud Case—*October 19, 2006*
- Workers' Compensation Fraud Alleged by Chatsworth Firm—*October 23, 2006*
- Calif. State Fund to Receive \$35,000 in Restitution—*November 3, 2006*
- Upland Woman Arrested for Insurance Fraud and Grand Theft—*November 27, 2006*
- Napan Accused of Fraud—*December 19, 2006*
- Ex-Broker to Serve 3 Years, Pay Fine for Fraud—*December 26, 2006*
- Election Winner is Arrested in Fraud Case—*December 28, 2006*
- Monterey County Contractor Faces Workers' Comp Charges—*January 19, 2007*
- Arrestment Scheduled for Electric Company Owner for Workers' Compensation Fraud—*February 7, 2007*
- Bakersfield Businesswoman Charged with Fraud—*February 9, 2007*
- Woman Charged with Fraud—*February 14, 2007*
- S.J. Shuttle Service Owners Charged with Fraud—*February 15, 2007*
- Woman Accused of Workers' Fraud—*March 9, 2007*
- Four Charged in Riverside County's Largest Workers' Comp Fraud Case—*March 14, 2007*
- Corona Tree Removal Company Leaders Ordered to Pay Restitution—*March 29, 2007*
- "The Dish Man" Arrested for Fraud, Other Charges—*March 29, 2007*
- Contractor Ordered to Pay \$129,000 to Calif. State Fund—*March 30, 2007*
- Veteran LAPD Detective Arrested for Grand Theft and Perjury—*April 11, 2007*
- Workers' Comp Fraud by Bosses rising—*April 22, 2007*
- L.A. Construction Firm Demolition Firm Owner Ordered to Pay \$100K to State Fund—*May 3, 2007*
- Palo Alto Workers' Comp Fraud Case Prosecuted—*May 11, 2006*
- Doctors Face Felony Charges—*May 16, 2007*
- Dozens Arrested in Central Valley Insurance Fraud Busts—*May 31, 2007*
- Calif. State Fund to Receive \$113,000 for Workers' Comp Fund—*June 6, 2007*
- Salinas Contractor Faces Fraud, Theft Charges—*June 11, 2007*
- Man Arrested in Insurance Fraud—*June 19, 2007*
- DA's Video Grant to Target Workers' Comp Fraud—*June 22, 2007*



**2007 ANNUAL REPORT**  
FINANCIAL SURVEILLANCE  
BRANCH

## FINANCIAL SURVEILLANCE BRANCH

The Financial Surveillance Branch (FSB) is responsible for monitoring the financial condition of the insurance industry to ensure it can provide the benefits and protections promised to California citizens. FSB's function 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. The Department is accredited by the National Association of Insurance Commissioners (NAIC) and undergoes an accreditation review every 5 years. The accreditation review is undertaken to ascertain whether the Department meets all national standards and requirements as adopted by the NAIC.

FSB is composed of the Financial Analysis Division (FAD), the Field Examination Division (FED), the Actuarial Office (AO), the Troubled Companies Unit (TCU), and the Premium Tax Audit Bureau (PTAB).

FAD evaluates and monitors the financial condition of insurance companies to identify financially distressed companies and takes corrective actions or recommends regulatory actions to assure insurer solvency for the protection of California consumers.

FED is responsible for conducting comprehensive 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 insurance management, operations, investments and advertising.

The AO oversees the determination of company reserves and reviews life insurance and annuity policy forms and health insurance rates.

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 (authorized or licensed) 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. The purpose is to identify companies in or approaching hazardous financial condition and to recommend corrective action when necessary. FAD analyzes holding company transactions and acquisitions pursuant to the Insurance Holding Company System Regulatory Act. In addition, FAD assists the CDI Legal 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 assists in the development of reinsurance regulatory policy. FAD also provides information and assistance to other divisions relative to reinsurance practices and procedures, surplus line insurers, captive insurers and risk retention groups.

The workload performed by the FAD is distributed among three bureaus: FAD 1 (Property and Casualty Bureau I), FAD 2 (Property and

Casualty Bureau II) and FAD 3 (Life Bureau) and selected Division Office personnel. Following is an overview of FAD’s workload statistics:

**Workload Performed for the Year 2007**

<b>Financial Statements Analysis</b>	<b>Annual</b>
Life and Property & Casualty . . . . .	688
Other Entities . . . . .	478
Surplus Lines . . . . .	106

<b>Financial Statements Analysis</b>	<b>Quarterly</b>
Life and Property & Casualty . . . . .	1,178
Other Entities . . . . .	354
Surplus Lines . . . . .	318

**Corporate Affairs Applications**

Certificate of Authority . . . . .	62
Holding Company Matters . . . . .	353
All Others . . . . .	188

**FIELD EXAMINATION DIVISION**

Under the provisions of Sections 730, 733, 734.1 and 736 of the California Insurance Code, the Insurance Commissioner must 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 triennially and foreign insurers are usually examined in accordance with the NAIC’s Association Plan of Examination. 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. In addition, FED provides financial and actuarial support to other divisions.

Various types of examinations initiated and completed by FED in 2007 are presented as follows:

<b>Type of Examinations</b>	<b>Initiated</b>	<b>Completed</b>
Domestic Companies	65	55
Underwritten Title Companies	2	14
Foreign Companies	6	1
Qualifying Exams	2	2
Statutory Exams	0	1
<b>Total:</b>	<b>75</b>	<b>73</b>

**ACTUARIAL OFFICE**

The AO provides technical assistance within the FSB. The AO monitors reserves established by life and health insurance companies; drafts new legislation, regulations, and bulletins regarding actuarial matters; review life insurance and annuity policy forms; and reviews Medicare supplement and other accident & health insurance rate filings. Listed below are workload statistics of the AO:

<b>Actuarial Reviews</b>	<b>Number Reviewed</b>
Reinsurance Agreements . . . . .	21
Health Rate Filings . . . . .	280
Credit Rate Filings . . . . .	132
Asset Adequacy Analysis Memoranda . . . . .	44
Life Insurance and Annuity Policy Forms . . . . .	666

**TROUBLED COMPANIES UNIT**

Staffed by three seasoned analysts, TCU is responsible for overseeing those insurers identified in the CDI’s Early Warning System as being financially troubled. Whereas the number of companies under review does vary, as does the level

of complexity each presents, an average of 45 companies are assigned to the TCU at any given time.

TCU personnel carefully monitor the financial status of assigned companies and make recommendations to the Early Warning Team. The Early Warning Team has ultimate responsibility for monitoring insurers determined to be in financial difficulty or troubled. TCU also provides other technical and administrative support for the Early Warning Team.

## PREMIUM TAX AUDIT BUREAU

### Insurance Taxes

Insurance premium taxes assessed in 2007 on business done during 2006, other than retaliatory and surplus line taxes, amounted to \$ 1,984,068,749. Refunds of \$90,414,794 were granted during the year.

Additional assessments proposed by the Insurance Commissioner to the Board of Equalization and the State Controller's Office totaled \$3,112,278.

### Basis of Tax

The basis of tax is the amount of "gross premiums" received, less return premiums, upon business done in the State, with the exception of title insurance and ocean marine insurance. Insurers transacting title insurance are taxed upon all income received in this State, with the exception of income arising out of investments. Ocean marine insurers are taxed upon underwriting profits.

### Rate of Tax

A tax rate of 2.35 percent is imposed on "gross premiums" received, with the exception that a lower rate of 0.50 percent is applied to premiums received under pension and profit sharing plan contracts which are "qualified" under certain sections of the United States Internal Revenue

Code. Title insurers are taxed at a rate of 2.35 percent of "income". Ocean marine insurers are taxed at a rate of 5 percent of underwriting profits.

### 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.

Retaliatory taxes assessed and collected in 2007 on business done during 2006 totaled \$ 3,257,185.

### Surplus Line Taxes

The surplus line tax rate is 3 percent and is assessed on surplus line premiums pursuant to California Insurance Code Section 1775.5. Surplus line taxes collected during 2007 for calendar year 2006 totaled \$187,789,836.

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## AUTO ENFORCEMENT BUREAU

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

In addition to automobile issues, AEB also handles all aspects of litigation and enforcement previously known as “compliance” cases. 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.

Beyond its core function of an enforcement litigation bureau, AEB also provides legal opinions to the Commissioner and to the various divisions of the Department; provides support for investigations of producers and examinations of insurers; promulgates regulations; and represents the Department in employee adverse actions.

### Auto Enforcement Bureau Statistics: 2007

In 2007 the Auto Enforcement Bureau conducted twenty-six (26) administrative hearings to conclusion.

Monetary penalties and costs obtained through negotiated settlements and/or hearings totaled approximately \$1,567,000.00.

The categories of cases handled by AEB in 2007 are described below.

Matter Type	Matters Opened	Matters Closed	Hearings Concluded
Disciplinary	105	95	26
Vehicle Service Contract	0	2	0
Unfair Practices Act	4	17	0
Legal Opinion	9	5	0
Legislation (analysis of pending bill)	9	3	0
Miscellaneous	4	1	0
Human Resources	1	2	0
Regulation	1	4	0
Cease and Desist	5	0	0
Noncompliance	1	1	0
Litigation	0	3	0
Subpoena	0	0	0
Order to Show Cause	59	1	0
Oversight	0	1	0
<b>Total</b>	<b>198</b>	<b>135</b>	<b>26</b>

*Significant Matters Worked in 2007***Infinity Property & Casualty Insurance Group**

The Department examined 548 total claims files. As a result of the examination, the Department identified 561 claims handling violations of the Insurance Code and other applicable statutes and/or regulations, including company failing to follow its own policy regarding the calculation of paint and materials, underpaying tow and storage charges, excessively delaying the investigation and payment of some claims, failing to pay for the replacement of a child passenger restraint system in use at the time of the accident, and failing to return deductibles even after determining the at-fault driver was uninsured. The examination also resulted in the return of over \$250,000 to consumers. The pattern and frequency of these violations indicate a general business practice.

Additionally, just prior to the exam and in response to the Department's concerns about the number and type of consumer complaints the

Consumer Services Branch was receiving, Infinity put a new call center in place, costing the company approximately \$300,000. We think this change resulted in significantly fewer communications violations found during the exam.

Fine imposed: \$750,000.00

**Regulations**

Auto Body Repair Shop Labor Rate Surveys

Bail Prelicensing and CE Regulations

Earthquake Dispute Mediation

Limitations on Surcharges on Residential Homeowners Policies

**Legislation**

AB 1483 - Automotive repair: crash parts

**AB 1854 (2006) Vehicles: Flood Damage: Disclosure**

AB 797 - Insurance: agents

**CORPORATE AFFAIRS BUREAUS—I AND II**

<b>Application Type</b>	<b>Beg # Asgn Cases</b>	<b>Assigned</b>	<b>Closed</b>	<b>End # Asgn Cases</b>
Amended Certificate of Authority	28	0	23	5
Approved of Trust	2	7	1	8
C/A Amend-Add Line	9	15	13	11
C/A Amend/Delete Line	4	4	7	1
C/A Amend-Domestic Change 70	4	5	6	3
C/A Amend-Name	8	36	30	14
C/A Amend-Non-Domestic Redo	9	21	22	8
Certificate of Authority	21	22	28	15
Certificate of Authority-Status - 7	28	9	8	29
Custodian Qualification	1	0	0	1
Custody Agreement	4	5	4	5

*Corporate Affairs Bureaus — I and II (Continued)*

<b>Application Type</b>	<b>Beg # Asgn Cases</b>	<b>Assigned</b>	<b>Closed</b>	<b>End # Asgn Cases</b>
Exemption -Certificate of	6	0	0	6
Failure to Make Required Filing	11	41	49	3
Failure to Pay Fees/Assessments	1	0	1	0
Grants/Annuities - C/A	45	30	25	50
Grants/Annuities-Amended C/A	1	3	2	2
HC Disclaimer of Affiliation .41	9	4	7	6
HC Exempt - Comm Domiciled S	2	3	4	1
HC Exempt - form A.2f	1	6	5	2
HC Extraordinary Dividend .5g	0	13	12	1
HC Guarantee .5b5	1	2	3	0
HC Mtg. Serv./Cost Share Agmt.	96	140	113	123
HC Misc.	1	6	5	2
HC Ordinary Dividend .4f	4	115	115	4
HC Reinsurance .5b3	22	53	51	24
HC Sales Purchases Loans. 5b1	2	7	7	2
Holding Companies Acquisition	6	18	19	5
Letter of Credit	0	9	9	0
Merger	33	19	41	11
Miscellaneous	23	36	43	16
Motor Club License	2	0	0	2
Motor Club Service Contract	2	6	1	7
Name Approval Reservation	54	98	122	30
Organizational Permit	11	4	7	8
Pool Insurance Filing	0	22	22	0
Rein/Sale-Purchase/Trans-Ass	22	39	34	27
Reinsurer Accreditation	22	31	22	31
Risk Purchasing Group	6	26	26	6
Risk Purchasing Group Renewal	4	239	240	3
Risk Retention Group	34	13	26	21
Risk Retention Group Renewal	55	69	80	44
S810	3	1	2	2
Stock Permit	0	3	1	2
Stock Permit-Amend	0	2	2	0
Surplus Line Filing	42	6	2	46
UTC-Amended License	4	5	3	6
UTC-License	0	1	1	0
UTC-Organizational Permit	0	1	0	1

*Corporate Affairs Bureaus — I and II (Continued)*

<b>Application Type</b>	<b>Beg # Asgn Cases</b>	<b>Assigned</b>	<b>Closed</b>	<b>End # Asgn Cases</b>
UTC-Permit	0	1	1	0
UTC-Transfer of Shares	4	11	6	9
Viatical Settlement Broker	0	1	1	0
Viatical Settlement Contract License	1	0	12	0
WC Deposit Agreement	3	12	13	2
Withdrawal	7	13	14	6
	1	5	2	4
	<b>659</b>	<b>1238</b>	<b>1282</b>	<b>615</b>

**FRAUD LIAISON BUREAU**

The Fraud Liaison Bureau (FLB) provides legal support to the Department's Fraud Division (FD), a division of the Enforcement Branch. The FD maintains nine (9) regional offices throughout the state. It consists of approximately 235 peace officers supported by approximately 50 staff personnel. The FD's mission is to suppress the overall incidence of insurance fraud within the state. The FD police officers investigate cases of suspected insurance fraud and present these cases to the local district attorneys in the counties in which the alleged fraud occurred.

Funding for the criminal prosecution of insurance fraud cases is provided via various grant programs to the counties whose district attorney offices have been awarded the grant by the FD. The grants provide the financial resources to the office to assign prosecutors to prosecute these insurance fraud cases. The FD investigates and submits cases to the district attorneys office. Thereafter the district attorney determines if the evidence will support a criminal prosecution of the case. These grant programs cover the following enforcement areas: 1) Automobile Insurance Fraud; 2) Organized Automobile Fraud Activity

Interdiction; 3) Workers' Compensation Fraud; and 4) Disability and Healthcare Fraud. Grants are awarded on an annual basis. In addition, the FLB attorneys handle a number of whistleblower civil cases, captioned as "qui tam" cases which are filed under the Insurance Frauds Prevention Act of the California Insurance Code.

The FLB attorneys provide legal support to the Division office, and the regional offices, in the administration of these grant programs. This includes legal advice pertaining to provisions of the California Insurance Code, the promulgation of regulations related to the grant programs, and drafting proposed legislation. It also includes working with district attorneys on issues of subpoenas and search warrants and other issues related to insurance fraud.

**Legal Support to Fraud Division Executive and Regional Offices:**

Legal support is provided to the Deputy Commissioner in charge of FD. Legal participates in weekly senior management conferences on a variety of matters related to the operation of the anti-fraud programs maintained and enforced throughout the state. Support includes the

drafting of pending legislation, the promulgation of proposed regulations, the pleading of administrative enforcement actions, and general day to day legal issues that arise in operational matters.

*Attorney of the Week:* Staff attorneys handle all informal requests for routine legal assistance arising out of the division's executive branch, or regional offices.

### Legal Support to Fraud Division Programs:

#### 1 *Workers' Compensation Insurance Fraud Program.*

FD receives mandated funding through the Fraud Assessment Commission (FAC). The FAC is a legislatively created state body involved in assessing and administering a special fund dedicated to the investigation and prosecution of California workers' compensation fraud (WCF). The FAC, along with the Insurance Commissioner and another, independent state body, the FAC Review Panel, are responsible for managing the WCF program, including productivity supervision, promulgation of regulations, testifying before legislative oversight committees and related matters.

Funding (approximately \$40 million during fiscal year 2006/07) is split between the FD and District Attorneys: FD approximately \$18 million; DAs approximately \$22.5 million. Thirty-six counties within the state participated in this program. In addition, a funding grant was awarded in the amount of \$750,000 for a study of the incidence of insurance fraud within the state. Funding requires a consensus amongst the FAC Review Panel, the body that reviews applications and audits, and the FAC, that needs to lend its advice and consent to the final funding recommendations, and the Insurance Commissioner, authorized to independently recommend funding distribution levels. Annual audits of the services rendered by each D.A. office are conducted by FD, with legal support.

The FLB has assigned one full time senior staff counsel as counsel to perform the functions of a general counsel to the program area, including review of numerous documents, legal advice on a variety of issues, audit support, and the promulgation of regulations to support the program. Combined FAC, FAC Review Panel, and FD all day conferences are held throughout the year.

#### 2 *Automobile Insurance Fraud Section 1872.8 CIC—*

The FD coordinates automobile insurance fraud investigations statewide, provides assistance to law enforcement agencies, and presents prosecutable automobile fraud cases to district attorney's offices and the United States Attorneys office. Thirty-four counties participated in this program and were awarded approximately \$11.45 million for fiscal year 2006/2007. Fraudulent activity includes medical mills, organized crime staged accident rings, paper accidents, and organized cart theft conspiracies, as some of the enforcement targets pursued.

#### 3 *Organized Automobile Insurance Fraud Activity Interdiction Program—*

Legislative findings confirm 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. Nine counties were awarded grants in the amount of approximately \$4.38 million for fiscal year 2006/2007 for a coordinated program targeted at the prosecution and elimination of organized automobile insurance fraud. Task forces have been established throughout the state comprised of FD personnel, CHP, district attorneys offices and allied agencies.

#### 4 *Underground Economy Task Force—*

The Task Force has the general purpose of coordinating enforcement activities and sharing information for combating tax evasion problems and the failure to pay wages that are legally due.

It is comprised of representatives from the Employment Development Department, Department of Consumer Affairs, DIR, and Office of Criminal Justice Planning, and other prospective agencies.

5 *Property/Casualty/Life Program*—This program includes all criminal cases of fraudulent claims arising from all lines of insurance other than auto and workers’ compensation. Funding for this program is derived from an annual assessment of \$1,300 per licensed insurance company. The programs criminal cases are presented to both state and federal prosecutors.

6 *Disability Insurance Fraud Assessment Program* covering Life and Disability Health Insurance. Five counties received funding of approximately \$2.3 million.

7 *Special Investigation Unit Program*: The insurance code requires that all insurers doing business within the state maintain “special investigative units” within the insurance company to detect and report suspected fraudulent claims and activity within all lines of insurance written by the company to the Fraud Division. The insurance company’s maintenance of such a unit is governed by regulations, which are periodically updated. An FLB attorney is assigned to review, consult, and draft the proposed regulations working with program personnel, attend public hearings, and process the projects up to the OAL for review and approval. They also provide legal opinions, and bring administrative compliance actions before the Office of Administrative Hearings (OAH) when requested by the program.

8 *Internal Affairs*: The FLB provides legal advice & support to the FD Internal Affairs Unit which conducts confidential investigations of department employees allegedly engaged in some form of impermissible conduct during the course of their employment, or outside their employment which violates department policies, etc.

Legal Services for Program Funding and Support: Funding for all the above programs arise out of assessments upon various lines of insurance policies sold within the state by the insurance industry. The assessment process upon the insurance industry requires the promulgation and implementation of various sets of regulations through the Office of Administrative Law (OAL), and at times changes in legislation. FLB attorneys are assigned full time with the responsibility of reviewing, consulting, and drafting the regulations, and proposed legislation, in conjunction with the programs as requested by the division. Additionally, legal services include the writing of legal opinions, statutory review, and responses to outside counsel. They also provide general legal advice, attend public hearings, review pending legislation, and provide audit support.

**Legal Services: Qui Tam matters, civil litigation, Legal Services Requests, Subpoenas:**

- 1 Number of *Qui Tam* (whistleblower civil litigation lawsuits) matters
  - (a) Pending on 01/07 ..... 38
  - (b) Opened in 2007 ..... 12
  - (c) Intervened in 2007: ..... 0
  - (c) Closed in 2007 ..... 6
- 2 Civil Litigation other than qui tam matters in 2006
  - (a) Pending on 01/7 ..... 12
  - (b) Opened in 2007 ..... 3
  - (c) Closed in 2007 ..... 15
- 3 Number of Legal Service Requests during 2006
  - (a) Pending as of 01/01/07 ..... 3
  - (b) Opened ..... 27
  - (c) Closed ..... 15
  - (d) Pending as of 12/31/07 ..... 15

4 Informal Requests for Legal Services during 2007

- (a) Pending (as of 01/01/07) . . . . . 0
- (b) Opened . . . . . 10
- (c) Closed . . . . . 10

**FLB Rulemaking Projects in 2007**

1 Completed Rulemaking Projects Year 2007

- (a) Permanent Regulations . . . . . 2
- (b) Emergency Regulations . . . . . 1

2 Current Rulemaking Projects as of Dec. 31, 2007

- (a) Permanent Regulations . . . . . 3
- (b) Emergency . . . . . 1

**Legislative Analysis, Review, and Support:**

Number of bills requiring legal support in the promulgation of legislative bills, attendance at hearings, redrafting of proposed language, etc: 3.

*California District Attorneys Association:* FLB attorneys participate in association meetings

*Insurance Fraud Advisory Board:* One FLB attorney is assigned to this industry Board

*Anti-Fraud Taskforce Project:* Two FLB attorneys were assigned to this project and were still pending at end of year.

*State Compensation Insurance Fund Review:* One FLB attorney is assigned to this ongoing investigation and review.

**ENFORCEMENT BUREAU—  
SACRAMENTO 2007**

New cases received . . . . . 1,314

Closed/disposed . . . . . 882

**Consent** . . . . . 148

Cease and Desist . . . . . 0

Order for Monetary Penalty and or/Reimbursement . . . . . 2

Order of Immediate Suspension . . . . . 0

Order Removing Restrictions . . . . . 36

Miscellaneous Orders . . . . . 28

Order of Dismissal/  
Application Withdrawn . . . . . 0

Order for Monetary Penalty in Lieu of Suspension . . . . . 0

Order of Denial . . . . . 4

Order of Denial/Issuance of Restricted License . . . . . 32

Order of Revocation . . . . . 8

Order of Revocation/Issuance of Restricted License . . . . . 6

Order of Dismissal/  
Surrender of License . . . . . 0

Order of Dismissal . . . . . 2

No Disciplinary Action Taken . . . . . 30

**Default** . . . . . 75

Order of Revocation . . . . . 46

Order of Denial . . . . . 29

**Hearing** . . . . . 55

Order of Approval/Issuance . . . . . 0

Miscellaneous . . . . . 1

Order of Denial . . . . . 31

Order of Denial/Issuance of Restricted License . . . . . 6

Order of Revocation . . . . . 4

Order of Revocation/Issuance of Restricted License . . . . . 3

Order of Dismissal . . . . .	1	Misc. Order . . . . .	2
Dismissal Application withdrawn. . . . .	1	No Disciplinary Action Taken . . . . .	2
Voluntary Surrender . . . . .	1	Order Removing Restrictions . . . . .	2
No AR Action/Referred to Discip. . . . .	2		
Warning . . . . .	1	<b>Legal Opinion</b>	
Miscellaneous. . . . .	4	Opened cases . . . . .	14
		closed cases . . . . .	2
<b>Informal Action</b>	<b>320</b>		
Warning . . . . .	5	<b>ENFORCEMENT BUREAU—SAN FRANCISCO</b>	
Voluntary Withdrawal of Application . . . . .	5	Files opened:. . . . .	279
Voluntary Surrender of License . . . . .	1	Files closed:. . . . .	168
No Disciplinary Action Warranted/ Out of License . . . . .	2	Order of Revocation . . . . .	9
No Disciplinary Action Warranted . . . . .	41	Order of Revocation/Issuance of Restricted License. . . . .	7
No AR Action/Referred to Discip. . . . .	212	Order of Denial . . . . .	20
Denial . . . . .	1	Order of Denial/Issuance of Restricted License . . . . .	6
Denial/Issue Restricted License . . . . .	1	Order of Immediate Suspension . . . . .	5
Revocation . . . . .	1	Order of Suspension . . . . .	1
Revocation/Issue Restricted License . . . . .	1	Order of Monetary Penalty &/or Reimbursement . . . . .	5
Monetary Penalty in Lieu of Suspension. . . . .	1	Order of Dismissal . . . . .	6
Issue Restricted License/ Stipulation Judgment . . . . .	1	Order Removing Restrictions . . . . .	1
Order Removing Restrictions . . . . .	26	Miscellaneous Orders . . . . .	29
Miscellaneous. . . . .	20	No Disciplinary Action Warranted . . . . .	9
Misc. Order . . . . .	2	Warning . . . . .	5
		Order of Summary Revocation . . . . .	11
<b>Summary</b>	<b>276</b>	Order to Cease & Desist . . . . .	7
Order of Summary Denial. . . . .	65		
Order of Summary Denial/ Issuance of Restricted License. . . . .	99	<b>Enforcement Actions:</b>	
Order of Summary Revocation. . . . .	88	Unfair Practices Act Violations: (Monetary Penalties)	
Order of Summary Revocation/ Issuance of Restricted License. . . . .	18	American Contractors Indemnity Company. . . . .	\$170,000.00

Horace Mann Insurance Company and Horace Mann Property & Casualty Ins. Co.. . . . .	\$175,000.00
Croce, Darien Colin . . . . .	\$250.00
Servco Insurance Services Corp dba American Insurance Agency, Inc.. . . . .	\$1,000.00

**Title Insurance Violations:**

Stewart Title Guaranty Company . . . . .	\$1,000,400.00
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**Cease and Desist Orders:**

ABBA Bonding	
Americans for Better Economic Resources, Inc.	
Fidelity National Property and Casualty Insurance	

Company
Gerwin, Mufee
International Fidelity & Surety, Ltd.
Sears, Joann
Sears, Morris C.

**GOVERNMENT LAW BUREAU**

Custodian of Records 2007	Opened	Closed
Public Records Act Requests	835	904
Subpoenas	180	247
Services of Process	40	44
Litigation Matters	13	43
Appeals/Writ	2	13
Defense/Other (SOC)	9	25
Qui Tam	2	5

**POLICY APPROVAL BUREAU**

Product	Submissions Received	Submissions Closed
Group Non-Health	313	300
Supplemental Life Insurance	211	163
Variable Contracts	380	372
Group & Individual Health Insurance	552	477
Medicare Supplement	266	280
Unclassified	95	72
Individual Non-Health	57	56
Individual & Group Credit Insurance	50	52
Long Term Care Insurance	209	229
Workers' Compensation	270	284
<b>Variable Product Qualifications</b>		
Variable Annuity Qualifications	3	3
Variable Life Qualifications	3	1
Amended Variable Annuity	168	169

*Policy Approval Bureau (Continued)*

<b>Variable Product Qualifications</b>	<b>Submissions Received</b>	<b>Submissions Closed</b>
Amended Variable Life	87	80
Modified Guarantee	0	0
Subtotal	2664	2539
<b>Other Activities</b>		
Regulations	9	2
Legal Opinions	5	1
Legislation	13	12
Litigation	9	1
Miscellaneous	2	0
Subpoena	1	0
Others	6	4
<b>Total</b>	<b>2709</b>	<b>2559</b>

**RATE ENFORCEMENT BUREAU**

The Rate Enforcement Bureau 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.

The Bureau provides legal support primarily to the Department's Rate Regulation Branch, including legal opinions, legislative analyses, and rulemaking. The Bureau also represents the Department's position in prior approval rate hearings before a Department of Insurance Administrative Law Judge. The Bureau provides legal assistance for issues related to the California Earthquake Authority, the California Automobile Assigned Risk Plan, and the California Low Cost Automobile Insurance Program.

Additionally, the Bureau reviews and approves vehicle service contract applications which comply with all applicable legal requirements.

A summary of the Bureau's major actions for 2007 is set forth below.

*Rate Enforcement Bureau Actions***Prior Approval**

Petitions for Hearing Received . . . . .	8
Petitions for Hearing Granted . . . . .	5
Petitions for Hearing Denied . . . . .	3
Notices of Hearing Issued . . . . .	11
Matters Resolved Without Hearing . . . . .	10
Matters Pending . . . . .	9
Variance Requested . . . . .	8
Variance Requests Concluded . . . . .	1

**Rollback**

Administrative Cases Pending . . . . .	1
Rollback Litigation Pending . . . . .	1

**Vehicle Service Contract**

Applications Received . . . . .	224
Applications Concluded . . . . .	213

**Regulations**

Regulation Matters Opened . . . . .	16
Regulations Approved . . . . .	17

**Civil Litigation**

Matters Pending . . . . .	3
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**CAARP**

Appeals Opened . . . . .	7
Appeals Resolved . . . . .	19
Producer Peer Review Decisions Issued . . . . .	3
Producer Peer Review Matters Opened . . . . .	3
Servicing Carrier Applications Received . . . . .	3
Servicing Carrier Applications Approved . . . . .	3

**Section 674.6 Notices**

Matters Opened . . . . .	4
Matters Concluded . . . . .	4

**HOLOCAUST ERA INSURANCE**

The Department's Holocaust era insurance project has been responsible, since 1998, for advocating on behalf of Holocaust survivors, their families and heirs in their efforts to collect on life insurance policies issued before the war and never paid.

California Insurance Code Section 12967 directs the Department to advocate for these claimants. The Department has done so through its work on the International Commission on Holocaust Era Insurance Claims (ICHEIC - formed in 1997 to

work out a way to fund, evaluate and pay claims and also to distribute humanitarian funds), the National Association of Insurance Commissioners (NAIC) Holocaust Task Force and through its own outreach and claimant advocacy and assistance work. The Insurance Commissioner had a seat on ICHEIC and was a strong claimant advocate. ICHEIC was comprised of European insurers, U.S. and European regulators, survivor organizations, and the State of Israel. ICHEIC accepted claims up until December 31, 2003 and closed its operation in March 2007.

At the conclusion of the ICHEIC process, ICHEIC insurers had made offers on claims worldwide totaling \$306.24 million. (Almost \$26 Million of that money went to California claimants). ICHEIC put an additional \$165 million into Humanitarian projects (in home services for survivors worldwide, education on Jewish heritage for citizens of the former Soviet Union, as well as training for European Holocaust educators through a Yad Vashem program). ICHEIC's lifetime budget for administering the project was \$95 million.

The bulk of ICHEIC's papers will be available to the public and researchers on its website ([www.icheic.org](http://www.icheic.org)) and also at the United States Holocaust Memorial Museum ([www.ushmm.org](http://www.ushmm.org)). ICHEIC will retain claims and appeals files until 2082, at which time they will be made available through the USHMM.

The Department's ICHEIC papers will be housed in the California State Archive.

In June 2003, the Holocaust Victims Insurance Relief Act of 1999 (California Insurance Code Section 13800 et. seq.), which would have required insurers to provide the Department with information regarding policies they wrote to persons in Europe between 1920 and 1945, was found unconstitutional by the United States Supreme Court.

In calendar year 2007 the Department spent \$136,656.24 for outside counsel working on the above referenced lawsuit. Even though the Holocaust reporting law was found unconstitutional in 2003, the lawsuit continued as the insurers wanted the Department to reimburse their legal expenses plus an additional \$225 for the Department's contracted actuary regarding miscellaneous remaining issues. The Department anticipates that there will be no expenses for this matter in calendar year 2008.



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## LEGISLATIVE BRANCH

The California Department of Insurance (CDI) is sponsoring legislation this year to promote efficiency and effectiveness in its business operations, to eliminate barriers to put CDI on the cutting edge of Green Government, and to enhance the public's accessibility to consumer-related insurance data. The sponsored measures support key objectives on Commissioner Poizner's 2007 Strategic Plan including for the CDI to operate as paperless as possible, utilize electronic-based media whenever feasible, and increase consumer awareness through its public website.

### Summaries of CDI sponsored bills, as of 4/30/08:

*SB 1279 (Maldonado)* moves the CDI one step closer toward becoming a paperless state entity by eliminating statutory barriers that currently prevent CDI from eliminating wasteful paper. This bill would authorize the Department to maintain records in electronic form and to handle transactions electronically, including accepting electronic signatures on Department records. It also would eliminate the statutory requirements for insurers doing business in California to submit specified documents in paper in triplicate, and for the Department to issue specified informational lists in paper format to all of California's 58 counties. The information lists would be available on the Department's public website, readily accessible to all interested parties.

Paper-driven recordkeeping was a necessary way of doing business at one time. In today's world, it is often archaic. *SB 1279* is environmentally and consumer friendly: It permits the Department to maintain information in an electronic form that is easier to retain and retrieve, requires less storage space and is more accessible to the public. Increasing public accessibility helps consumers to become informed and informed consumers are

less vulnerable to being victims of inappropriate insurance activities.

*AB 2044 (Duvall)* would establish a citation and fine program for minor violations of the Insurance Code. Under current law, CDI has three options for minor breaches: take formal legal action, issue a verbal or written warning, or take no action at all. A cite and fine program would enable the CDI to enforce minor insurance-related infractions more effectively and saves time and money by providing an alternative to pursuing minor violations through the courts.

The bill also would stagger the license renewal process for personal lines agents and brokers to every two years on the anniversary date of the initial issuance of the license. Under current law, the licenses are renewed on December 31st of every odd year, which creates processing burdens on the Department. *AB 2044* makes other minor changes to the Insurance Code including enhancing continued education requirements for specified licensees and unifying California law with the laws of other states.

*AB 3054 (Assembly Committee on Insurance)* is CDI's annual "technical cleanup bill" that makes several changes to the Insurance Code to clarify and update California law to align with current business practices. Of particular note, the bill would broaden automobile insurance coverage of child passenger restraint systems and would allow insurers to maintain accounts with credit unions for community development investment purposes. Promoting community development efforts in California's underserved communities brings economic and social benefits to both the community and California as a whole, which is a win-win.

**2007 ANNUAL REPORT**  
POLICY & REGULATIONS  
BRANCH

## POLICY & REGULATIONS

Using policy research, development, analysis, and implementation, the Policy & Regulations Branch addresses problems faced by the consumer and industry stakeholders, measures industry trends, and helps identify and coordinate Department resources to support the Commissioner's decision-making process. The Policy & Regulations Branch in 2007 included the Statistical Analysis Division, the Policy Research Division, the Policy Initiatives Office, and the Rate Specialist Bureau.

The Statistical Analysis Division (SAD) responds to all data collection and reporting required by the California Insurance Code and the California Code of Regulations. With this data collection, analysis, management, and reporting, the SAD supports and promotes a fair, equitable, and efficiently functioning insurance marketplace.

The Policy Research Division provides statistical research and studies of public policies affecting the Department of Insurance, consumers, and the insurance industry. This original, high-quality research and analysis supports efficient and equitable regulation aimed at facilitating a fair marketplace and affordable products for insurance consumers.

The Policy Initiatives Office (PIO) advances the Commissioner's policy initiatives with targeted research, development, and analysis. The PIO helps the Department's regulations projects navigate the Office of Administrative Law's approval process. The PIO organizes and disseminates information about policy issues with the National Association of Insurance Commissioners and within the CDI.

The Rate Specialist Bureau provides detailed financial and statistical information to the Insurance Commissioner, Executive Staff, and other Branch Managers regarding insurance underwriting, rating, and data collection and analysis issues. Managers use this information to

make sound policy decisions aimed at ensuring fair and equitable rates for insurance products.

### POLICY INITIATIVES OFFICE

The Policy Initiatives Office (PIO) supports the Commissioner's policy ideas and initiatives by performing targeted research, analysis, and development, managing certain communications, and expediting regulations.

Research assignments completed in 2007 included compiling the fifty-state matrix of uninsured motorists laws and penalties, analyzing cases and legislation about subcontractors' liability insurance availability, summarizing academic analyses about catastrophe reinsurance alternatives, researching facts about annuity sales to seniors, and finding reports required of the California Department of Insurance (CDI) by statute or regulation.

The PIO assists the CDI's communications flow by managing the daily interaction with the National Association of Insurance Commissioners (NAIC), including distributing the continuous volume of NAIC information to the appropriate CDI personnel, coordinating CDI's quarterly, National meeting participation, and administering the ongoing communication (meeting synopsis reports, conference notebooks, surveys) between the CDI and the NAIC. The PIO produces the Commissioner's Annual Report. On behalf of the Policy & Regulations Branch (PRB), the PIO communicates with and contributes to the following ongoing department-wide efforts: the monthly budget reconciliation and the mid-year and 3rd quarter projections process, Enterprise Information Project (EIP), and the internet and intranet redesign projects.

The PIO assists CDI regulations navigate the Office of Administrative Law's (OAL) approval process. The PIO offers clerical assistance to the team leads of current rulemaking projects, such as setting up the Pre-Notice Public Discussion

or subsequent hearing and researching factual issues. In 2007, the CDI received approval on or filed with the Secretary of State 15 rulemaking projects. As of December 31, 2007, the CDI listed 42 current rulemaking projects and 19 prospective rulemaking projects. The PIO also compiles the CDI Rulemaking Calendar.

## POLICY RESEARCH DIVISION

The Policy Research Division produces studies of proposed and existing public policies affecting the Department of Insurance, consumers and the insurance industry. The Division conducts long-term insurance policy and statistical research, including specialized economic studies that may guide the Department's regulatory and legislative agenda. These analyses provide the Department with a strong factual foundation that supports the decision-making process.

In 2007, the Policy Research Division's most important activities included:

- Continued technical support for implementation of the RH03029826 regulations, the revised auto rating factor regulations (Title 10, Section 2632.8)
- analytical work for a revised California Private Passenger Auto Frequency and Severity Bands Manual
- technical support for the Department's Title Insurance Statistical Plan pursuant to the RH05049799 Title Insurance regulations
- analysis of flood risk mitigation issues in California
- technical and administrative support for an analysis of alternatives to reinsurance for the California Earthquake Authority
- an updated review of analytical studies of insurance credit scoring
- quantitative analysis of the regulatory change

from 10 claim frequency and claim severity bands to 20 bands for auto insurance.

## RATE SPECIALIST BUREAU (RSB)

The Rate Specialist Bureau (RSB) provides technical advice and support to the Insurance Commissioner, executive staff, and other CDI Branch Managers with regard to underwriting, rating, data collection, statistical analysis, profitability, and rate-of-return issues. In December 2007, RSB rejoined the Rate Regulation Branch from the Policy and Regulations Branch (formerly Policy & Planning Branch). RSB's duties and responsibilities continue to include all lines of insurance. The following is a list of the projects and duties handled in 2007.

- 1 During 2007, RSB worked with the Title Insurance Working Group in dealing with the proposed Title Insurance regulation and revised Statistical Plan issues.
- 2 RSB continued to assist the Prior Approval Working Group with regard to the preparation of key rate components for the prior-approval regulations. In support of the regulation, RSB promulgated supporting data and reports that were used by the CDI and the rate analysts in the review of rate filings for Proposition 103 lines of insurance. Report topics included: Efficiency Standards; Leverage Factors by line; Reserve-to-Earned premiums Ratios; industry Rate-of>Returns; 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.
- 3 RSB compiled: California Market Share Reports for Property & Casualty insurance, for Life & Annuity insurance, for Title insurance, and for Home Warranty; a 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.

- 4 RSB completed various projects in relation to workers' compensation insurance such as preparing market share reports and historical premium, loss and dividend comparisons, and compiling the Workers' Compensation Insurance Rate Comparison for CDI's website.
- 5 RSB promulgated the Proposition 103 Administration Fees for property & casualty companies, and the workers' compensation filing fee charges for the Accounting Division.
- 6 RSB collected, compiled, and analyzed data as required by various sections of the California Insurance Code (i.e. child care liability, medical & legal professional liability). RSB also continued to collect the loss and experience data of credit property and credit unemployment insurance pursuant to (CIC §779.36, amended by Statute 199, Chapter 413, Section 1). The due date for the Child Care Report is May 1; the due date for the Legal and Medical Professional Liability Reports and the Credit reports is July 1. Consequently, the Legal/Medical Liability results included in this report are for 2006.
- 7 RSB 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. An updated "California Earthquake Zoning and Probable Maximum Loss Evaluation Program" report for 2002-2006 will be released in 2008. RSB also collected and compiled the annual Earthquake Premium & Policy Count data call.
- 8 RSB continued to review Insurance Services Office (ISO) and National Association of Independent Insurers (NAII) submitted Fast Track data, and promulgated private passenger

automobile and homeowners' insurance trend factors. RSB also compiled the commercial line fast track historical data, and was involved in other rate component determination research.

- 9 RSB acted as liaison to the California FAIR Plan Association. RSB's staff participated in the California FAIR Plan's rating and underwriting appeals proceedings and 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 §12963:

*Public Entity Liability Insurance*

**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 on the following page.

**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 classes of insurance in 2007.

Per CIC §674.5 & §674.5:

**Prior Withdrawal & Cease-Writing Notices  
Received by the Insurance Commissioner During 2007**

NAIC #	Company Name	Group Name	Request Date	Effective Date	Proposed Action by Company
10829	Quadrant Indemnity Company	Chubb & Son, Inc.	10/2/06	1/2/07	Transfer of business from Quadrant to Chubb National Ins. Co., affiliated company in the Chubb Group. (note: this is not a withdrawal action)
11126	Sompo Japan Ins. Company of America	Sompo Japan Insurance Group	10/19/06	3/1/07	Intend to withdraw wholly from the personal homeowners and umbrella lines of business.
22322	Greenwich Ins. Company	XL America	3/22/07		Block non-renewal of Commercial Inland Marine line of business. Greenwich intends to reduce annual premium in commercial inland marine.
12831	State National Ins. Company	State National Group	7/18/07		Withdrawal of their Personal Homeowners program.
44300	Tower Ins. Company of New York	Tower Group of Companies	7/18/07		Withdrawal from Homeowners Multi-Peril line of business.
20486	Transcontinental Ins. Company	CNA Insurance Group	8/31/07	12/31/07	Transcontinental Ins Co to be merged with and into National Fire Ins Co of Hartford (NAIC # 20478)
21415	Employers Mutual Cas. Company	EMC Insurance Cos.	10/17/07	4/15/08	Withdrawal from the personal lines business. The lines to be withdrawn are: Fire, Marine, Automobile, Liability.
21407	EMCASCO Ins. Company	EMC Insurance Cos.	10/17/07	4/15/08	Withdrawal from the personal lines business. The lines to be withdrawn are: Fire, Marine, Automobile, Liability.
35769	Lyndon Property Ins. Company	Protective Life Insurance Group	11/16/07		Withdrawal from the Single Premium Credit Involuntary Unemployment Insurance for Military Program.
39306	Fidelity & Deposit Company of Maryland	Zurich Insurance Group	11/28/07		Nonrenewal of Certain Commercial Property and Casualty Policies
34347	Colonial American Casualty & Surety Co.	Zurich Insurance Group	11/28/07		Nonrenewal of Certain Commercial Property and Casualty Policies

## CIC §1864: Child Care Liability Insurance

Section 1864 was added to the Insurance Code as of January 1, 1986. This section requires 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. A call for the prescribed statistics is sent to all insurers licensed to transact liability insurance in California, and the reports are categorized by licensed Family Day Care (FDC) Homes and licensed Child Care (CC) Centers. FDC Home business is further broken into Small FDC Homes (licensed for 1 to 6 children) and Large FDC Homes (licensed for 7 to 12 children). The following is aggregate summary of the data submitted for calendar years 2005 and 2006.

For calendar year 2006, 24 California licensed property-casualty companies/groups submitted

data under CIC §1864 requirements. Of the 24 insurers, 19 insurers submitted data for FDC Homes insured either on a separate liability policy or as an endorsement to the homeowners' policy. Seventeen (17) insurers submitted data for licensed CC Centers.

### Policy Writing Activity: Family Day Care Homes (FDC Homes)

Of the 19 companies/groups reporting data for FDC Homes in 2006, 7 insurers had direct written premium exceeding \$100,000. These 7 insurers provided coverage for 12,741 FDC Home providers, approximately 92.8% of all the FDC business insured.

Of these 19 insurers: 7 carriers insured from 0 to 10 providers each; 4 carriers insured between 11 and 100 providers each; 3 carriers insured between 101 to 450 providers; and 5 carriers insured over 450 providers each.

#### Insurers Reporting Data For Family Day Care Homes (Part 1):

Range: Insured Count	# of Companies Writing		# of FDC Homes (Providers) Insured			
	2005	2006	2005	% of Total	2006	% of Total
From 0–10 providers	5	7	14	0.10%	21	0.15%
From 11–100 providers	4	4	163	1.11%	177	1.29%
From 100–450 providers	0	3	0	0.00%	1,071	7.80%
Over 450 providers	7	5	14,529	98.80%	12,456	90.75%
<b>Total</b>	<b>16</b>	<b>19</b>	<b>14,706</b>	<b>100.00%</b>	<b>13,725</b>	<b>100.00%</b>

#### Insurers Reporting Data For Family Day Care Homes (Part 2):

Calendar Year	# of Companies Writing		# of FDC Homes (Providers) Insured			
	2005	2006	2005		2006	
Small FDC Homes (1-6 children)	15	15	10,734	72.99%	9,880	71.99%
Large FDC Homes (7-12 children)	7	10	3,972	27.01%	3,845	28.01%
<b>Total Insurers Providing Coverage</b>	<b>16</b>	<b>19</b>	<b>14,706</b>	<b>100.00%</b>	<b>13,725</b>	<b>100.00%</b>

Of the 19 insurers that wrote child care liability insurance for FDC Homes in 2006, 15 insurers wrote coverage for Small FDC Homes (licensed for 1 to 6 children) and 10 wrote coverage for Large FDC Homes (licensed for 7 to 12 children). Of the 15 Small FDC Home insurers, 4 insurers had direct written premium exceeding \$100,000. They insured approximately 90.5% of all Small FDC Homes. Of the 10 Large FDC Home insurers, 4 insurers had direct written premium exceeding \$100,000. They insured about 98.1% of all Large FDC Homes.

### Policy Writing Activity: Child Care Centers (CC Centers)

Of the 17 companies/groups which submitted data for licensed Child Care Centers in 2006, 9 insurers had direct written premium exceeding \$100,000. These 9 carriers insured approximately 90.6% of the CC Center business.

Of the 17 insurers submitting data: 3 carriers insured from 0 to 10 CC Centers each; 4 carriers insured between 11 and 50 CC Centers; 1 carrier insured between 51 and 200 CC Centers; and 9 insurers wrote more than 200 CC Centers in 2006.

### Insurers' Activity in 2006

From the information provided for calendar year 2006, there was an increase in the overall total of child care providers insured, even though the number of carriers reporting data decreased slightly from that in the previous year. The number of FDC Homes insured increased, while the number of CC Centers insured decreased. The majority of the coverage being written in California is still being provided by a handful of insurers, particularly with regards to FDC Homes. The following exhibits were developed from the data provided by the insurers.

#### Insurers Reporting Data for Child Care Centers:

Range: Insured Count	# of Companies Writing		# of FDC Homes (Providers) Insured			
	2005	2006	2005	% of Total	2006	% of Total
From 0-10	5	3	15	0.44%	4	0.11%
From 11-50	3	4	87	2.58%	81	2.29%
From 51-200	2	1	115	3.41%	185	5.23%
From 201+ providers	9	9	3,154	93.56%	3,264	92.36%
<b>Total</b>	<b>19</b>	<b>17</b>	<b>3,371</b>	<b>100.00%</b>	<b>3,534</b>	<b>100.00%</b>

#### Exhibit I: Comparison of Insurers' Participation in the Child Care Liability Insurance Market

Calendar Year	Family Day Care Homes		Child Care Centers	
	2005	2006	2005	2006
# of Insurers Reporting Data	16	19	19	17
# of Policies In-Force at Beginning of Year	13,622	16,584	2,993	2,969
# of Policies In-Force at End of Year	16,906	19,887	3,904	3,572
Change in # Policies In-Force at End of Year	24.11%	19.92%	30.44%	20.31%
# Insurers w/ No Policies In-Force at End of Year	1	0	1	1

**Exhibit II: Breakdown of Form and Coverage Types Written During 2005 and 2006**

FAMILY DAY CARE HOMES (Licensed for 1-6 children or 7-12 children)

16 insurers reported data for 2005 / 19 insurers reported data for calendar year 2006

Form Type	# of Companies Writing	
	2005	2006
Occurrence Policy	15	18
Claims-Made Policy	1	1
Both Occurrence & Claims-Made Policy	0	0
Not Specified	0	0
<b>Coverage / Limits</b>		
100/300 limit, OL&T	0	1
300 CSL, OL&T	0	0
Endorsement to Homeowners Policy	7	8
From 100K/100K to 500K/500K	1	0
Up to \$1 Mil+ CSL	6	5
Various Limits (from 100 CSL to 500 CSL)	0	0
1Mil / All Other	1	4
Various - Not Specified	1	1

CHILD CARE CENTERS (Licensed for 13+ children)

19 insurers reported data for 2005 / 17 insurers reported data for calendar year 2006

Form Type	# of Companies Writing	
	2005	2006
Occurrence Policy	17	15
Claims-Made Policy	1	1
Both Occurrence & Claims-Made Policy	1	1
<b>Coverage / Limits</b>		
100/300 limit, OL&T	0	1
300 CSL, OL&T	2	1
Various Limits (below \$1 Mil)	1	1
Various Limits (up to & above \$1 Mil+ CSL)	8	6
Various (\$1M/\$1M; \$1M/All Other; higher limits)	6	6
Various - Not Specified	2	2


**Exhibit III: Insurers Reporting Child Care Data for Calendar Years 2005 vs. 2006**

Insurers Reporting	2005		2006		Notes	Policy Type
	FDCH	CCC	FDCH	CCC		
Allstate Insurance Group	X	—	X	—		OC
American Alternative Insurance Corp	—	X	—	—		
Armed Forces Insurance Exchange	X	—	X	—		OC
California Casualty Insurance Cos.	X	—	X	—		OC
Church Mutual Insurance Co.	X	X	X	X		OC
Farmers Insurance Group	X	—	X	—		OC
Firemans Fund Insurance Cos.	—	X	—	—		
Grange Insurance Group	X	—	X	—		OC
Great American Insurance Group	—	X	—	X		OC
Great Divide Insurance Co.	—	X	X	X		OC
GuideOne Insurance Group	X	X	X	X		OC
Markel Insurance Co.	X	X	X	X		OC
Mitsui Sumitomo Ins. Co. of America	—	X	—	X		OC
Mitsui Sumitomo Insurance USA Inc.	—	X	—	X		OC
Pacific Property & Casualty Co.	X	—	X	—		OC
Penn-America Ins. Co.	X	X	X	X		OC
Philadelphia Indemnity Insurance	X	X	X	X		OC
Riverport Insurance Co. of CA	—	X	X	X		OC
SAFECO Insurance Group	X	X	X	X		CL
State Farm Insurance Cos.	X	X	X	X		OC
St. Paul Travelers Group	—	X	X	X		OC
Stonington Insurance Co.	X	X	X	X		OC
TIG Insurance Group	—	X	—	X		OC
TOPA Insurance Company	X	X	X	X		OC
Unigard Insurance Group	X	—	X	—		OC
Zurich American Ins. Group	—	X	—	X		OC
<b># of Insurers Submitting Data</b>	<b>16</b>	<b>19</b>	<b>19</b>	<b>17</b>		
<b>Total # of Insurers Submitting Data</b>	<b>26</b>		<b>24</b>			

**FDCH:** Family Day Care Homes

**CCC:** Child Care Centers

**Exhibit IV: California Child Care Providers Liability Insurance Report (CIC Sec. 1864)**  
**Licensed Family Day Care Homes & Child Care Centers**

	Family Day Care Homes Lic. for 1-6 / 7-12 Children		Child Care Centers Lic. 13 + Children		Combined Data FDCH & CCC	
	2005	2006	2005	2006	2005	2006
# Insurers Reporting Data	16	19	19	17	26	24
1) Premiums Earned	\$3,564,608	\$4,118,910	\$5,270,726	\$6,229,777	\$8,835,334	\$10,348,687
2) Premiums Written	\$3,841,463	\$4,510,058	\$5,621,568	\$5,756,661	\$9,463,031	\$10,266,719
<b>Number of Claims:</b>						
3) Outstanding at Beginning of Year	59	90	96	154	155	244
4) New - During Reporting Period	131	92	160	173	291	265
5) Closed During Reporting Period	112	121	175	254	287	375
6) Outstanding at End of Year	78	61	81	73	159	134
7) Total Losses Incurred	\$1,599,438	\$1,712,158	\$1,039,522	\$2,802,071	\$2,638,960	\$4,514,229
8) Loss Ratio (7)/(1)	44.87%	41.57%	19.72%	44.98%	29.87%	43.62%
9) Loss Adjustment Expenses (LAE)	\$201,793	\$622,365	\$517,568	\$555,655	\$719,361	\$1,178,020
10) Total Losses Incurred + LAE	\$1,801,231	\$2,334,523	\$1,557,090	\$3,357,726	\$3,358,321	\$5,692,249
11) Loss & LAE Ratio (10)/(1)	50.53%	56.68%	29.54%	53.90%	38.01%	55.00%
<b>Number of Policies:</b>						
12) In-Force at Beginning of Year	13,622	16,584	2,993	2,969	16,615	19,553
13) Written During the Year	9,028	8,922	1,464	1,106	10,492	10,028
14) Cancelled During the Year	1,168	1,342	434	304	1,602	1,646
15) NonRenewed During the Year	4,576	4,277	119	199	4,695	4,476
16) In-Force at End of Year	16,906	19,887	3,904	3,572	20,810	23,459
17) Allocation of Expenses:						
a. Commissions	\$646,968	\$781,623	\$769,414	\$963,622	\$1,416,382	\$1,745,245
b. Other Acquisition Costs	\$149,987	\$219,372	\$253,664	\$370,434	\$403,650	\$589,806
c. General Expenses	\$157,634	\$194,066	\$218,260	\$262,639	\$375,894	\$456,705
d. Taxes, Licenses, Fees	\$94,751	\$109,442	\$142,767	\$152,024	\$237,518	\$261,466
18) Total Underwriting Expenses	\$1,049,340	\$1,304,503	\$1,384,105	\$1,748,719	\$2,433,445	\$3,053,222
Total Expense Ratio [(18)/(1)]	29.44%	31.67%	26.26%	28.07%	27.54%	29.50%
19) Combined Loss & Expense Ratio	79.97%	88.35%	55.80%	81.97%	65.55%	84.51%
20) Net Underwriting Gain or (Loss) [(1)-(10)-(18)]	\$714,037	\$479,884	\$2,329,531	\$1,123,332	\$3,043,568	\$1,603,216
21) Allocated Investment Incm/ (Loss)	\$231,121	\$281,800	\$320,997	\$390,355	\$552,117	\$672,155
22) Net Income/(Loss) after Invstment [(20)+(21)]	\$945,158	\$761,684	\$2,650,528	\$1,513,687	\$3,595,686	\$2,275,371

**FDCH:** Family Day Care Homes    **CCC:** Child Care Centers

## Exhibit V: California Child Care Providers Liability Insurance Report (CIC Sec. 1864) Data Reported for Licensed Family Day Care Homes

	Small FDC Homes Lic. for 1–6 Children		Large FDC Homes Lic. for 7–12 Children	
	2005	2006	2005	2006
# of Insurers Reporting FDC Info.	15	15	7	10
1) Premiums Earned	\$1,736,347	\$1,830,354	\$1,828,261	\$2,288,556
2) Premiums Written	\$1,795,889	\$1,848,116	\$2,045,574	\$2,661,942
<b>Number of Claims:</b>				
3) Outstanding at Beginning of Year	30	43	29	47
4) New - During Reporting Period	62	38	69	54
5) Closed During Reporting Period	49	53	63	68
6) Outstanding at End of Year	43	28	35	33
7) Total Losses Incurred	\$946,753	\$378,454	\$652,685	\$1,333,704
8) Loss Ratio (7)/(1)	54.53%	20.68%	35.70%	58.28%
9) Loss Adjustment Expenses (LAE)	\$112,512	\$283,203	\$89,281	\$339,162
10) Total Losses Incurred + LAE	\$1,059,265	\$661,657	\$741,966	\$1,672,866
11) Loss & LAE Ratio (10)/(1)	61.01%	36.15%	40.58%	73.10%
<b>Number of Policies:</b>				
12) In-Force at Beginning of Year	9,961	10,998	3,661	5,586
13) Written During the Year	5,790	5,473	3,238	3,449
14) Cancelled During the Year	857	687	311	655
15) NonRenewed During the Year	3,771	3,315	805	962
16) In-Force at End of Year	11,123	12,469	5,783	7,418
17) Allocation of Expenses:				
a. Commissions	\$280,380	\$310,067	\$366,588	\$471,556
b. Other Acquisition Costs	\$94,278	\$115,202	\$55,709	\$104,170
c. General Expenses	\$75,742	\$84,498	\$81,892	\$109,567
d. Taxes, Licenses, Fees	\$44,651	\$47,284	\$50,101	\$62,158
18) Total Underwriting Expenses	\$495,051	\$557,051	\$554,289	\$747,451
Total Expense Ratio [(18)/(1)]	28.51%	30.43%	30.32%	32.66%
19) Combined Loss & Expense Ratio	89.52%	66.58%	70.90%	105.76%
20) Net Underwriting Gain or (Loss) [(1)-(10)-(18)]	\$182,031	\$611,646	\$532,006	(\$131,761)
21) Allocated Investment Income/(Loss)	\$115,939	\$130,553	\$115,181	\$151,247
22) Net Income/(Loss) after Invstment [(20)+(21)]	\$297,971	\$742,199	\$647,187	\$19,486

### Average Written Premium Per Policy

The rates that an insurer charges for a child care liability insurance policy or a homeowners' endorsement are not required to be filed under this section of the Insurance Code. Subsequently, we are able to calculate only a rough estimate of the average written premium (AWP) per policy written based on the information submitted.

Exhibit VI summarizes the AWP for a FDC Home (Small and Large) policy and for a CC Center policy, based on available data from 2000 to 2006. The AWP's were calculated after removing the direct written premium for insurers that could not provide a policy written count.

### CIC §11555.2: Malpractice Insurance – Dental, Medical, and Legal

#### CIC §12963: Public Entity Liability Insurance

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. Likewise, under CIC §12963, each insurer transacting insurance covering liability for any public entity shall report specified data to the commissioner by type of

#### Exhibit VI: Estimated Average Written Premium—Family Day Care Homes & Child Care Centers

	Small FDC Homes	Large FDC Homes	Combined FDC Homes	Child Care Centers
2000 *	\$212.11	\$490.75	\$298.47	\$2,775.13
2001 *	\$227.75	\$764.92	\$242.08	\$2,093.76
2002	\$319.16	\$1,054.67	\$521.95	\$3,036.13
2003	\$318.57	\$1,034.42	\$554.94	\$4,297.50
2004	\$323.29	\$1,025.98	\$585.15	\$5,624.15
2005	\$310.17	\$631.74	\$425.51	\$3,839.75
2006	\$187.06	\$692.31	\$328.60	\$1,628.94

\* Missing 1 insurer's data in 2001 - possibly 2000 also.

#### Note for Child Care Centers:

2000: AWP was calculated based on data from 26 of 27 insurers with DWP of \$4,104,022 and policies written of 1,479.  
 2001: AWP was calculated based on data from 24 of 25 insurers with DWP of \$4,380,155 and policies written of 2,092.  
 2002: AWP was calculated based on data from 19 of 20 insurers with DWP of \$5,319,299 and policies written of 1,752.  
 2003: AWP was calculated based on data from 16 of 18 insurers with DWP of \$6,270,046 and policies written of 1,459.  
 2004: AWP was calculated based on data from 16 of 20 insurers with DWP of \$5,494,796 and policies written of 977.  
 2005: AWP was calculated based on data from 18 of 19 insurers with DWP of \$5,621,390 and policies written of 1,464.  
 2006: AWP was calculated based on data from 17 of 17 insurers with DWP of \$5,756,661 and policies written of 3,534.

claim, upon request of the commissioner. For 2006 and 2007, data calls were issued for California Legal and Medical Professional Liability Insurance. A data call was “not” requested for Public Entity Liability Insurance.

### California Legal Professional Liability Insurance Report – 2006

In October 2001, the Department resumed collecting the California Legal Professional Liability Insurance Report. CIC §11555.2 requires each insurer transacting insurance covering liability for malpractice of any person licensed under the

State Bar Act (Chapter 4 [commencing with Section 6000] of Division 3 of the Business and Professions Code) to file this report. The amounts reported reflect only direct business written in California and are filed on a group basis. Since the due date for the 2007 reports is July 1, 2008, at the time this Commissioner’s Report was prepared, the 2007 data was not yet submitted. The 2007 summary will be available in next year’s report. For 2006, 20 companies/groups reported data under this section. Sixteen (16) insurers reported writing claims-made policies, 3 wrote occurrence policies, and 1 wrote both.

Group / Company Name	Written Premium	Earned Premium	Incurred Loss	Loss Ratio
2006: 20 Insurers Reporting	\$182,277,632	\$180,421,093	\$94,721,074	52.50%
2005: 19 Insurers Reporting	\$167,213,948	\$167,069,401	\$70,158,058	41.99%

The following exhibit shows the top 10 legal professional liability insurers that reported data for calendar year 2006.

### California Legal Professional Liability Insurance: Top 10 Writers—2006

Group / Company Name	Market Share	Written Premium	Earned Premium	Incurred Losses	Loss Ratio
1) Lawyers’ Mutual I C	28.35%	\$51,670,000	\$52,990,000	\$14,230,000	26.85%
2) CNA Insurance Grp	18.97%	\$34,571,956	\$30,980,916	\$22,809,044	73.62%
3) Greenwich Ins Co.	10.91%	\$19,885,431	\$17,610,130	\$5,617,944	31.90%
4) Carolina Casualty I C	10.40%	\$18,955,042	\$21,399,252	\$14,458,660	67.57%
5) Chubb Group	9.32%	\$16,990,742	\$15,050,417	\$10,510,653	69.84%
6) Zurich-U.S. Ins. Grp	8.58%	\$15,645,153	\$16,243,283	\$12,629,306	77.75%
7) Great American Grp	5.59%	\$10,191,522	\$10,497,987	\$10,772,844	102.62%
8) Hartford Group (The)	2.95%	\$5,373,625	\$6,242,840	\$1,062,369	17.02%
9) State National I C, Inc.	2.56%	\$4,672,997	\$3,755,549	\$177,995	4.74%
10) Liberty Mutual Grp	1.34%	\$2,445,472	\$1,266,543	\$77,094	6.09%
<b>Top 10 Insurers</b>	<b>98.97%</b>	<b>\$180,401,940</b>	<b>\$176,036,917</b>	<b>\$92,345,909</b>	<b>52.46%</b>
<b>Grand Total</b>	<b>100.00%</b>	<b>\$182,277,632</b>	<b>\$180,421,093</b>	<b>\$94,721,074</b>	<b>52.50%</b>

## 2006 Legal Professional Liability Report: Summary of Premiums &amp; Expenses

	[1] Total # of Lawyers Written during 2006	[2] Direct Premiums Written	[3] Direct Premiums Earned	[4] Direct Losses Incurred	Loss Ratio [4] \ [3]	[5] Defense & Cost Containment Exp Incurred	[6] Incurred Losses & DCCE Ratio [4 + 5] / [3]
2006	56,441	\$182,285,632	\$180,421,093	\$94,721,074	52.50%	\$48,241,128	79.24%
2005	52,507	\$177,064,590	\$179,466,020	\$71,126,454	39.63%	\$39,611,785	61.70%
2004	55,735	\$175,463,130	\$170,833,092	\$87,989,145	51.51%	\$37,052,407	73.20%

	[7] Adjusting and Other Expenses Incurred	[8] Commissions & Brokerage Expns Incurred	[9] Taxes, Licenses & Fees Incurred	[10] Othr Acqstns, Field Supervsn, Collctn Exps Inc	[11] General Expenses Incurred	[12] Total Underwriting Expenses [7+8+9+10+11]	[13] Combined Loss + Expenses Ratio [4 + 5 + 12] / [3]
2006	\$8,046,387	\$15,836,156	\$3,108,037	\$3,110,605	\$9,631,943	\$39,733,128	101.26%
2005	\$7,776,521	\$18,465,111	\$3,353,389	\$4,850,765	\$16,922,694	\$51,368,479	90.33%
2004	\$13,155,030	\$22,340,613	\$4,062,741	\$3,155,632	\$11,416,536	\$54,130,550	104.88%

Note [1]: # of lawyers – Not Available from 1 insurer

## Summary of: Claims Closed in 2006 – Direct Payments

Indemnity Claim Size Interval	[A] Number of Claims	[B] Total Indemnity Paid for Claims in Interval	[C] Total DCCE Paid for Claims in Interval
\$ 0 *	661	\$0	\$0
\$ 0 *	293	\$0	\$8,506,581
\$ 1–9,999	38	\$170,326	\$500,952
\$ 10,000–49,999	117	\$2,844,345	\$3,091,941
\$ 50,000–99,999	66	\$4,463,140	\$1,985,061
\$ 100,000–249,999	64	\$10,059,632	\$2,496,318
\$ 250,000–499,999	35	\$11,910,356	\$2,051,312
\$ 500,000–749,999	10	\$5,960,950	\$1,097,562
\$ 750,000–999,999	5	\$4,241,368	\$1,096,329
\$ 1,000,000 and over	8	\$13,185,951	\$512,877
<b>Total</b>	<b>1,297</b>	<b>\$52,836,068</b>	<b>\$21,338,933</b>

\* The claims closed in 2006, without indemnity payment, should be broken down in two categories: Claims with Defense & Cost Containment Expenses Paid and Claims without Defense and Cost Containment Expenses Paid.

## Claims Closed With Payment to the Claimant During 2006

Occurrence Year	[1] # of Claims	[2] Total Monetary Amount Paid	[3] Average Claim Payment [2] / [1]	[4] Defense & Cost Contnmt Exp Paid	[5] Loss + DCCE Paid [2] + [4]	[6] Average Loss & DCCE Paid [5] / [1]
Pre 1998	10	\$1,617,299	\$161,730	\$633,578	\$2,250,877	\$225,088
1998	3	\$1,378,900	\$459,633	\$316,095	\$1,694,995	\$564,998
1999	6	\$453,485	\$75,581	\$235,736	\$689,221	\$114,870
2000	15	\$3,277,268	\$218,485	\$980,221	\$4,257,489	\$283,833
2001	27	\$6,756,742	\$250,250	\$1,425,860	\$8,182,602	\$303,059
2002	44	\$6,502,690	\$147,788	\$2,908,500	\$9,411,190	\$213,891
2003	78	\$9,150,701	\$117,317	\$1,925,871	\$11,076,572	\$142,007
2004	102	\$14,118,177	\$138,414	\$1,950,399	\$16,068,576	\$157,535
2005	167	\$9,649,502	\$57,781	\$3,116,062	\$12,765,563	\$76,440
2006	58	\$1,075,726	\$18,547	\$40,238	\$1,115,964	\$19,241
<b>Total</b>	<b>510</b>	<b>\$53,980,490</b>	<b>\$105,844</b>	<b>\$13,532,559</b>	<b>\$67,513,049</b>	<b>\$132,379</b>

Occurrence Year	[7] # of Claims	[8] Defense & Cost Contnmt Exp Paid	[9] Average DCCE Paid [8] / [7]	[10] Avg Claim Payments: ALL Claims {[5]+[8]}/{[1]+[7]}
Pre 1998	29	\$852,509	\$29,397	\$79,574
1998	4	\$3,543	\$886	\$242,648
1999	14	\$859,234	\$61,374	\$77,423
2000	15	\$504,912	\$33,661	\$158,747
2001	26	\$725,717	\$27,912	\$168,081
2002	58	\$938,686	\$16,184	\$101,469
2003	77	\$1,484,411	\$19,278	\$81,039
2004	119	\$1,840,528	\$15,467	\$81,037
2005	275	\$1,101,986	\$4,007	\$31,375
2006	155	\$131,232	\$847	\$5,855
<b>Total</b>	<b>772</b>	<b>\$8,442,757</b>	<b>\$10,936</b>	<b>\$59,248</b>

**Note:** Defense & Cost Containment Expenses (DCCE) were formerly known as Allocated Loss Adjustment Expenses (ALAE).

### Claims Closed Without Payment to the Claimant During 2006 (continued)

Occurrence Year	Claims Rptd for First Time & Reopened Clms		Claims Outstanding as of 12/31/2006				Monetary Amount Paid On Claims During 2006	
	[3] # of Claims Rptd for 1st Time During 2006	[4] # of Claims Re-Opened During 2006	[5] # of Claims Outstndg	[6] Dir Amt Resrvd for Loss on Rprtd Claims (Case)	[7] Dir Amt Resrvd for DCCE on Rprtd Claims (Case)	[8] Amount of IBNR Rsrv for Loss & DCCE *	[9] Monetary Amount Paid on Claims	[10] Defense & Cost Contnmt Expenses Paid
Pre 1998	21	-	41	\$1,937,052	\$2,077,874	\$355,546	\$2,066,669	\$1,600,626
1998	6	-	19	\$911,860	\$1,073,093	\$1,092,674	\$644,173	\$30,565
1999	8	2	32	\$1,706,965	\$1,602,323	\$1,304,651	\$2,394,293	\$2,362,138
2000	3	3	37	\$1,115,570	\$744,020	\$1,919,571	\$3,625,359	\$1,925,066
2001	17	7	73	\$5,837,675	\$3,406,686	\$6,411,902	\$8,225,094	\$2,152,802
2002	26	16	105	\$8,504,545	\$4,319,439	\$7,876,813	\$5,125,687	\$4,631,854
2003	46	9	139	\$6,141,476	\$4,849,604	\$8,090,573	\$8,870,846	\$3,270,113
2004	90	18	271	\$26,245,446	\$9,723,891	\$33,714,279	\$16,771,035	\$7,147,614
2005	247	25	423	\$24,972,572	\$10,031,155	\$54,877,313	\$12,073,017	\$8,893,101
2006	735	2	555	\$13,246,175	\$11,166,885	\$70,462,683	\$1,521,541	\$1,943,699
<b>Total</b>	<b>1,199</b>	<b>82</b>	<b>1,695</b>	<b>\$90,619,336</b>	<b>\$48,994,970</b>	<b>\$251,407,004</b>	<b>\$61,317,714</b>	<b>\$33,957,578</b>

\* Include Bulk Reserve for Adverse Development on Case Reserves

### California Medical Professional Liability Insurance Report: 2006

In June 2003, the Department resumed collecting the California Medical Professional Liability Insurance Report. CIC §11555.2 requires each insurer transacting insurance covering liability for malpractice of any person licensed under the Dental Practice Act (Chapter 4 [commencing with Section 1600] of Division 2 of the Business and Professions Code) or under the Medical Practice Act (Chapter 5 [commencing with Section 2000] of Division 2 of the Business and Professions Code) to file this report. The amounts reported reflect only business written in California and are filed on a group basis. All amounts reported are direct liability with no deduction for reinsurance.

A separate report is required for the following designated type of health care providers as defined in Supplement A to Schedule T of the Annual Statement:

- Physicians - including Surgeons and Osteopaths;
- Hospitals;
- Other Health Care Professionals - including Dentists; and
- Other Health Care Facilities.

Since the deadline for the 2007 reports is July 1, 2008, at the time this Commissioner's Report was prepared, the 2007 data was still being submitted. The 2007 summary will be available in next year's report.

**California Medical Professional Liability Insurance: Report Year 2006****Summary of Premiums And Expenses**

All Types of Health Care Providers Combined—45 Companies/Groups Reporting Data

	2004	2005	2006
# of Providers/ Beds Insured*	212,557	213,626	266,392
Direct Premiums Written	\$713,093,574	\$715,426,778	\$721,590,544
Direct Premiums Earned	\$710,993,562	\$709,051,520	\$699,878,493
Direct Losses Incurred	\$250,295,879	\$244,619,746	\$212,874,493
LOSS RATIO	35.20%	34.50%	30.42%
Defns & Cost Contnmt Exp Inc'd	\$207,411,590	\$213,448,698	\$191,296,722
INC LOSS + DCCE RATIO	64.38%	64.60%	57.75%
Adjusting & Other Exp Incurred	\$53,580,751	\$74,339,403	\$60,527,750
Commsns & Brokrq Exp Inc'd	\$37,860,604	\$39,332,573	\$42,045,952
Taxes, Licenses & Fees Inc'd	\$19,043,883	\$17,817,567	\$17,710,776
Othr Acq, Fld Supvsn Exp Inc'd	\$26,303,459	\$19,808,430	\$22,093,839
General Expenses Incrd	\$44,973,307	\$56,405,169	\$57,692,089
Underwriting Expense	\$181,762,004	\$207,703,141	\$200,070,406
<b>COMBINED RATIO = (Loss+Exps)/EP</b>	<b>89.94%</b>	<b>93.90%</b>	<b>86.34%</b>

\* Not all insurers were able to provide "# of beds / providers insured"

**Physicians**

	2004	2005	2006
# of Insurers Reporting Data	23	26	27
# Insurers Rptng w/ DWP > \$0	19	18	21
# of Providers/ Beds Insured *	38,511 *2	40,896 *1	41,920 *2
Direct Premiums Written	\$565,153,038	\$578,842,973	\$574,561,827
Direct Premiums Earned	\$549,985,752	\$568,556,362	\$557,884,449
Direct Losses Incurred	\$231,404,450	\$188,300,530	\$162,409,493
LOSS RATIO	42.07%	33.12%	29.11%
Defns & Cost Contnmt Exp Inc'd	\$168,932,410	\$160,891,065	\$160,619,686
INC LOSS + DCCE RATIO	72.79%	61.42%	57.90%
Adjusting & Other Exp Incurred	\$43,801,911	\$51,280,950	\$59,497,988
Commsns & Brokrq Exp Inc'd	\$20,596,059	\$22,522,072	\$24,034,957
Taxes, Licenses & Fees Inc'd	\$15,187,151	\$14,174,743	\$13,809,546
Othr Acq, Fld Supvsn Exp Inc'd	\$20,107,932	\$15,665,600	\$15,551,109
General Expenses Incrd	\$40,626,973	\$44,266,677	\$45,047,887
Underwriting Expense	\$140,320,026	\$147,910,042	\$157,941,486
<b>COMBINED RATIO = (Loss+Exps)/EP</b>	<b>98.30%</b>	<b>87.43%</b>	<b>86.21%</b>

\* Missing # of beds/providers from this amount of insurers.

## Other Health Care Professionals

	2004	2005	2006
# of Insurers Reporting Data	21	19	19
# Insurers Rptg w/ DWP > \$0	19	17	16
# of Providers/ Beds Insured *	162,361 *4	164,151 *1	172,903 *2
Direct Premiums Written	\$97,959,888	\$96,337,173	\$101,330,573
Direct Premiums Earned	\$96,020,682	\$95,556,028	\$99,135,980
Direct Losses Incurred	\$18,540,441	\$30,340,052	\$23,350,699
<b>LOSS RATIO</b>	<b>19.31%</b>	<b>31.75%</b>	<b>23.55%</b>
Defns & Cost Contnmt Exp Inc'd	\$22,727,471	\$25,091,003	\$20,289,996
<b>INC LOSS + DCCE RATIO</b>	<b>42.98%</b>	<b>58.01%</b>	<b>44.02%</b>
Adjusting & Other Exp Incurred	\$4,952,002	\$9,095,692	\$8,482,530
Commsns & Brokrg Exp Inc'd	\$13,757,814	\$13,240,649	\$14,357,395
Taxes, Licenses & Fees Inc'd	\$2,415,253	\$2,618,210	\$2,797,256
Othr Acq, Fld Supvsn Exp Inc'd	\$2,661,504	\$2,492,943	\$4,604,601
General Expenses Incrd	\$10,057,495	\$9,239,750	\$9,154,408
Underwriting Expense	\$33,844,068	\$36,687,244	\$39,396,190
<b>COMBINED RATIO = (Loss+Exps)/EP</b>	<b>78.22%</b>	<b>96.40%</b>	<b>83.76%</b>

\* Missing # of beds/providers from this amount of insurers.

## Hospitals

	2004	2005	2006
# of Insurers Reporting Data	16	16	16
# Insurers Rptg w/ DWP > \$0	8	9	6
# of Providers/ Beds Insured *	2,698 *2	340 *3	148 *2
Direct Premiums Written	\$34,347,337	\$26,938,233	\$27,892,975
Direct Premiums Earned	\$45,570,768	\$29,461,840	\$27,059,268
Direct Losses Incurred	(\$227,886)	\$24,919,108	\$19,983,817
<b>LOSS RATIO</b>	<b>-0.50%</b>	<b>84.58%</b>	<b>73.85%</b>
Defns & Cost Contnmt Exp Inc'd	\$15,369,435	\$25,441,527	\$4,596,422
<b>INC LOSS + DCCE RATIO</b>	<b>33.23%</b>	<b>170.94%</b>	<b>90.84%</b>
Adjusting & Other Exp Incurred	\$3,895,660	\$13,175,313	(\$8,011,653)
Commsns & Brokrg Exp Inc'd	\$2,477,549	\$2,299,871	\$2,676,656
Taxes, Licenses & Fees Inc'd	\$973,740	\$714,673	\$618,142
Othr Acq, Fld Supvsn Exp Inc'd	\$2,183,546	\$758,775	\$534,780
General Expenses Incrd	(\$6,547,491)	\$1,737,746	\$1,734,257
Underwriting Expense	\$2,983,004	\$18,686,378	(\$2,447,818)
<b>COMBINED RATIO = (Loss+Exps)/EP</b>	<b>39.77%</b>	<b>234.36%</b>	<b>81.79%</b>

\* Missing # of beds/providers from this amount of insurers.

**Other Health Care Facilities**

	<b>2004</b>	<b>2005</b>	<b>2006</b>
# of Insurers Reporting Data	16	17	18
# Insurers Rptg w/ DWP > \$0	11	9	11
# of Providers/ Beds Insured *	8,987 *2	8,239 *1	51,421 *2
Direct Premiums Written	\$15,633,311	\$13,308,399	\$17,805,169
Direct Premiums Earned	\$19,416,360	\$15,477,291	\$15,798,797
Direct Losses Incurred	\$578,874	\$1,060,055	\$7,130,484
<b>LOSS RATIO</b>	<b>2.98%</b>	<b>6.85%</b>	<b>45.13%</b>
Defns & Cost Contnmt Exp Inc'd	\$382,274	\$2,025,102	\$5,790,618
<b>INC LOSS + DCCE RATIO</b>	<b>4.95%</b>	<b>19.93%</b>	<b>81.79%</b>
Adjusting & Other Exp Incurred	\$931,177	\$787,447	\$558,885
Commsns & Brokrg Exp Inc'd	\$1,029,181	\$1,269,981	\$976,944
Taxes, Licenses & Fees Inc'd	\$467,739	\$309,941	\$485,833
Othr Acq, Fld Supvsn Exp Inc'd	\$1,350,478	\$891,113	\$1,403,349
General Expenses Incrd	\$836,331	\$1,160,996	\$1,755,537
Underwriting Expense	\$4,614,906	\$4,419,477	\$5,180,548
<b>COMBINED RATIO = (Loss+Exps)/EP</b>	<b>28.72%</b>	<b>48.49%</b>	<b>114.58%</b>

\* Missing # of beds/providers from this amount of insurers.

The following exhibits show the total premiums and losses as reported by the insurers in their Annual Statements to the NAIC database under Line 11 – Medical Malpractice. For 2007, 92 California licensed companies had reported data under this line, although of this amount, only 36 companies

had written premium greater than \$0. Of these 36 companies, 15 had direct written premium greater than \$5,000,000. The top 10 insurers for 2007 wrote approximately 92% of all California medical malpractice business written by admitted insurers.

### California Medical Malpractice Liability Insurance (source: NAIC Database, as of 03/25/08)

	Direct Premiums Written	Direct Premiums Earned	Direct Losses Incurred	Loss Ratio	Dir Defns & Cost Containment Exps Incurred	DLI+DCC Incrd Ratio
2007 36 Companies w/ DWP > \$0	\$639,699,856	\$641,288,249	\$192,509,258	30.02%	\$151,468,319	53.64%
2007 Total Reporting: 92 Companies	\$639,563,252	\$641,259,093	\$182,127,921	28.40%	\$151,499,812	52.03%
2006 38 Companies w/ DWP > \$0	\$664,637,166	\$648,877,456	\$199,268,300	30.71%	\$175,711,965	57.79%
2006 Total Reporting: 97 Companies	\$664,630,504	\$649,301,799	\$192,999,174	29.72%	\$176,616,688	56.93%

### Top 10 Medical Professional Liability Writers in California: Year 2007 Source: NAIC Database (as of 3/25/08)

Company Name	Direct Premiums Written	Market Share	Direct Premiums Earned	Direct Losses Incurred	Loss Ratio	Dir Defense & Cost Containment Exps Incurred	DLI+DCCE Incrd Ratio
1 Norcal Mutual Ins Co	\$172,895,826	27.03%	\$171,121,113	\$48,586,220	28.39%	\$59,711,410	63.29%
2 Doctors Co an Interins Exchg	\$151,884,220	23.74%	\$143,192,938	\$44,512,622	31.09%	\$20,255,444	45.23%
3 SCPIE Ind Co	\$94,462,935	14.77%	\$97,088,453	\$31,971,468	32.93%	\$16,237,800	49.65%
4 Medical Ins Exchg of CA	\$38,196,755	5.97%	\$35,560,607	(\$1,069,020)	-3.01%	\$7,336,857	17.63%
5 American Healthcare Ind Co	\$30,471,588	4.76%	\$29,996,476	\$3,627,698	12.09%	\$4,698,243	27.76%
6 Medical Protective Co	\$27,357,021	4.28%	\$27,460,288	\$13,502,719	49.17%	\$4,530,539	65.67%
7 Dentists Ins Co	\$27,086,986	4.23%	\$26,490,371	\$7,806,818	29.47%	\$7,774,036	58.82%
8 American Ins Co	\$19,441,500	3.04%	\$19,085,487	\$12,542,587	65.72%	\$9,278,863	114.34%
9 American Cas Co of Reading PA	\$14,776,843	2.31%	\$14,268,405	\$5,318,802	37.28%	\$4,382,622	67.99%
10 Health Providers Ins Recip RRG	\$14,721,955	2.30%	\$14,633,638	\$14,041,654	95.95%	\$3,868,028	122.39%
<b>Top 10 Med Mal Writers</b>	<b>\$591,295,629</b>	<b>92.43%</b>	<b>\$578,897,776</b>	<b>\$180,841,568</b>	<b>31.24%</b>	<b>\$138,073,842</b>	<b>55.09%</b>

## Top 10 Medical Professional Liability Writers in California: Year 2006

Source: NAIC Database (as of 4/18/07)

Company Name	Direct Premiums Written	Market Share	Direct Premiums Earned	Direct Losses Incurred	Loss Ratio	Dir Defense & Cost Containment Exps Incurred	DLI+DCCE Incrd Ratio
1 Norcal Mutual Ins. Co.	\$187,490,871	28.21%	\$171,167,392	\$43,096,050	25.18%	\$66,545,004	64.05%
2 Doctors Co. an Interins Exchange	\$151,233,161	22.75%	\$149,783,157	\$43,279,255	28.89%	\$28,087,022	47.65%
3 SCPIE Indemnity Co.	\$98,594,980	14.83%	\$98,688,909	\$28,252,859	28.63%	\$24,048,231	53.00%
4 Medical Ins. Exchnq of CA	\$37,808,325	5.69%	\$38,202,926	\$19,156,495	50.14%	\$11,505,326	80.26%
5 American Healthcare Ind. Co.	\$31,144,824	4.69%	\$31,018,460	\$8,127,285	26.20%	\$8,040,990	52.12%
6 Medical Protective Co.	\$28,419,834	4.28%	\$28,352,139	\$14,383,812	50.73%	\$10,831,292	88.94%
7 Dentists Insurance Co.	\$25,923,558	3.90%	\$25,576,893	\$4,361,769	17.05%	\$4,731,626	35.55%
8 Professional Undrwtrs Liab. Ins. Co.	\$20,085,353	3.02%	\$23,051,463	\$2,247,313	9.75%	\$1,005,921	14.11%
9 American Insurance Co.	\$18,309,646	2.75%	\$16,840,462	\$5,120,125	30.40%	\$3,803,273	52.99%
10 American Cas Co. of Reading PA	\$13,337,091	2.01%	\$12,587,315	\$3,652,380	29.02%	\$2,220,145	46.65%
<b>Top 10 Med Mal Writers</b>	<b>\$612,347,643</b>	<b>92.13%</b>	<b>\$595,269,116</b>	<b>\$171,677,343</b>	<b>28.84%</b>	<b>\$160,818,830</b>	<b>55.86%</b>

## Distribution by Size of Payment For Claims Closed During 2006 All Health Care Providers Combined

Claim Payment Size Interval	Number of Claims	Total Amount Paid for Claims In Interval	Total DCCE Paid for Claims In Interval
\$ 0 w/ DCCE (1)	5,537	\$0	\$101,999,229
\$ 0 w/out DCCE (1) 2,254	\$0	\$0	\$8,506,581
\$ 1 - 9,999	420	\$1,474,337	\$2,657,151
\$ 10,000 - 49,999	360	\$26,891,423	\$14,465,078
\$ 50,000 - 99,999	287	\$13,323,678	\$14,348,312
\$ 100,000 - 249,999	247	\$35,974,930	\$14,735,152
\$ 250,000 - 499,999	114	\$35,874,802	\$9,728,419
\$ 500,000 - 749,999	45	\$13,255,606	\$2,502,168
\$ 750,000 - 999,999	24	\$17,544,000	\$4,029,629
\$ 1,000,000 and over	66	\$99,628,777	\$40,133,051
<b>Total</b>	<b>9,354</b>	<b>\$243,967,552</b>	<b>\$204,598,188</b>

(1) The claims closed during 2006, without indemnity payment, should be broken down in two categories: Claims with Defense and Cost Containment Expenses Paid and "Claims without Defense and Cost Containment Expenses Paid."

### Distribution by Size of Payment For Claims Closed During 2006 Physicians

Claim Payment Size Interval	Number of Claims	Total Amount Paid for Claims In Interval	Total DCCE Paid for Claims In Interval
\$ 0 w/ DCCE (1)	4,764	\$0	\$88,355,376
\$ 0 w/out DCCE (1)	1,648	\$0	\$0
\$ 1 - 9,999	67	\$303,596	\$1,081,425
\$ 10,000 - 49,999	200	\$21,921,863	\$10,883,295
\$ 50,000 - 99,999	203	\$7,922,515	\$10,238,068
\$ 100,000 - 249,999	180	\$26,128,464	\$11,186,937
\$ 250,000 - 499,999	94	\$30,380,961	\$8,103,935
\$ 500,000 - 749,999	42	\$11,567,273	\$2,188,345
\$ 750,000 - 999,999	24	\$17,544,000	\$4,029,629
\$ 1,000,000 and over	57	\$73,059,088	\$7,414,653
<b>Total</b>	<b>7,279</b>	<b>\$188,827,759</b>	<b>\$143,481,663</b>

### Other Health Care Professionals

Claim Payment Size Interval	Number of Claims	Total Amount Paid for Claims In Interval	Total DCCE Paid for Claims In Interval
\$ 0 w/ DCCE (1)	633	\$0	\$9,768,741
\$ 0 w/out DCCE (1)	475	\$0	\$0
\$ 1 - 9,999	274	\$1,095,763	\$1,485,973
\$ 10,000 - 49,999	146	\$3,466,612	\$2,852,780
\$ 50,000 - 99,999	67	\$4,720,022	\$2,980,104
\$ 100,000 - 249,999	51	\$7,505,706	\$2,638,604
\$ 250,000 - 499,999	13	\$4,369,041	\$1,085,961
\$ 500,000 - 749,999	1	\$500,000	\$13,309
\$ 750,000 - 999,999	0	\$0	\$0
\$ 1,000,000 and over	1	\$1,000,000	\$64,231
<b>Total</b>	<b>1,661</b>	<b>\$22,657,144</b>	<b>\$20,889,703</b>

(1) The claims closed during 2006, without indemnity payment, should be broken down in two categories: Claims with Defense and Cost Containment Expenses Paid and "Claims without Defense and Cost Containment Expenses Paid."

**Hospitals**

<b>Claim Payment Size Interval</b>	<b>Number of Claims</b>	<b>Total Amount Paid for Claims In Interval</b>	<b>Total DCCE Paid for Claims In Interval</b>
\$ 0 w/ DCCE (1)	81	\$0	\$2,702,641
\$ 0 w/out DCCE (1)	86	\$0	\$0
\$ 1 - 9,999	76	\$66,979	\$71,617
\$ 10,000 - 49,999	6	\$1,292,298	\$473,805
\$ 50,000 - 99,999	12	\$372,591	\$969,702
\$ 100,000 - 249,999	8	\$1,131,687	\$513,115
\$ 250,000 - 499,999	5	\$624,800	\$219,851
\$ 500,000 - 749,999	1	\$558,333	\$188,240
\$ 750,000 - 999,999	0	\$0	\$0
\$ 1,000,000 and over	6	\$23,569,689	\$31,543,632
<b>Total</b>	<b>281</b>	<b>\$27,616,377</b>	<b>\$36,682,603</b>

**Other Health Care Facilities**

<b>Claim Payment Size Interval</b>	<b>Number of Claims</b>	<b>Total Amount Paid for Claims In Interval</b>	<b>Total DCCE Paid for Claims In Interval</b>
\$ 0 w/ DCCE (1)	59	\$0	\$1,172,471
\$ 0 w/out DCCE (1) 45	\$0	\$0	\$0
\$ 1 - 9,999	3	\$7,999	\$18,136
\$ 10,000 - 49,999	8	\$210,650	\$255,198
\$ 50,000 - 99,999	5	\$308,550	\$160,439
\$ 100,000 - 249,999	8	\$1,209,073	\$396,496
\$ 250,000 - 499,999	2	\$500,000	\$318,671
\$ 500,000 - 749,999	1	\$630,000	\$112,273
\$ 750,000 - 999,999	0	\$0	\$0
\$ 1,000,000 and over	2	\$2,000,000	\$1,110,535
<b>Total</b>	<b>133</b>	<b>\$4,866,272</b>	<b>\$3,544,219</b>

(1) The claims closed during 2006, without indemnity payment, should be broken down in two categories: Claims with Defense and Cost Containment Expenses Paid and "Claims without Defense and Cost Containment Expenses Paid."

### 2006 Claims Data: All Health Care Providers Combined Claims Closed With Payment to the Claimant During 2006

Occurrence Year	[1] # of Claims	[2] Total Monetary Amount Paid	[3] Average Claim Payment [2] / [1]	[4] Defense & Cost Contnmt Exp Paid	[5] Loss + DCCE Paid [2] + [4]	[6] Average Loss & DCCE Paid [5] / [1]
Pre 1998	35	\$22,522,152	\$643,490	\$33,975,969	\$56,498,121	\$1,614,232
1998	15	\$5,696,342	\$379,756	\$1,254,416	\$6,950,758	\$463,384
1999	29	\$9,531,557	\$328,674	\$5,693,033	\$15,224,590	\$524,986
2000	62	\$21,550,365	\$347,587	\$5,933,652	\$27,484,017	\$443,291
2001	99	\$23,105,013	\$233,384	\$8,103,678	\$31,208,691	\$315,239
2002	180	\$43,891,617	\$243,842	\$13,695,336	\$57,586,954	\$319,928
2003	376	\$65,440,490	\$174,044	\$20,838,868	\$86,279,358	\$229,466
2004	415	\$38,812,192	\$93,523	\$10,671,240	\$49,483,432	\$119,237
2005	243	\$12,962,501	\$53,344	\$2,538,923	\$15,501,425	\$63,792
2006	110	\$455,320	\$4,139	\$41,798	\$497,118	\$4,519
<b>Total</b>	<b>1,564</b>	<b>\$243,967,551</b>	<b>\$155,989</b>	<b>\$102,746,914</b>	<b>\$346,714,464</b>	<b>\$221,684</b>

### 2006 Claims Data: All Health Care Providers Combined Claims Closed w/out Payment to the Claimant During 2006

Occurrence Year	[7] # of Claims	[8] Defense & Cost Contnmt Exp Paid	[9] Average DCCE Paid [8] / [7]	[10] Avg Claim Payments: ALL Claims $\{[5]+[8]\}/\{[1]+[7]\}$
Pre 1998	500	\$4,685,072	\$9,370	\$114,361
1998	99	\$1,014,451	\$10,247	\$69,870
1999	132	\$4,012,914	\$30,401	\$119,488
2000	208	\$7,382,143	\$35,491	\$129,134
2001	341	\$11,134,878	\$32,654	\$96,235
2002	654	\$17,947,872	\$27,443	\$90,569
2003	1,444	\$28,712,034	\$19,884	\$63,182
2004	2,265	\$21,609,366	\$9,541	\$26,527
2005	1,803	\$4,382,129	\$2,430	\$9,718
2006	344	\$970,417	\$2,821	\$3,232
<b>Total</b>	<b>7,790</b>	<b>\$101,851,275</b>	<b>\$13,075</b>	<b>\$47,954</b>

(1) The claims closed during 2006, without indemnity payment, should be broken down in two categories: Claims with Defense & Cost Containment Expenses Paid and "Claims without Defense & Cost Containment Expenses Paid."

## 2006 Claims Data: All Health Care Providers Combined

Occurrence Year	Claims Rptd for FirstTime & Reopened Claims in 2006		Claims Outstanding as of 12/31/2006				Monetary Amount Paid On Claims During 2006	
	[3] # of Claims Rptd for 1st Time During 2006	[4] # of Claims Re-Opened During 2006	[5] # of Claims Outstndg	[6] Dir Amt Resrvd for Loss on Rptd Claims (Case)	[7] Dir Amt Resrvd for DCCE on Rptd Claims (Case)	[8] Amount of IBNR Rsrv for Loss & DCCE *	[9] Monetary Amount Paid on Claims	[10] Defense & Cost Contnmt Expenses Paid
Pre 1998	72	22	483	\$14,701,440	\$8,055,494	\$7,050,629	\$16,392,369	\$8,076,853
1998	31	7	96	\$10,465,045	\$2,113,086	\$4,640,962	\$5,718,471	\$2,031,371
1999	43	13	110	\$7,746,619	\$1,941,333	\$7,994,956	\$8,832,670	\$3,531,698
2000	100	30	255	\$15,350,642	\$4,702,668	\$15,377,893	\$20,516,543	\$5,674,796
2001	139	33	330	\$27,722,231	\$4,300,909	\$23,226,282	\$23,785,271	\$10,705,389
2002	224	67	506	\$31,740,210	\$5,972,415	\$36,075,216	\$25,650,890	\$18,963,779
2003	549	96	970	\$64,986,452	\$11,831,562	\$79,043,616	\$49,434,675	\$39,760,038
2004	1,422	172	2,096	\$126,509,971	\$27,081,469	\$145,624,299	\$54,642,695	\$55,491,310
2005	3,620	131	3,269	\$110,412,779	\$22,321,786	\$213,450,473	\$21,264,890	\$26,782,187
2006	1,763	15	1,427	\$18,778,036	\$7,829,833	\$158,419,204	\$1,500,912	\$3,613,098
<b>Total</b>	<b>7,963</b>	<b>586</b>	<b>9,542</b>	<b>\$428,413,425</b>	<b>\$96,150,557</b>	<b>\$690,903,530</b>	<b>\$227,739,385</b>	<b>\$174,630,519</b>

\* Include Bulk Reserve for Adverse Development on Case Reserves.

## 2006 Claims Data: By Type of Health Care Provider Claims Closed With Payment to the Claimant During 2006

	[1] # of Claims	[2] Total Monetary Amount Paid	[3] Average Claim Payment [2] / [1]	[4] Defense & Cost Contnmt Exp Paid	[5] Loss + DCCE Paid [2] + [4]	[6] Average Loss & DCCE Paid [5] / [1]
Physicians	868	\$188,827,758	\$217,544	\$55,274,241	\$244,101,999	\$281,224
Other Prof	553	\$22,657,143	\$40,971	\$11,120,963	\$33,778,106	\$61,082
Hospitals	114	\$27,616,377	\$242,249	\$33,979,962	\$61,596,339	\$540,319
Other Fac	29	\$4,866,272	\$167,802	\$2,371,748	\$7,238,020	\$249,587
<b>Total</b>	<b>1,564</b>	<b>\$243,967,551</b>	<b>\$155,989</b>	<b>\$102,746,914</b>	<b>\$346,714,464</b>	<b>\$221,684</b>

### 2006 Claims Data: By Type of Health Care Provider Claims Closed w/out Payment to the Claimant During 2006

	[7] # of Claims	[8] Defense & Cost Contnmt Exp Paid	[9] Average DCCE Paid [8] / [7]	[10] Avg Claim Payments: ALL Claims {[5]+[8]}/{[1]+[7]}
Physicians	6,411	\$88,207,423	\$13,759	\$45,653
Other Prof	1,108	\$9,768,740	\$8,817	\$26,217
Hospitals	167	\$2,702,641	\$16,183	\$228,822
Other Fac	104	\$1,172,471	\$11,274	\$63,237
<b>Total</b>	<b>7,790</b>	<b>\$101,851,275</b>	<b>\$13,075</b>	<b>\$47,954</b>

### 2006 Claims Data: By Type of Health Care Provider

	Claims Rptd for FirstTime & Reopened Claims in 2006		Claims Outstanding as of 12/31/2006			Monetary Amount Paid On Claims During 2006		
	[3] # of Claims Rprtd for 1st Time During 2006	[4] # of Claims Re-Opened During 2006	[5] # of Claims Outstndg	[6] Dir Amt Resrvd for Loss on Rprtd Claims (Case)	[7] Dir Amt Resrvd for DCCE on Rprtd Claims (Case)	[8] Amount of IBNR Rsrv for Loss & DCCE *	[9] Monetary Amount Paid on Claims	[10] Defense & Cost Contnmt Expenses Paid
Physicians	6,231	396	7,643	\$359,758,376	\$81,036,735	\$569,007,190	\$173,861,928	\$133,066,256
Other Prof	1,440	173	1,551	\$37,965,661	\$6,884,497	\$60,203,065	\$21,800,239	\$23,766,059
Hospitals	206	13	195	\$25,641,409	\$5,324,818	\$42,083,250	\$21,616,369	\$13,398,406
Other Fac	86	4	153	\$5,047,979	\$2,904,506	\$19,610,025	\$10,460,850	\$4,399,798
<b>Total</b>	<b>7,963</b>	<b>586</b>	<b>9,542</b>	<b>\$428,413,425</b>	<b>\$96,150,557</b>	<b>\$690,903,530</b>	<b>\$227,739,385</b>	<b>\$174,630,519</b>

\* Include Bulk Reserve for Adverse Development on Case Reserves.

1: Defense and Cost Containment Expenses (DCCE) were formerly known as Allocated Loss Adjustment Expenses (ALAE).

2: Adjusting and Other Expenses (AOE) were formerly known as Unallocated Loss Adjustment Expenses (ULAE).

3: LAE = DCCE + AOE (formerly LAE = ALAE + ULAE).

## STATISTICAL ANALYSIS DIVISION

The Statistical Analysis Division (SAD) is based in Los Angeles and is responsible for responding to all data collection & 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 the Department support a healthy insurance marketplace and provide California's consumers with information to help them make important insurance decisions.

The SAD maintains databases on a variety of insurance lines. On an annual basis, SAD conducts in-depth analysis on thousands 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 - Actuarial Division, Consumer Services, Financial Analysis, Fraud, Legal, Licensing, Press Office and Rate Regulation. In addition to CDI internal units, SAD's data and reports are used by the public, consumer groups, industry, the Legislature, the media, university students, teachers, and the Department's management team and employees.

### 1) During 2007, The SAD Performed Extensive Analysis Of:

- + 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.
- + Insurance policies for the Slavery Era Insurance Policy Registry, as required by California Insurance Codes sections 13810-13813.
- + In collaboration with COIN, Community Development Investments in low to moderate income California communities pursuant to AB925 and as required by California Insurance Code Section 926.2.
- + Workers Compensation Claims Adjusters, Medical-Only Claims Adjusters and Medical Bill Reviewers under California Insurance Code Section 11761 & California Code of Regulations Title 10, Chapter 5, Sections 2592 – 2592.08.
- + Workers Compensation Policyholder Appeal public contact data by company under California Code of Regulations Title 10, Chapter 5, Sections 2509.43.
- + Annual Long-Term Care Insurance Consumer Rate & 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), 10235.9.
- + Medicare Supplement Insurance Consumer Rate Guide, in accordance with California Insurance Code Section 10192.20.
- + Commissioner's Report of Underserved Communities, in accordance with California Code of Regulations 2646.6.
- + Automobile Body Repair Inspection Data Call, as required by California Insurance Code Sections 1874.85 & 1874.86.
- + Accident & Health Covered Lives Data Call conducted under the Insurance Commissioner's general examination authority.

- California Seismic Assessment Project, as required by California Insurance Code 12975.9.
- Long-Term Care Facilities Data Call, as required by California Insurance Code Section 674.9 (b).
- Health Assessment Table & Report Development, in accordance with California Insurance Code Section 1872.85.
- Health Assessment Table & Report Development, in accordance with CCR 2218.62 (AB1996).
- Long-Term Care Insurance Agents Data Call (Semi-annual), 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 16014(b).

The SAD conducted several management-requested data collections during the year which supported long term insurance data trend analysis. In addition, SAD provided Private Passenger Automobile and Personal Property information to the National Association of Insurance Commissioners (NAIC) for their annual report.

## 2) Special Projects Requested by Executive Staff/Commissioner:

In addition to annual data calls, the 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.

- Workers Compensation Claims Adjuster, Medical-Only Claims Adjuster and Medical Bill Reviewer Data Call – At the request of CDI Executive Staff, Legal Division and Producer Licensing Bureau, SAD collected total counts

of Workers Compensation Claims Adjusters, Medical-Only Claims Adjusters and Medical Bill Reviewers by company. Data was collected for experienced and non-experienced categories for 2006 and 2007 reporting years.

- 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.
- Angora and Southern CA Fires – Provided the Commissioner, Press Office, Consumer Services, and Financial Analysis Division with reports showing loss data resulting from the firestorms that affected CA in 2007.

## 3) Research Consultation/Database Development:

At various times throughout the year, the SAD provides technical assistance in developing databases or assistance in conducting analyses of data for CDI internal branches as well as other state agencies. The following is a list of the SAD’s research consultation/database development activities during 2007:

- 1998 – 2006 Long Term Care Insurance Experience data – Responded to a request for data from the California Dept of Health Services (Partnership for LTC Division).
- Field Claims Bureau (FCB) Case Workload By Line of Business Analysis – Responded to a request from FCB Bureau Chief to help in their analysis of annual caseload by line of business. SAD helped with technical questions regarding sampling and data collection methodology
- Automobile Rating Factors – Continued to provide data from our private passenger automobile liability data base to CDI Policy Research Division, working with outside

consultants to conduct a study for the development of new automobile rating factors to comply with Prop 103.

- † Low Cost Auto –Continued to provide data from our private passenger automobile liability database to CDI Rate Regulation Actuaries for research and development of rates for the California Low Cost Auto Program in newly approved counties.
- † Fraud Vehicle Assessment – Provide CDI Accounting staff with private passenger automobile exposure database for audit purposes in regards to the Fraud Vehicle Assessment payments from insurers (California Insurance Code 1872.8).
- † Project & Special Event Tracking System for Consumer Education & Outreach Bureau (CEOB) – Developed a database to help track special events and staff resource usage for CEOB's annual workload.

- † John Hancock Insurance Companies
- † Los Angeles Times
- † New York Times
- † Southern Illinois University, School of Law
- † Senate Office of Research
- † Insurance Services Office (ISO)
- † California Earthquake Authority (CEA)
- † California Automobile Assigned Risk Plan (CAARP)
- † Commission on Health and Safety and Workers' Compensation
- † University of California Los Angeles
- † Red Cross
- † Other State Insurance Agencies
- † Insurance Industry
- † Consumer Groups

#### 4) Request for Data/Consumer Inquiries Received From CDI Consumer Hotline:

At various times throughout the year, the SAD is requested to provide data by the public and handles inquiries received by the CDI's Consumer Hotline. With respect to data requests, the SAD fields requests for data from a wide spectrum of the public – from individual consumers, to other state and federal agencies, to university students and professors. The following is a list of some of the many public agencies, consumer groups and other entities that have requested data or assistance from SAD:

- † Association of California Life & Health Insurance Companies
- † California Health Benefits Review Program
- † California Partnership for Long-Term Care
- † Insurance Committee – California Legislature



**2007 ANNUAL REPORT**  
RATE REGULATION  
BRANCH

## RATE REGULATION BRANCH

The Rate Regulation Branch (RRB) analyzes filings 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. The passage of Proposition 103 in 1988 required the RRB to begin reviewing rates for most property and casualty lines of business before property and casualty companies could use them. This process, mandated by the California Insurance Code (CIC) Section 1861.05, requires the 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.

### 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 filings from over seven hundred fifty (750) property and casualty companies licensed in the state. The Intake Unit in the San Francisco office is responsible for processing all filing applications except for Workers' Compensation and Title companies and providing copies of all filings to the Public Viewing Rooms maintained in San Francisco and Los Angeles for public access.

In conjunction with the National Association of Insurance Commissioners (NAIC), Rate Regulation 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. The electronic aspects of this project will help increase the efficiency and facilitate communication between the Rate Filing Bureaus and insurers. The percentage of filings received via SERFF continues to increase each year. During 2007, the percentage of total filings received through SERFF increased to fifty one percent (51%).

In addition to prior approval filing applications, the Rate Filing Bureaus are responsible for the review of other required filings as follows:

*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 Plans). Class Plans provide the Department with the rating methodology each company will develop or adopt in order to comply with the provisions of Proposition 103 that mandates the use of certain specific rating factors.

*Advisory Organizations*—California Insurance Code Section 1855.5 requires that all policy or bond forms intended for use 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 2007, five ninety seven (594) 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 2007, one hundred thirty seven (137) title insurance rate filings were reviewed.

**Types of Filings Received During 2007**

Private Passenger Automobile . . . . .	485
Homeowners . . . . .	206
Other Personal Lines Products . . . . .	488
Title . . . . .	137
Workers' Compensation . . . . .	594
Medical Malpractice . . . . .	110
Other Commercial Lines Products . . . . .	4523
Total . . . . .	6543

