CALIFORNIA DEPARTMENT OF INSURANCE

2016

Annual Report of the Commissioner

Insurance Protection for All Californians

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STATE OF CALIFORNIA
Dave Jones, *Insurance Commissioner*

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August 1, 2017

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

Dear Governor Brown:

I am pleased to provide you with the *2016 Annual Report of the Insurance Commissioner* as required by California Insurance Code ("CIC") section 12922. The report describes in detail the work of the California Department of Insurance (CDI). The department's core function, as the regulator of the sixth largest insurance economy in the world with insurers collecting more than $289 billion in premium annually in California, is protecting consumers and the integrity, health and vitality of the insurance marketplace. The mission of CDI is "Insurance protection for all Californians." We succeed in our efforts by enforcing insurance laws and regulations, assisting consumers in their dealings with insurers, and using innovation to improve services for insurance producers and consumers.

My administration has made considerable progress on an ambitious consumer protection agenda. As of publication, the following are highlights of what the department has accomplished since I took office on January 3, 2011:

Health Insurance Reform

- Worked with federal and other state agencies to implement the Affordable Care Act (ACA) in California.
- Issued regulations to implement and enforce the federal ACA, including individual and small group market reforms, prohibitions on denying consumers insurance policies based on a pre-existing condition, and strengthening the department's Independent Medical Review (IMR) program.
- The department also issued regulations resulting in increased consumer access to prescription drugs, mental health and substance abuse disorder benefits, treatment for gender dysphoria for transgender Californians, and treatment for pervasive autism disorder (including behavioral treatment).
- The department issued provider network adequacy regulations to address systemic problems consumers experienced accessing providers. Among other items, the

regulations added protection such as appointment waiting time standards to existing time and distance standards and improved specificity of network requirements for mental health and substance use disorders.

- Reviewed and submitted comments on numerous major federal ACA regulations. The department's comments assisted the federal government in issuing final regulations for the implementation of the ACA reflecting California's strong consumer protection interest and experience.
- Assisted Covered California in establishing California's Health Benefit Exchange.
- Managed over $2.1 million in federal grant money to expand health insurance rate review to evaluate whether filed rates are unreasonable. Awarded an additional $589,500 to further the department's rate review and price transparency work. CDI provided $225,000 in the form of grants to consumer organizations to increase public participation in the rate review process.
- Awarded $1.84 million in grant funding from the Centers for Medicare and Medicaid Services to strengthen California's enforcement efforts and consumer protections related to non-discrimination standards, coverage of preventive services, medical loss ratio compliance, and mental health parity.
- Implemented the Online Medical Price and Quality Transparency Project using federal grants of approximately $5.2 million awarded to the department over the last three years. In partnership with UC San Francisco and Consumer Reports, the department developed California Health Care Compare – where consumers can look up information about cost and quality and see a range of estimated costs for their region for more than 100 different medical procedures.
- Secured federal funding to enhance consumer assistance pertaining to the ACA. The department used these funds, in part, to enhance our consumer call center and redesign our website so that information is more easily accessed using mobile devices. This allows consumers greater ease in accessing information about the ACA.
- Saved consumers $84 million by issuing and enforcing Medical Loss Ratio regulations that require insurers to spend more of their collected premiums on actual medical care rather than administrative expenses.
- Reviewed 3,796 insurance policy forms for compliance with new requirements, benefits, and consumer protections.
- Required health insurers to provide treatment for autism, including behavioral treatment.
- Analyzed and held extensive public hearings regarding three separate mergers of health insurers. The Department had direct approval jurisdiction over the Health Net/Centene merger which the Department approved on the condition that Centene comply with stringent requirements so that the combined entity will be a stronger and continuing competitor in the California commercial market.
- The Department also analyzed and held hearings in the other two proposed mergers, Humana-Aetna and Anthem-Cigna. In both cases, the Department found that the proposed merger would significantly increase market concentration and would present immediate competitive concerns. While the Department did not have direct authority to reject these mergers, the Department's findings of law and fact were presented to the U.S. Department of Justice (DOJ) and the Commissioner urged the United States Attorney General to block the merger. Both mergers were blocked by courts, consistent with the Department's findings.

Premium Savings

- Reviewed 381 health insurance rate filings in the individual and small group health

insurance markets and obtained reductions in proposed rates, resulting in over $344 million in premium savings for individuals and small businesses. The department, however, continues to lack the authority to reject excessive rate hikes and health insurers continue to implement excessive and unreasonable rate increases.

- Processed over 47,536 property and casualty insurance rate filings under Proposition 103 during our first 78 months. The department reduced the overall amount of requested rate increases by $1.249 billion and obtained over $1.493 billion in rate reductions, totaling over $2.742 billion in savings to California consumers and businesses. This total includes approximately $1.059 billion in rate reductions for personal auto coverage and $747 million in rate reductions for personal homeowners' coverage.
- Lowered medical malpractice insurance rates saving doctors, dentists and other medical providers $61 million annually in premiums.
- Assisted financially distressed homeowners by requiring insurers who sell "forced placed homeowner insurance" to reduce their rates for a total of $64 million annually in premium savings.
- Approved a rate decrease of 12.5 percent for California Earthquake Authority (CEA) policyholders. Also approved changes to the CEA residential insurance policies to provide consumers with more coverage options.
- Ordered State Farm to lower its homeowners rates by 6.9%, saving consumers millions of dollars and defeated State Farm's effort in court to forestall the rate reductions.

Insurance Fraud

- The department administered five distinct local assistance grant programs which award funds to district attorneys for the investigation and prosecution of insurance fraud and insurance related crimes. During fiscal year 16/17, we reviewed application requests and awarded grants totaling approximately $64.1 million in funding to district attorneys. These programs resulted in 4,711 arrests and 11,534 convictions from fiscal year 11/12 through 15/16.
- In 2016, the Enforcement Branch continued to fight the underground economy by joining forces with allied agencies such as the Contractors State License Board, the Employment Development Department, the Department of Industrial Relations and the Franchise Tax Board. We continue to be an active participant with the Joint Enforcement Strike Force (JESF). An example of an underground economy case is as follows:
    - CDI participated in a multi-agency investigation of buffet restaurants that included the Department of Industrial Relations, the Employment Development Department, and the Contra Costa District Attorney's Office. The initial investigation looked into the operations of 10 Bay Area restaurants finding instances in which employees were not paid at all, while others were given only $200 a month or $1.15 an hour for a 72-hour work week. Further investigation revealed insurance premium fraud and conspiracy to violate minimum-wage, payroll tax, and sales tax laws. The owners of the businesses were prosecuted and sentenced to three years and four months in jail and ordered to pay $4.5 million in unpaid minimum wage and overtime to their workers and another $1.5 million in unpaid taxes. This case was prosecuted by the Contra Costa District Attorney's Office.
- In the department's battle against medical provider fraud, CDI successfully led an investigation of fraudulent medical billing with assistance from the Orange County District Attorney's Office Bureau of Investigation, the Federal Bureau of Investigation (FBI), and the National Insurance Crime Bureau. The defendants were charged for their part in the scheme of billing for unnecessary creams, tests and treatments. More than 13,000 patients and at least 27 insurance carriers were victims. Approximately $23.2 million was

paid out to the defendants out of a total of $40 million billed to insurers. This investigation led to the filing of charges against more than two dozen doctors, pharmacists and business owners and is being prosecuted by the Orange County District Attorney's Office.

- Another complex healthcare fraud investigation conducted by CDI resulted in the arrest of two defendants, the owners of a drug and alcohol recovery center, for allegedly conspiring to defraud patients and insurers out of more than $176 million dollars. According to investigators, the defendants are accused of luring vulnerable people addicted to drugs and alcohol to their recovery center with a variety of treatment marketing schemes. The defendants would then allegedly steal patient identities and buy health insurance policies for them without their knowledge. After completing treatment, insurance companies would allegedly continue to be billed for treatment services. If convicted on all counts, the defendants face more than 35 years in prison. This case is being prosecuted by the Los Angeles County District Attorney's Office.
- The department investigated and worked with district attorneys to secure convictions for insurance fraud against seniors. An example is as follows:
    - Steven Edward Branstetter was investigated by CDI and arrested on an elaborate $2.25 million bogus insurance and annuity scam. After clients were unable to cash their annuities, CDI's Investigation Division discovered that Branstetter issued fraudulent annuity contracts and life and disability insurance policies for the purpose of keeping the premiums for his personal use. Branstetter pled to two counts of theft of an elder in violation of Penal Code section 368 (d) and admitted to the white collar crime allegation in violation of Penal Code section 186.11. Branstetter was sentenced to seven years in state prison and the judge added that the defendant in this case was "sinister and evil for preying on vulnerable people."
- Another senior case involved Joseph Francis Bartholomew who was investigated by CDI in conjunction with the FBI and arrested for participating in an $11 million Ponzi scheme. Bartholomew was charged with one felony count for the use of a device or scheme to defraud and 28 felony counts of using untrue statements in the sale of a security with sentencing enhancements for aggravated white collar crime over $500,000 and loss greater than $3.2 million. Bartholomew owned and operated MBP Insurance Services, Inc., which offered and sold unsecured securities based on fraudulent insurance policies. He defrauded 28 investors by falsely promising them a return of 15 to 40 percent in interest from their investment. Bartholomew pled guilty on all counts and was sentenced to ten years in state prison with a restitution order of $11,354,269.
- In July 2016, a $30 million settlement was reached with pharmaceutical giant Bristol-Myers Squibb over allegations of drug marketing fraud and physician kickbacks. The settlement stems from charges in a whistleblower lawsuit filed by three former Bristol-Myers Squibb sales representatives. The whistleblower lawsuit alleged that Bristol-Myers Squibb violated the California Insurance Frauds Prevention Act by employing and using sales representatives for the purpose of defrauding private commercial health insurers by using kickbacks to procure patients or clients.
- In November 2013, we settled a major qui tam case against Sutter Hospital and Multiplan, a preferred provider organization. The case involved allegations of false medical billing practices. Sutter and Multiplan agreed to settle the case just before trial for a record $46.95 million.
- In December 2015, a $23.2 million settlement was reached by CDI and whistleblowers with pharmaceutical company Warner Chilcott to resolve a lawsuit alleging drug marketing fraud in violation of state law.
- The department's portion of the settlement proceeds from the Sutter case has been used to create an enhanced fraud investigation and prevention program. Over $3.5 million will

be used for up to 32 four-year limited-term positions for enhanced anti-fraud efforts, including investigation of additional cases and civil litigation workload associated with California's false and fraudulent insurance claims act. As part of this program beginning fiscal year 14/15, $1 million annually over four years will be provided for local assistance to district attorneys to investigate and prosecute Disability and Healthcare insurance fraud. The department's portion of the settlement proceeds will be used to create an enhanced investigation and fraud data analytics program. A total of $6.46 million will be received over a five-year period and will be used to fund eight Investigation Division positions focused on the investigation and prevention of Life and Annuity fraud cases with an emphasis on cases targeting seniors. Additionally, these funds will be used to implement a fraud data analytics program that will improve the Fraud Division's ability to identify trends, patterns and high impact cases.

Legislation and Regulations

- In the 2011 calendar year, nine CDI sponsored bills were signed into law. These include bills which 1) protect seniors from fraudulent activities while purchasing annuities; 2) ensure that agents and brokers do not engage in predatory practices in the selling of reverse mortgages; and 3) require disclosure in workers' compensation policies in order to save businesses from unexpected costs.
- In the 2012 calendar year, five CDI sponsored bills were signed into law. These include bills which 1) reinstate specified conduct standards and requirements for all bail fugitive recovery persons (bounty hunters); 2) increase funding available to district attorneys and CDI to investigate and prosecute health and disability fraud; and 3) improve the predictability of long-term care insurance rates.
- In the 2013 calendar year, four CDI sponsored bills were signed into law. These include bills which 1) adopt solvency standards to help prevent insurers and insurance groups from collapsing, providing a financial boost to California's economy of more than $460 million by 2016 through increased investment and tax incentives in California's underserved communities; and 2) eliminate the sunset on three insurance related special assessments used to fight insurance fraud.
- In the 2014 calendar year, nine CDI sponsored bills were signed into law. These include bills which 1) allow California's small businesses to maintain their existing small group health insurance coverage for their employees for an additional year; 2) protect seniors by requiring that insurers provide seniors with additional disclosure notification and protection when purchasing an immediate annuity; and 3) expand California's Low Cost Automobile Insurance Program to allow more low-income Californians the opportunity to purchase affordable automobile insurance, most importantly newly licensed non-citizen individuals who will receive a driver's license pursuant to Assembly Bill 60 of 2013.
- In the 2015 calendar year, seven CDI sponsored bills were signed into law. These include bills which 1) modernize insurer reserve practices to more appropriately align with risks actually assumed by the individual insurer so that consumers and policyholders are protected; 2) protect seniors by requiring insurers to give a clear disclosure of their long-term care benefits available; 3) place additional safeguards on annuity products to ensure better financial security for consumers; 4) expand a life insurer's ability to transact specified insurance-related business electronically with the prior opt-in consent of the consumer; and 5) grant $3 million in earthquake seismic retrofit funding to protect Californians from the dangers of earthquakes through the Earthquake Brace and Bolt program that strengthens homes.
- In the 2016 calendar year, three CDI sponsored bills were signed into law. These include bills which 1) establish and enhance consumer protections against unfair practices by

insurance adjusters; and 2) increase public awareness of the availability of the FAIR Plan (the insurer of last resort) by requiring agents to more actively assist consumers with their FAIR Plan application and attempts to find adequate fire coverage.

- The department manages roughly 30 rulemaking projects at any time, and issues approximately 15 regulations on an annual basis. From 2011 to 2016, the department has managed 191 rulemaking projects. In 2016, the department issued 11 regulations. These regulations cover health care, life, property and casualty, and workers' compensation insurance as well as financial solvency and insurance producer (agent and broker) issues. Significant matters (2011-2016) include:
    - Auto Body Repair Labor Rate Surveys, that identify and clarify consistent standards by which insurers can conduct reliable labor rate surveys;
    - Anti-Steering in Auto Body Repairs, that addresses the problem of insurance companies who communicate deceptive and untruthful information in order to improperly "steer" the claimant to an insurer-chosen repair shop; and,
    - Workers' Compensation Forms Regulations, that create a framework for the submission, approval, withdrawal of approval, and overall use of workers' compensation policy forms, endorsements, and collateral agreements by insurers.
- The department undertook additional initiatives including:
    - NAIC Climate Risk Disclosure Survey. In 2016, California continued to lead a multi-state group (Connecticut, Minnesota, New Mexico, New York, and Washington) that administered the NAIC Climate Risk Disclosure Survey to more than 1,000 companies representing approximately 78% of the entire insurance market. California continued to maintain three interactive survey websites which allow regulators, insurers, and members of the public to quickly analyze the survey results.
    - Climate Risk Carbon Initiative. Established the Climate Risk Carbon Initiative that calls on the insurance industry to (1) voluntarily divest from their investments in thermal coal enterprises and to refrain from future investments in them, and (2) required insurers that write $100 million or more in premium nationally to disclose detailed coal, oil, gas and power-generating utility investments.
    - Sustainable Insurance Forum (SIF). In 2016, the Commissioner played a leadership role in forming the Sustainable Insurance Forum, an international collaboration of insurance regulators and supervisors, to promote cooperation on critical sustainable insurance challenges, such as climate change. The inaugural meeting was held in San Francisco and included representatives from Brazil, California, France, Ghana, Jamaica, Morocco, the Netherlands, Singapore and the U.K., as well as the International Association of Insurance Supervisors and the United Nations Environmental Programme (UNEP).
    - 4th Climate Change Assessment. California's Fourth Climate Change Assessment is the first major, cross-sectoral effort to implement parts of California's Climate Change Research Plan as well as support key recommendations of Safeguarding California. The Department leads the grant review team and acts as the Technical Manager for the research project on the impact of climate change on wildfires in California and the availability and affordability of insurance.

Legal

- Continued leading a national investigation (Death Master File Investigation) of life insurers' failure to pay billions of dollars in death benefits. We successfully obtained enforcement settlement agreements with 24 major life insurers representing approximately 78 percent of the market since the effort commenced, requiring them to pay more than 7.3 billion to beneficiaries nationally. Insurers have paid approximately $19 million in penalties to California while agreeing to reform practices relating to the use of the Social Security Administration's Death Master File database to identify deceased policyholders so that the companies would locate their beneficiaries and pay them benefits due under the policies.
- In conjunction with other states, we successfully settled an enforcement action against Life Insurance Company of North America that resulted in a $500,000 penalty to California and remediation of improperly handled long term disability claims for claimants across the nation expected to total in the tens of millions of dollars. The settlement resolved insurance code violations discovered in a market conduct examination of the company.
- In 2013, two additional actions were settled successfully. Homesite Insurance Company agreed to settle with the department for $350,000 and Safeco Group settled for $900,000 for rating and underwriting violations resulting from examinations.
- Was successful in a litigation matter upholding the principle that if a significant financial proportion of a health care service plan's business is indemnity insurance, then for tax purposes the health care service plan is subject to gross premium taxes.
- In July 2016, the Department reached a $30 million settlement with Bristol Myers Squibb under the Insurance Frauds Prevention Act for allegations of kickbacks and other unlawful marketing tactics by a pharmaceutical manufacturer.
- Obtained a California Supreme Court 7-0 vote decision upholding the Department's replacement-cost fire-insurance regulations that require insurers to provide complete estimates of the cost to replace their homes in the event of a total loss.
- Investigated and obtained a settlement with Zenefits including 3 million dollars for licensing violations and a 4 million penalty for subverting pre-licensing education requirements. Half of penalty suspended pending a future examination of company practices
- Obtained a court-of-appeal decision upholding the Department's regulations that prohibit insurers from charging ratepayers for the cost of brand advertising that doesn't benefit ratepayers, and upholding the Department's formula-based rate-approval process adopted shortly after early Proposition 103 litigation.
- Obtained a court-of-appeal decision upholding the Department's regulations that insurers actually provide a 30-day grace period before terminating a policy, and that require insurers to provide notice to consumers of their right to appeal health-insurance-policy terminations.
- Supported and obtained a court-of-appeal decision that prevents the FAIR Plan from refusing to pay, under an actual-cash-value policy, for repairs to partially damaged homes when the cost of repair is within policy limits, but higher than the fair-market value e.g., because the home is in a low-income neighborhood.

Insolvency Recovery

- Distributed $1.1 billion to injured policyholders and guaranty associations from failed insurance companies, from January 1, 2011 through June 30, 2017.
- Took the lead, among five other state regulators, to resolve a collapsing significant national Property and Casualty insurer, by merging 10 companies into a California domiciled insurer and placing the California Company into Conservation and eventually into Liquidation, in an orderly manner. Through the Conservation period, claimants were

paid $338 million, on a timely basis. Upon liquidation, policyholder claims have been transfer to the Guaranty Associations for timely process of their claims.

- Obtained a favorable $200 million settlement to the outstanding Executive Life Insurance litigation with Artemis clearing the way for final closure of this estate, in the near future.
- Collected $563 million (through December 31, 2016) of reinsurance recoveries, reinsurance commutations and litigation recoveries of failed companies (including Executive Life recovery, above) available to pay policyholders and creditors.
- Performed early intervention with a failing domestic workers compensation insurer and executed a loss portfolio transfer thus negating a need for guarantee association involvement.
- Performed early intervention with a failing domestic health insurer, efficiently transitioning 20,000 members to more stable insurers and working with state insurance guaranty associations to facilitate the timely payment of claims.

Consumer Protections

- Recovered over $360 million for consumers as a result of investigations of consumer complaints received by the department and through market conduct examinations by the department.
- Handled over 152,000 consumer calls to our Consumer Hotline in 2016.
- Deployed department staff to assist consumers impacted by several natural disasters, occurred in 2016.
- Completed implementation of the Licensee portal for electronic handling of consumer complaints.
- Assisted NAIC in the development and testing of a national Life Insurance Policy Locator tool to assist consumers in locating life and annuity policies of loved ones.
- Worked on the implementation of various pieces of insurance-related legislation, including End of Life Options Act that went into effect on June 9, 2016.
- CDI continues to enforce regulations promulgated in 2012 that prohibit discrimination in health insurance based on gender identity and expression. The regulations were the first of their kind in the nation and produced a first-of-its-kind economic analysis of the impact to premiums of removing barriers to care. The study has been successfully used widely by organizations to advocate for similar protections in 13 other states and the District of Columbia. While California is the only state to have enacted regulations many other states have issued guidance or director's letters prohibiting discriminatory blanket exclusions. Further, the federal government used our regulation and economic analysis when drafting federal regulations that prohibit discrimination based on gender identity nationwide.

Community Programs and Policy Initiatives

- The California Organized Investment Network (COIN) guides insurers on making safe and sound investments that yield environmental benefits in California and/or social benefits for the State's underserved communities. COIN sourced 5 COIN Insurer Investment Bulletins to generate up to $2.4 billion of investment in infrastructure, small and middle sized businesses, real estate, and financial technologies (Fin Tech) for low-to-moderate income populations in California.
- Conducted the 2016 Community Investment Survey (CIS) Data Call. The survey targeted the top 228 insurance companies that wrote more than $100 million in California premiums to make transparent the amount of capital insurers held in California community

development and green investments between 2013 and 2015. Some of the highlights from our findings include:

  - Total COIN qualified investment holdings increased by 19% from $18.39 billion in 2013 to $21.85 billion in 2015
  - High Impact Investment holdings increased by 9% from $5.41 billion in 2013 to $5.88 billion in 2015
  - Green investment holdings increased by 11% from $7.18 billion in 2013 to $7.98 billion in 2015
  - Rural investment holdings increased by 15% from $2.29 billion in 2013 to $2.64 billion in 2015

- COIN Community Development Financial Institutions (CDFI) Tax Credit program increased investments from $1.9 million in 2010 to a record $183 million in 2016 and awarded $10 million in CDFI Tax Credits for $50 million in private investments into COIN Certified CDFIs. Assembly Bill 32 (Pérez, 2013) quintupled COIN's CDFI Tax Credit from $2 million to $10 million annually, increasing the amount of private capital available for community development investments. From 2011 to 2015, COIN awarded $36.7 million in tax credits and leveraged $183.6 million in private capital of which $85.1 million was raised through insurance companies. COIN Certified CDFIs that received insurer investments have financed projects including affordable housing, small business loans, charter schools, and medical facilities in San Diego, Los Angeles, San Francisco, Northern California, the Central Valley, and various other regions across California.

  - COIN CDFI Certification Program added regulations in 2014 that allowed COIN to conduct a rigorous review of all CDFIs certified through the program. CDFIs must renew their certifications annually and apply for recertification every three years. This involves extensive review of the CDFI's mission, projects, and financials to ensure the CDFI will remain solvent for the five-year term of a potential investment.

- In 2014, COIN launched the Inaugural COIN Investment Summit. The 2016 COIN Investment Summit was held on August 17th at the California Endowment in downtown Los Angeles and brought together insurers, CDFIs, community organizations, asset managers, government officials, trade associations, and other stakeholders to engage in productive and insightful dialogue to garner feedback and suggestions on COIN's programs.
- We established the successful Insurance Diversity Initiative to increase procurement from California's diverse suppliers and diversity amongst insurer governing boards. CDI administered two first-in-the-nation surveys examining insurance industry procurement from diverse businesses (woman, minority, disabled veteran, and LGBT-owned businesses) and the state of diversity on insurer governing boards, respectively. The Insurance Diversity Task Force, in collaboration with CDI, hosted the Annual Insurance Diversity Summit and issued awards to insurers and advocates for best practices in supplier diversity and governing board diversity. With over 200 attendees, the Summit included business matchmaking sessions, business-to-business networking, an insurer-only work session, and a governing board roundtable.
- Increased the amount of goods and services the insurance industry purchased from California's diverse businesses (woman, minority, disabled veteran, and LGBT-owned businesses) by 83% since 2012, a $770 million increase over four years.

- Since 2011, the department attended 1,476 public outreach events throughout California to increase consumer education about insurance products, regulation and the California Low Cost Automobile insurance program.
- Since the inception of California's Low Cost Automobile (CLCA) Insurance Program in 1999, 121,753 Californians received insurance through the program. At the end of 2016, 14,388 active policies were in force, 633 policies were cancelled, and 2,422 policies were written as new business.
- Strengthened and expanded California's Low Cost Automobile (CLCA) Insurance Program by completing the implementation of the provisions of AB 1024 (Hueso 2011). This provided for the establishment of an online producer and web portal, to process online applications for program-eligible consumers. This web-based product is intended to allow consumers to apply for the CLCA program directly online, without having to physically visit a producer's office.
- In collaboration with the Consumer Services Division and Rate Regulation Bureau, Statistical Analysis Division (SAD) conducted a wildfire survey to determine the state of the homeowners' insurance market regarding availability in wildfire prone areas. The results of this survey were presented to a Senate Insurance Committee hearing in March 2016.
- In 2016, SAD conducted special projects including the Northern California Wildfire Loss Summary to determine the extent of the losses incurred as a result of the two major wildfires in Northern California in 2015 and the development of a data call in support of the Climate Risk Carbon Initiative to disclose thermal coal and fossil fuel related investments.
- The Ombudsman's primary function is to ensure the department provides the highest level of customer service to our consumers, insurers, agents, brokers, and public officials. In 2016, Ombudsman staff facilitated and closed 1,220 cases, responding to 809 consumer requests for assistance, 327 legislative inquiries, and 84 general requests from other divisions within the department or other state agencies.

Insurance Company Licensing and Oversight of Corporate Transactions

- Since 2011, 234 new insurance companies have been licensed to do business in California, demonstrating CDI's success in attracting and retaining new insurance companies to the state.
- The increased number of new companies is a result of CDI's fair and expeditious licensing process that includes expanded information for applicants on CDI's website as well as electronic filing procedures to further streamline the process.
- Obtained re-entry of Allstate into the California homeowner market after a nine year absence during which Allstate did not write new homeowner policies. With Allstate's return, competition increased in the insurance market, consumers have additional homeowner coverage choices, and Allstate's own homeowner insurance rates were reduced statewide by an average of 12.6 percent.
- Developed emergency regulations to assist the COIN Program in increasing insurer investments in underserved communities in California.
- Enhanced and upgraded essential licensing checklists and forms on CDI's public website to improve processing times and to provide innovative and accessible information to insurers submitting corporate transaction applications to CDI.
- Developed credit for reinsurance regulations to revise existing reinsurance regulations to conform to the federal Dodd-Frank financial reform legislation and to detail requirements

for a cedent to obtain financial statement credit for reinsurance cessions.

- Sponsored Senate Bill 1448 (2012), conforming legislation to the Holding Company Model Act. This legislation was implemented in 2013. Key revisions included insurer reporting on material risks within the insurance holding company system (enterprise risk to the insurer) and examination authority with respect to enterprise-wide risks; participation by state insurance regulators in "supervisory colleges," a forum for regulators of various jurisdictions; corporate governance information at the individual-regulated insurer and group levels; and enhanced access to information regarding any entity within the insurance holding company system.
- Sponsored and implemented Assembly Bill 1234 (2014) which supplemented the California Insurance Holding Company System Regulatory Act provisions related to the confidential treatment of materials submitted to the Insurance Commissioner.
- In response to a new class of licensing in the NAIC model acts, developed and implemented the certified reinsurer application process, primarily involving applications submitted by non-U.S. reinsurers. Staff reviews and assess U.S. treaties and the laws of foreign countries addressing enforceability of judgments rendered in the U.S., and in the courts of a foreign jurisdiction.
- California Members Title Insurance Company re-domiciled in California in 2014, highlighting a trend beginning last year of new companies starting their operations in California or moving to California.
- Sponsored and implemented AB 533 (2016) which requires the filing of an annual descriptive summary of an insurer or insurance group's corporate governance so the Insurance Commissioner can gain and maintain an understanding of the insurer's corporate structure, policies and practices.

Financial Oversight

- Sponsored and obtained enactment of Corporate Governance legislation which requires annual filings by insurers on its corporate governance.
    - Insurer or group corporate governance framework.
    - Policies and practices of its Board of Directors.
    - Policies and practices directing senior management.
    - Policies and practices to ensure the appropriate level of oversight of critical risk areas.
- Passed the National Association of Insurance Commissioners Accreditation Review during 2014. This outside review is conducted every five years of all state insurance departments to ensure that all states have enacted the appropriate laws and provide the necessary financial oversight in accordance with national financial solvency standards. California received a full five year accreditation.
- Sponsored and obtained enactment of the Own Risk and Solvency Assessment Legislation known as "ORSA" which in 2015:
    - Requires larger insurers to develop an assessment of their enterprise risk management processes and capital needs.
    - Requires the insurer to provide an annual ORSA report to the department.
- Promulgated the Hazardous Financial Condition Regulation which:
    - Enables the department to have earlier detection of financially troubled insurers and to take necessary regulatory action.
    - Enables earlier interaction with financially troubled insurers to develop remediation plans.

- Provided leadership and/or participation in key National Association of Insurance Commissioners working groups and task forces.
    - Participate in NAIC's Life Actuarial Task Force to make appropriate revisions to the Valuation Manual.
    - Lead NAIC drafting group to improve requirements for insurers' PBR Actuarial Reports.
    - Review commercial vendor software systems for PBR, avoiding reliance on "black box" calculations.

Agent and Broker Licensing

- Continued efforts to improve service levels, including adding new online services and enhancing consumer protection efforts. For instance, in April 2017, an online agent language locator service was launched. The new service provides an online tool for consumers to use to locate an agent or broker who speaks their selected language in any given geographical area in California. There are more than 13,000 agents participating in the service speaking 36 languages.
- Continued efforts toward licensing uniformity and reciprocity with other states while strengthening California's rigorous consumer protection standards. Sponsored and implemented SB 488, effective January 2017, which conforms to the National Association of Insurance Commissioners' public adjuster licensing standards that includes the addition of a new 20-hour pre-licensing education requirement for California applicants. The new education requirement enhances the knowledge applicants must possess prior to becoming licensed as public adjusters, who consumers may hire to assist in the insurance claims process.
- Since January 2011, the department has also:
    - Issued and renewed 1,285,725 insurance producer, bail agent and insurance adjuster licenses.
    - Restricted, suspended or revoked the licenses of 4,487 insurance producers, bail agents and insurance adjusters, while denying the licenses for 1,874 applicants.

Administration

- CDI's commitment to the State's Small/Micro Business (SB/MB) and Disabled Veteran Business Enterprise (DVBE) programs is reflected in CDI's participation rates. In the last seven years, the department has consistently exceeded the statewide participation rate goals of 25 percent for SB/MB and 3 percent for DVBE.
- Beginning July 1, 2016 the Electronic Fund Transfer (EFT) payment method was extended to insurance companies for invoice payments. Insurance companies are now able to pay their invoices over the phone, web, or mobile device. Previously, this method of payment was offered only for premium tax payments. The EFT payment option is cost-effective for both CDI and our customers and will provide companies a secure, faster, and more efficient way to make payments by reducing the resources associated with mailing paper checks.
- The CDI Menu Modernization Project (CMMP) completed 15 of 26 sub-projects. Most significantly, the Project implemented the Company Information Tracking System, which allows for tracking of companies or insurer information and provides data to multiple CDI programs.
- Implemented innovations to create operational efficiencies and control costs while improving service levels, including enhancing the department's information security and disaster recovery capabilities as well as modernizing mission critical, legacy information

and technology systems.

- CDI's website was named by InsuranceQuotes.com in 2011 as one of the best in the nation for giving consumers access to critical insurance information. The department's website was modernized in 2014 to enhance health and consumer information and implement a responsive design platform to enhance mobile users' experience.
- Sustained achievement in submitting high-quality financial reports to the State Controller's Office, thus meeting established criteria for Excellence in Financial Reporting.
- Implemented a robust training and development program focused on strengthening the organization and promoting innovation and professional growth to improve protection for consumers and ensure a healthy and vibrant insurance market.
- The Office of Principle Based Reserving was created to address SB 696, a law that enacted a new method for determining policy reserves and their associated risks.

Significant Contributions to State's General Fund

- CDI collected $2.6 billion in premium taxes for Fiscal Year 2015-16 for the State's General Fund.
- Through the department's vigorous legal and enforcement activities, we contributed $137.4 million in fines and penalties to the State's General Fund since taking office.

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

It is a privilege to serve California and Californians as Insurance Commissioner. Thank you for your continued leadership of our State and your support of the department's mission.

Sincerely,

DAVE JONES
Insurance Commissioner

cc: The Honorable Richard Roth, Chair, Senate Insurance Committee
The Honorable Tom Daly, Chair, Senate Assembly Committee
The Honorable E. Dotson Wilson, Chief Clerk, California State Assembly
The Honorable Diane F. Boyer-Vine, Legislative Counsel
The Honorable Daniel Alvarez, Secretary of the Senate

California Department of Insurance
2016 Organizational Chart (Accessible Text Version)

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

ADMINISTRATION & LICENSING SERVICES
- Human Resources Management
- Financial Management
- Information Technology
- Licensing Services

RATE REGULATION
- Rate Filing Bureaus (5)
- Rate Actuary Office
- Rate Specialist

CONSUMER SERVICE & MARKET CONDUCT
- Market Conduct
- Consumer Services

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

ENFORCEMENT
- Internal Affairs
- Investigations
- Fraud

LEGAL/CHIEF COUNSEL
- Deputy Chief Counsel
- Corporate Affairs I
- Corporate Affairs II
- Government Law
- Rate Enforcement
- Policy Approval
- Enforcement/Health Enforcement Sacramento
- Enforcement/Health Enforcement San Francisco
- Auto Enforcement
- Fraud Liaison

COMMUNITY & POLICY INITIATIVES
- Community Programs
- Low Cost Auto
- Consumer Education & Outreach Bureau
- Office of Ombudsman
- Insurance Diversity
- Special Projects Division
- California Organized Investment Network (COIN)
- Statistical Analysis Division

LEGISLATIVE
- Legislative Office

COMMUNICATIONS & PRESS RELATIONS
- Communications & Media Relations Office

HEALTH POLICY
- Executive Office
- Health Actuary Office
- Health Policy & Reform Bureau
- Health Policy Approval Bureau

SPECIAL COUNSEL TO THE COMMISSIONER
- Regulation
- NAIC
- Administrative Hearing Bureau

2016 ANNUAL REPORT

CONSUMER SERVICES *and* MARKET CONDUCT BRANCH

Consumer Services & Market Conduct Branch

The Consumer Services and Market Conduct Branch (CSMCB) focuses on consumer assistance and protection by educating consumers, mediating consumer complaints, and enforcing insurance laws. CSMCB enforces insurance laws during the investigation of individual consumer complaints against insurers and agents/brokers and through on-site examinations of insurer claims and underwriting practices.

CSMCB consists of two divisions, six bureaus, and a unit of legal staff dedicated to consumer issues:

Consumer Services Division (CSD)

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

Market Conduct Division (MCD)

- Field Claims Bureau (FCB)
- Field Rating and Underwriting Bureau (FRUB)
- Consumer Law Unit (CLU)

TABLE A: CSMCB RESULTS
Calendar Year 2016

Consumer Telephone Calls Received (automated call-center calls)	152,153
Complaint Cases Opened	42,878
Complaint Cases Closed	41,533
Total Amount of Consumer Dollars Recovered	$60,929,007
Number of Market Conduct Exams Adopted by the Commissioner	102
Total Amount of Claims Dollars Recovered or Premium Returned to Consumers from Market Conduct Exams	$4,669,432
CSMCB Grand Total Amount (Consumer Dollars Recovered, Claims Dollars Recovered or Premium Returned to Consumers.)	$65,598,439

CONSUMER SERVICES DIVISION

The Consumer Services Division (CSD) responds to consumer inquiries and complaints involving insurance company or agent and broker activities. The CSD maintains separate bureaus to handle telephone inquiries and provide education to the public, responds to consumer complaints on claims handling practices, resolves consumer complaints about rating and underwriting practices, analyzes and provides input on proposed legislation, and leads or participates in various task forces. The purpose of CSD is to protect California insurance consumers by enforcing the California Insurance Code and related laws and regulations. CSD also assists consumers as they navigate the complex world of insurance. In an effort to serve the California consumers more efficiently, CSD launched portals which allow for electronic communication with consumers, health care providers, and our licensees. Consumers and health care providers continue to be able to submit complaints anytime, anywhere, using any type of device. We have seen increased use of the electronic submission of complaints since the launch of these portals.

The CSD is responsible for administrating 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 agents and brokers.

In accordance with California Insurance Code (CIC) Section 12921.1(a)(10), this report includes: 1) a description of the operation of the complaint handling process; 2) the percentage of the department's personnel years devoted to the handling and resolution of complaints; and 3) suggestions for legislation (where applicable) to improve the complaint handling apparatus and to increase the enforcement activities undertaken by the department pursuant to complaints when appropriate.

Complaints and inquiries are handled by four bureaus within the Division: the Consumer Communication Bureau (CCB), the Claims Services Bureau (CSB), the Health Claims Bureau (HCB), and the Rating & Underwriting Services Bureau (RUSB). Consumers may file complaints via telephone, internet, or in written correspondence. In 2016 121.5 full-time staff were devoted to the complaint handling operation. This represents almost nine percent of the 1,392 total authorized positions at the department.

- The CCB Hotline staff responds to general insurance inquiries and answers questions about insurance claims and underwriting practices, administers the CDI Residential, Earthquake, and Automobile Mediation Programs, and handles time sensitive complaints.
- CSB is responsible for investigating, evaluating, and resolving consumer complaints involving claims issues for all lines of insurance except health insurance (which is handled by the Health Claims Bureau).
- HCB is responsible for investigating, evaluating, and resolving consumer and healthcare provider complaints involving health claims issues. HCB also administers the Independent Medical Review Program mandated by CIC §10169.
- RUSB is responsible for investigating, evaluating, and resolving consumer complaints involving rating and underwriting issues for all lines of insurance.

All complaints are reviewed and investigation is generally initiated within three days of receipt. During this period, CDI contacts the appropriate insurers or agents and brokers. The time

required to resolve a complaint varies depending on the type of case and the complexity of the issues presented. The average time for resolution is approximately 45 days from open to close. Complex cases involve analysis of conflicting facts and applicable laws. Resolution of these cases may require more lengthy investigation. Conversely, cases involving less complex issues may be resolved within hours, days, or a few weeks. The department informs consumers about the final resolution of their complaints as quickly as possible, however, no later than 30 days after final action. The cumulative results of our findings are published annually in the consumer complaint study available on the department's public website.

The Division tracks trends and hot topics in addition to insurance company and agent/broker violations identified from its review of consumer complaint files, which CSMCB and others within the department find valuable in identifying and monitoring non-compliant activity by licensees.

Disaster Response – In addition to assisting consumers with a variety of issues involving all lines of insurance, the Consumer Services Division coordinates the department's response to natural and other disasters that affect insurance consumers and businesses in California. This response includes administration of the Emergency Damage Assessment function described in CIC Section 16000, as well as assisting consumers affected by wildfires and other catastrophic events at local assistance centers and workshops.

The Consumer Services Division monitored 40 disaster events in 2016, including 1 natural gas leak, 3 earthquakes, and 36 wildfires. The Division deployed 23 CDI staff members to assist CalOES at the Local Assistance Centers and/or community events in Los Angeles County for the Aliso Canyon natural gas leak and the Sand Fire, Kern County for the Erskine Fire, Monterey County for the Soberanes Fire, San Bernardino County for the Blue Cut Fire, and Lake County for the Clayton Fire.

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

TABLE B: TRENDS PERCENTAGE OF COMPLAINTS BY LINES OF COVERAGE

Coverage Type	2012	2013	2014	2015	2016
Automobile	33.81%	35.25%	35.81%	39.57%	42.81%
Accident & Health	34.18%	34.45%	34.05%	30.45%	28.03%
Misc./Other	12.39%	11.63%	11.32%	11.28%	10.32%
Homeowners	8.06%	8.12%	8.30%	8.47%	8.40%
Life & Annuity	6.90%	6.34%	6.33%	6.14%	6.79%
Liability	2.23%	2.18%	2.27%	2.37%	2.09%
Fire, Allied Lines & CMP	2.16%	1.90%	1.77%	1.56%	1.44%
Earthquake	0.28%	0.14%	0.14%	0.16%	0.12%

TABLE C: TOP TEN TYPES OF COMPLAINT REASONS (2012-2016)

#	Types of Complaint Reasons	2012	2013	2014	2015	2016
1	Denial of Claim	26%	26%	25%	28%	26%
2	Claim Handling Delay	11%	11%	12%	14%	17%
3	Unsatisfactory Settlement Offer	13%	13%	11%	11%	11%
4	Premium & Rating/Misquotes	6%	6%	4%	4%	5%
5	Other – Claim Handling	4%	6%	6%	4%	3%
6	Premium Refund	4%	4%	4%	3%	3%
7	Cancellation	3%	3%	4%	3%	3%
8	Premium Notice/Billing Problem	3%	3%	4%	3%	3%
9	Coverage Question	3%	3%	2%	2%	2%
10	Agent Handling	3%	2%	2%	2%	2%
	All Other Reasons	24%	22%	26%	26%	26%

CONSUMER COMMUNICATIONS BUREAU

The Consumer Communications Bureau (CCB), also referred to as the Consumer Hotline, is frequently the first point of contact for issues and concerns that affect California's insurance consumers. CCB insurance compliance officers respond to phone calls to the department's statewide toll-free Consumer Hotline, 800-927-4357 (HELP), where they 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" form on the department's public website; coordinates responses to inquiries addressed to the Commissioner through its Commissioner's Correspondence Unit; responds to "walk-in" inquiries at the department's Los Angeles public counter; and manages the Division's Disaster Response Program.

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 from the Northridge Earthquake of January 17, 1994. The Legislature has since expanded the program to include automobile physical damage and residential property disputes subject to specific guidelines. Residential property and earthquake mediation are contingent upon a gubernatorial declaration of state of emergency. Since the program's inception through December 31, 2016, the Mediation Program has recovered $18,077,115 for consumers. CIC §10089.83 requires a report of the results of the program for the calendar year 2016. Please refer to table D.

TABLE D: RESIDENTIAL PROPERTY, EARTHQUAKE, AND AUTOMOBILE MEDIATION PROGRAM RESULTS FOR CALENDAR 2016

	RESIDENTIAL	EARTHQUAKE	AUTOMOBILE	TOTALS
Number of mediation cases eligible	0	0	4	4
Number settled within 28 day settlement period	0	0	1	1
Number sent to mediation	0	0	2	2
Number of cases rejected by insurer	0	0	0	0
Number of cases rejected by consumers	0	0	1	1
Number accepted by insurer	0	0	3	3
Number of settlements rejected within 3 day waiting period	0	0	0	0
Number of Cases Resolved	0	0	2	2
Number of Cases Pending	0	0	0	0
Amount initially claimed	0	0	$87,100	$87,100
Amount of settlements	$0	$0	$65,515	$65,515

CLAIMS SERVICES BUREAU

The Claims Services Bureau (CSB) investigates consumer allegations of improper claims handling by insurers, including, but not limited to, wrongful denial of claims, payments for less than amounts claimed, and delays in claims handling. Where investigation indicates a violation of an insurance law or regulation, CSB pursues payment of claims that were improperly denied or delayed.

HEALTH CLAIMS BUREAU

The Health Claims Bureau (HCB) investigates consumer and health care provider allegations of improper claims handling by health insurers. These requests for assistance include, but are not limited to, wrongful denial of claims, payments of less than the amounts claimed, and delays in claims handling. HCB works with the complainant to clarify issues and reach a resolution with the insurer. Where investigation shows that an insurance code or regulation has been violated or the policy contract has not been honored, HCB will enforce the code, regulation, or policy contract, pursuing favorable outcomes for the consumers.

The Health Claims Bureau also administers an Independent Medical Review (IMR) program, which determines when treatment is medically necessary. This includes determining which complaints qualify for the program, guiding the consumer through the IMR process, working with the IMR organization, communicating the final decision to all parties, and developing statistics

related to IMR results, which are made public with appropriate privacy protections on the department's public website.

Health Care Provider Bill of Rights Report – No complaints involving California Insurance Code Section 10133.65(f) were received for calendar year 2016.

RATING AND UNDERWRITING SERVICES BUREAU

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

(CIC) Section 1858.35 Report – In accordance with reporting requirements of California Insurance Code (CIC) Section 1858.35, the following table lists the number and type of complaints received by the department from any person aggrieved by any rate charged, rating plan, rating system or underwriting rule, and the disposition of these complaints.

TABLE E: (CIC) SECTION 1858.35 COMPLAINTS BY TYPE/REASON
Calendar Year 2016

Rank	Reason	# of Complaints
1	Premium & Rating/Misquotes	1250
2	Coverage Question	618
3	Cancellation	560
4	Premium Refund	527
5	Surcharge	452
6	Premium Notice/Billing Problem	438
7	Nonrenewal	392
8	Agent Handling	220
9	Policyholder Service Delays No Response	128
10	All Other Reasons	684
	(*) Total Number of Complaint Type/Reason	**5269**
	Total Number of Complaints	**4095**

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

TABLE F: (CIC) SECTION 1858.35 COMPLAINTS BY FINAL DISPOSITION
Calendar Year 2016

Rank	**Final Disposition**	**# of Complaints**	**Recovery Amount**
1	**Company Position Substantiated**	**2538**	**$72,780**
2	**Recovery**	**564**	**$543,875**
3	**Information Furnished/Expanded**	**445**	**$2569**
4	**Advised Complainant**	**422**	**$53,455**
5	**Company in Compliance**	**382**	**$9,527**
6	**Refund**	**365**	**$291,668**
7	**Nonrenewal Upheld**	**167**	**N/A**
8	**Question of Fact**	**105**	**$34,470**
9	**Compromised Settlement**	**103**	**$124,350**
10	**Policy Issued - restored**	**85**	**$8,929**
	All Other Disposition Codes	**810**	**$405,897**
	(*) Total Number of Dispositions	**5986**	**$1,547,520**
	(*) Total Number of Complaints	**4095**	**$1,547,520**

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

MARKET CONDUCT DIVISION

The Market Conduct Division (MCD) examines insurance company practices for compliance with legal requirements. These examinations are generally scheduled at regular fixed intervals. Scheduled re-examinations and targeted examinations supplement the routine examinations when special circumstances or the results of market analysis of consumer complaints and other data dictate more in-depth examination. Depending upon their size, complexity, and nature, exams are either conducted in the insurers' offices located nationwide or in-house at CDI's offices, with insurers shipping materials and files to CDI staff.

MCD maintains separate bureaus that conduct claims handling practices exams and rating and underwriting exams. This division of oversight reflects the traditional division of operations in the industry and in the laws regulating them. The goal of the market conduct examination is to evaluate compliance with statutes and regulations relative to the business of insurance and to initiate corrective or enforcement actions when necessary. 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, and to assist in the planning and scheduling of examinations.

The following is a summary of MCD's accomplishments for the year 2016. The list covers exams completed, dollars returned to consumers, and legal actions taken.

TABLE G: MARKET CONDUCT DIVISION RESULTS
Calendar Year 2016

EXAMINATION RESULTS CATEGORY	FCB*	FRUB**	DIV. OFFICE***	MCD Totals
Number of Exams Adopted by the Commissioner	47	55	--	102
Amount of Claims Dollars Recovered or Premium Returned to Consumers in Examinations	$777,680	$3,891,752	--	$4,669,432
Number of Enforcement Actions Completed on Examinations	0	0	5	5
Penalties Assessed in Enforcement Actions Completed	$0	$0	$400,362	$400,362

**** FCB:** Field Claims Bureau*

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

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

FIELD CLAIMS BUREAU

The Field Claims Bureau (FCB) conducts market conduct examinations of the claims practices of all licensed California insurers. The focus of each exam is on compliance with the California Insurance Code and the California Fair Claims Settlement Practices regulations. FCB seeks to ensure equitable treatment of policyholders and claimants in accordance with insurance contracts and California law. The California Insurance Code sections cited in FCB examinations vary by line of insurance. However, those that are common to both life & disability and property & casualty insurance involve delay, documentation, and improper handling, which may include improper settlement, failure to pursue investigation, and improper denial. FCB obtains thousands of remedial claim actions from insurers each year as a result of the examinations it conducts. Many of the issues which lead to these actions are displayed in its reports which are published on the department's website. During calendar year 2016, FCB staff examined 4,205 claim files and cited 4,791 violations of law in the reports it filed.

FIELD RATING AND UNDERWRITING BUREAU

The Field Rating and Underwriting Bureau (FRUB) conducts market conduct examinations of the rating and underwriting practices of all licensed insurers. FRUB reviews the advertising, marketing, risk selection and declination, underwriting, pricing, and policy termination practices of life, health, property, and casualty insurers. FRUB examinations focus on compliance with rate filing requirements, consistency within the insurer's adopted rating processes, and overall conformity of rating and underwriting with the California law. Each year, as a result of the examinations it conducts, FRUB obtains remedial actions from insurers in the form of revisions

to incorrect and illegal practices and premium refunds to consumers when errors and violations resulting in premium overcharges are discovered. During calendar year 2016, FRUB staff examined 1,991 policy files resulting in the identification of 139 illegal practices for correction in the reports it filed.

California Insurance Code (CIC) § 12921.4(b) – In accordance with California Insurance Code (CIC) § 12921.4(b), the Market Analysis Unit reviewed the complaint data of each insurance carrier that was authorized to transact business in California during 2016. The analysis of complaint data focused on the following areas: insurer, insurance line of business, and type of violation. In addition to raw numbers of complaints, the analysis includes the development of a complaint index for each insurer, calculated as the insurer's complaint share divided by its market share. This allows for the comparison of results among insurers of differing sizes.

Complaint totals are among the primary criteria driving the Market Conduct Division's examination schedule. The 10 insurers with the largest number of closed complaints in 2016 (ranging from 625 for the tenth ranked company to 1,238 for the company ranked first) have all been examined within the last three years or are scheduled to be examined in the next two years (four are in progress; six are on the schedule). Two of the 10 companies with the most closed complaints have been the subjects of enforcement actions within the last five years.

Complaints by line of business continue to be an important criterion for focusing Market Conduct Division examination resources. The five lines of business generating the highest number of complaints were: private passenger auto (14,714), group accident and health (2,790), homeowners (2,360), individual accident and health (2,100), and individual life (1,640). These lines were among the most frequently examined by the Division's Field Claims Bureau and Field Rating and Underwriting Bureau during 2016. 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 three 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's Bureaus. The results of this analysis allow the examiners in charge to identify areas that should be scrutinized more closely. Whenever a trend or pattern in violation data is observed, the information is shared with those department employees that have a use or need for the data.

A geographic analysis, established by zip code, of consumer complaints was conducted for the year 2016. Complaints within those geographic regions identified as having high concentrations of complaints relative to the population of the region will be the subject of further analysis during 2017

2016 ANNUAL REPORT

HEALTH POLICY *and* REFORM BRANCH

Health Policy and Reform Branch

Background

The Health Policy and Reform Branch reviews, analyzes, and develops policy positions on health insurance issues within the Department. Starting in 2011, the Commissioner tasked the Branch with working towards fully implementing the Affordable Care Act (ACA) in California. The Branch continued those efforts in 2016 to ensure that consumers are able to access health insurance as envisioned by the state and federal reforms in the law. To this end, the Health Policy and Reform Branch closely collaborates with other branches at the California Department of Insurance (CDI) as well as with other state and federal agencies and stakeholders.

The significant and structural changes that have taken effect over the past six years have required a more robust framework of legal and policy support within CDI. This focus has helped the Department work effectively towards implementation of the federal reform requirements, integrate federal and state changes to the marketplace, increase coordination across state agencies, and actively represent California insurance consumers with the federal government and the National Association of Insurance Commissioners (NAIC).

Accomplishments

Analyzed and Approved Health Insurance Policies

The Health Policy Approval Bureau (HPAB) within the Health Policy and Reform branch continued to review and authorize new and amended health insurance policies in 2016 in order to protect California consumers. HPAB reviewed 446 individual and small group health insurance policies for compliance with both California and federal law including essential health benefits coverage, cost sharing, actuarial value compliance, mental health parity, network adequacy, and many other requirements.

In addition, HPAB is responsible for reviewing all health-related insurance policy forms for use in California, such as Large Group health insurance, Student Blanket Health Insurance, and Medicare Supplement. Including the 446 policies mentioned above, HPAB reviewed a total of 2,952 policy forms during 2016 to assure that California's health insurance policy forms conform to California legal requirements.

Health Insurance Mergers

In 2016, the Department analyzed and held extensive public hearings regarding three proposed mergers. In the proposed merger of Health Net Life Insurance Company with Centene Corporation, the Department had direct approval jurisdiction under the Holding Company Act. After extensive evaluation of the merger, including a lengthy public hearing, the Department approved the acquisition on the condition that Centene comply with stringent requirements so that the combined entity will be a stronger, larger, and continuing competitor in the California commercial market.

In the proposed acquisition of Humana, Inc. by Aetna, Inc., and the proposed merger of Anthem, Inc. and Cigna Corporation, the Department performed substantial analysis of the mergers, including public hearings. The Department's public hearings, at which Commissioner Jones questioned insurance company executives, were well attended and included testimony from merger experts, consumer organizations, medical

providers, employers and consumers. The Department found that the proposed merger of Anthem and Cigna would significantly increase market concentration across product types in many California counties, increasing the combined entity's market power and would result in higher prices and lower quality of care. Further, the Department found that the proposed merger of Aetna and Humana presented immediate competitive concerns in an already concentrated market. However, under current law, the Department did not have direct authority to disapprove these mergers. Instead, the Department provided its findings regarding the anti-competitive impact of these mergers to the United State Department of Justice (DOJ) with the strong recommendation that the mergers be blocked. Thereafter the DOJ brought antitrust lawsuits to prevent both mergers. Both mergers were subsequently blocked by the courts, consistent with the Department's findings.

Federal and State Regulations

Federal Regulations

During 2016, federal regulators proposed a number of regulations regarding the ongoing implementation of the Affordable Care Act. The Department evaluated the proposed regulations and provided comments to the federal government so that the final regulations would better harmonize with the needs of the California health insurance market.

State Regulations

In 2016, the Department finalized amendments to its network adequacy regulation, to further ensure that Californians can access needed health care services. The regulation added protections such as appointment waiting time standards to the existing time and distance standards, and improved the specificity of network requirements for mental health and substance use disorders, including consideration of the special network requirements for conditions requiring frequent therapy, such as behavioral health. The revised regulation also requires that networks include adequate primary care providers and specialists with practice privileges at network hospitals, required that networks include a variety of facility types, and required that medically appropriate specialty care be provided at in-network cost sharing, if not available within the network. Finally, the revised regulation also strengthened the Department's oversight of network adequacy by requiring additional, detailed network reports and data from insurers.

Improved Consumer Access to Mental Health Treatment and Substance Use Disorder Services

The Health Policy and Reform Branch continued to enforce the federal Mental Health Parity and Addiction Equity Act (MHPAEA) to ensure consumers have equal access to mental health and substance use disorder benefits as they do to medical benefits under their health insurance policies. Attorneys in the Health Policy Approval Bureau reviewed policy forms to ensure that coverage for mental health and substance use disorder benefits was not more restrictive than coverage for medical benefits. In 2016, the Health Policy Approval Bureau also developed reporting templates for insurers to demonstrate compliance with federal parity laws.

The Department's templates and other MHPAEA enforcement efforts were highlighted in an issue paper by the federal Substance Abuse and Mental Health Services Administration

(SAMHSA) regarding best practices in state implementation of MHPAEA. A parity task force established by President Obama also mentioned CDI's compliance templates in its final report in October 2016 and named California among one of the seven states with promising MHPAEA compliance and enforcement practices.

Through these efforts, the Branch succeeded in removing non-compliant exclusions and treatment limitations on mental health and substance use disorder benefits from health insurance policies, and in some cases reducing or eliminating cost sharing for these benefits. Moreover, the Department's compliance templates have served as a model and resource for other states developing their mental health parity implementation processes. As a result of the Branch's efforts to enforce the state and federal mental health parity laws, consumers received expanded access to mental health and substance use disorder benefits.

Prescription Drug Coverage Guidelines Implementation

The Health Policy and Reform Branch continued to enforce rules to reduce discrimination in prescription drug coverage benefit design. Although the Department began enforcing prescription drug guidelines in 2015, some insurers continued to file discriminatory designs in 2016. The Department evaluated formularies for appropriate coverage of drugs recommended by clinical guidelines, as well as for placement of drugs on cost sharing tiers, for health conditions including HIV, multiple sclerosis, diabetes, and mental health conditions such as depression, schizophrenia, and bipolar disorder. As a consequence of the significant time the Branch spent enforcing the law, consumers were spared what would otherwise have been limitations in access to specialty and other drugs that insurers had proposed.

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

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

Saved Consumers Money through Rate Review

In 2016, the Health Actuarial Office reviewed all major medical rate increases filed with the Department. California law does not give the Insurance Commissioner the authority to reject excessive health insurance rate increases. This legal gap continues to cost California's consumers and businesses millions of dollars in excess premiums. However, the process of reviewing rates and discussing concerns with insurance carriers who voluntarily agree to reduce rates has resulted in an estimated total savings of $20.1 million for California consumers with major medical insurance products in 2016.

Implemented California Online Medical Price and Quality Transparency Project

CDI continued to improve its medical price and quality transparency website, California Health Care Compare, an innovative web-based tool that makes health care price and quality information publicly available to consumers in a user-friendly format. A first of its kind in California, this tool makes it easier for consumers to shop for health care just like they would for

any other service – with access to important information about cost and quality. For example, consumers can find the higher and lower performing hospitals and medical groups for areas of care such as maternity care, hip and knee replacement, back pain, colon cancer screening, and diabetes. Consumers can also see a range of estimated costs for more than 100 different medical procedures or conditions from breast cancer screening to low back problems. In 2016, the website was expanded to provide price information for 25 additional procedures, for a total of 125 medical episodes and procedures; and quality measures for two additional groups of procedures and episodes of care: chronic obstructive pulmonary disease, and pediatric respiratory infections.

California Health Care Compare is a product of the Department's collaboration with the University of California San Francisco and Consumer Reports with which the Department has contracted for their expertise presenting the data to the public. The project began in 2013 when Commissioner Jones directed the California Department of Insurance to obtain federal Affordable Care Act grant funds to enhance transparency in health care pricing. The Department sought and was awarded a grant to pay for the creation of California Health Compare. The resulting data center and website are a first step in achieving cost and quality transparency in California's healthcare marketplace. The website can be viewed at CAhealthcarecompare.org.

Enhanced Resources for Health Insurance Enforcement and Consumer Protection

The Health Policy and Reform Branch applied for a federal grant to enhance California's implementation of key market reforms under the ACA. The Centers for Medicare and Medicaid Services awarded CDI $1.84 million in grant funding — the largest award to any state under this federal grant program — to strengthen California's enforcement efforts and consumer protections under four critical areas of health market reforms:

- Non-discrimination standards in health insurance
- Coverage of preventive care services
- Medical loss ratio compliance
- Mental health parity (under the federal Mental Health Parity and Addiction Equity Act)

The grant funds will be used over a two-year period to enhance CDI's existing implementation and enforcement efforts in these areas, and provide additional training resources to Consumer Services and Market Conduct staff as well as Health Policy and Reform Branch staff to enable more effective enforcement and compliance with these ACA reforms.

Conducted ACA Trainings for CDI Staff

The Health Policy and Reform Branch provided training to CDI staff regarding both federal and state healthcare reform efforts. Topics included essential health benefits, pediatric dental and vision, Actuarial Value, and Summary of Benefits and Coverage (SBCs). Given the ongoing and technical nature of health care reform, the Branch's ACA team will continue to conduct more training through 2017.

Represented CDI and the Commissioner to the NAIC

The ACA team actively participated in weekly NAIC meetings and conference calls, providing feedback from California's perspective and reviewing information essential to

the implementation of the ACA in California. The team also participated in weekly NAIC subgroups such as the State Rate Review sub-group and the Network Adequacy Model Review sub-group.

2016 ANNUAL REPORT

RATE REGULATION BRANCH

Rate Regulation Branch

The Rate Regulation Branch (RRB) determines whether rates charged to consumers in California are fair (not excessive, inadequate, or unfairly discriminatory).

Under the provisions of Proposition 103 (enacted by the voters in 1988) the Department of Insurance is required to review rates for most property and casualty lines of business before they can be used.

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.

CDI processed 6,489 property-casualty rates, rules, and form filings during 2016 and reduced requested rate increases by $270.4 million. In addition CDI approved reductions of existing rates totaling more than $304.3 million. For personal auto insurance coverage, the totals include $230.5 million in reductions to requested increases.

RATE FILING BUREAUS

The Rate Regulation Branch consists of five filing bureaus (two in San Francisco and three in Los Angeles). These bureaus receive and review filings from over 750 property and casualty companies licensed in California. 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.

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

Rate Regulation actively utilizes the National Association of Insurance Commissioners' (NAIC) System for Electronic Rate and Form Filings (SERFF). This system is designed to enable companies to send and states to receive, comment on, approve, or reject insurance industry rate and form filings. This system helps increase efficiency and facilitate communication between the Rate Filing Bureaus and insurers. The percentage of filings received via SERFF continues to increase each year. During 2016 the percentage of total filings received through SERFF was approximately 99%.

In addition to prior approval filing applications, the Rate Filing Bureau reviews:

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) to CDI for review. Class Plans provide the department with the rating methodology each company intends to use to comply with the mandates of Proposition 103 relating to the development of rates.

Advisory Organizations – Advisory organizations compile data and develop rating elements that can be used by member insurance companies to assist in their own ratemaking related activities.

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

Workers' Compensation – Under California's competitive rating law, (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. All company rates, rating plans, and rating rules must be filed with CDI prior to use. In 2016, 579 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 2016, 81 title insurance rate filings were reviewed.

TABLE A: FILINGS RECEIVED
Calendar Years 2015-2016

TYPE	2015	2016
Private Passenger Automobile	444	518
Homeowners	175	147
Other Personal Lines Products	420	211
Title	62	81
Workers' Compensation	517	579
Medical Malpractice	66	72
Other Commercial Lines Products	6,416	4,091
TOTAL	8100	6,489

RATE SPECIALIST BUREAU (RSB)

The Rate Specialist Bureau (RSB) provides advice and support to the Commissioner, executive staff, Rate Regulation Branch rate filing staff, other CDI Branch Managers, the industry, and consumers with regard to underwriting, rating, data collection, statistical analysis, profitability, and rate-of-return issues. RSB's duties and responsibilities continue to include all lines of insurance. During 2016 RSB has accomplished the following tasks:

1. Undertook a new assignment to conduct a research project of transportation network company insurance coverage. Pursuant to Assembly Bill 2293 (Bonilla 2014), the California Department of Insurance (CDI) and California Public Utilities Commission (CPUC) are required to collaborate on a study of Transportation Network Company (TNC) insurance to assess whether coverage limits are appropriate to the risk of TNC service. The results of this study will be reported to the Legislature by December 31, 2017. RSB designed a data call for insurance companies transacting automobile insurance coverage in California. The survey data is due on July 1, 2017.

2. Assisted the Prior Approval Working Group with regard to the preparation of key rate components for the prior-approval regulations. In support of the regulations, RSB promulgated supporting data and reports that were used by 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 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 Design and Update of the On-Level Premium Factor Calculation Template.

3. Collected Bond Yields information on a daily basis and compiled information from various sources for the calculation of risk free rates, investment yield rates, and projected yield. This information is published monthly in the CDI website for use by the companies in their rate filings.

4. Conducted the Survey of Marketing System Information to collect data in order to update the calculation of efficiency standards.

5. Compiled California Market Share Reports for Property & Casualty insurance, for Life & Annuity insurance, for Title and Home Warranty. The reports are posted in CDI's website at: California Insurance Market Share Reports. RSB also monitored the premium regulated by the Department of Managed Health Care (DMHC).

6. Compiled the Excessive Rate Report using data obtained from the NAIC. Each year, this report forms an essential part of the Excessive Rate Project, a pro-active rate regulation effort to assure that insurers are in compliance with non-excessive rate standards set forth in CIC 1861.05(a).

7. Compiled the Rate Classification Comparison for the Top 50 Workers' Compensation Insurers in California for CDI's website. See: Workers' Compensation Rate Comparison.

8. Completed various projects in relation to workers' compensation insurance such as preparing market share reports and historical premium, loss and dividend comparisons. Also compiled historical experience data of State Compensation Insurance Fund (SCIF) in comparison with other major states residual markets on workers' compensation insurance.

9. Promulgated the Proposition 103 Administration Fees for property and casualty companies, and the workers' compensation filing fee charges for the Accounting Division. Collected, compiled, and analyzed data as required by various sections of the California Insurance Code and Code of Regulations. RSB also continued to collect Calendar Year loss and experience data of credit property and credit unemployment insurance pursuant to (CIC §779.36).

10. Collected and compiled earthquake probable maximum loss (PML) data via the annual data calls RSB collected and compiled the annual Earthquake Premium & Policy Count data call.

The Summary Report is posted in CDI's website at: Residential and Earthquake Insurance Coverage Study.

11. Reviewed the Fast Track Data and promulgated private passenger automobile and homeowners' insurance trend factors.

12. Acted as liaison to the California FAIR Plan Association. RSB's staff participated in the California FAIR Plan's rating and underwriting appeals proceedings and the Bureau Chief attended its Governing Committee meetings.

13. Assisted in the review of fire-related underwriting guidelines in companies' rate filings to help produce a Wildfire Underwriting Guidelines Chart for Commissioner to use in a hearing.

14. RSB uses United States Postal Service's (USPS) Electronic Product Fulfilment system to regularly monitor and update zip code information for Auto Rating Factor Study, EQ Zoning, & CAARP. Reports are posted in our intranet site.

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

§674.5 & §674.6:

COMPANIES CEASING TO OFFER A PARTICULAR LINE OF COVERAGE

Under CIC §674.5, an insurer ceasing to offer any particular class of commercial liability insurance must provide prior notification of its intent to the commissioner. Likewise, under CIC §674.6, an insurer offering policies of commercial liability and most types of property/casualty insurance must provide prior notification to the commissioner of its intent to withdraw wholly or substantially from the specified line of insurance. The list of notifications that the department received is shown in following table.

TABLE B: COMPANIES FILING WITHDRAWALS, CEASE WRITINGS, ETC.
Calendar Year 2016

NAIC #	COMPANY NAME	GROUP NAME	REQUEST DATE	EFFECTIVE DATE	PROPOSED ACTION BY COMPANY
13056	RLI INS CO	RLI INS GRP	11/28/2016	1/28/2017	Discontinue writing recreational vehicle insurance.
24414	GENERAL CASUALTY CO OF WI	QBE INS GRP	11/10/2016	3/1/2017	Discontinue writing for-hire commercial trucking insurance.
13242	TITAN INDEMNITY	NATIONWIDE CORP GRP	7/15/2016	10/1/2016	Non-renewal of Recreation Vehicle and Personal Boatowners policies.
42889	VICTORIA FIRE & CASUALTY	NATIONWIDE CORP GRP	7/15/2016	10/1/2016	Non-renewal of Recreation Vehicle and Personal Boatowners policies.
22322	GREENWICH INS CO	XL AMER GRP	6/13/2016	8/13/2016	Withdrawal from writing Surety Bond.
37885	XL SPECIALTY INS CO	XL AMER GRP	6/13/2016	8/13/2016	Withdrawal from writing Surety Bond.
15059	PUBLIC SERVICE INS CO	PUBLIC SERV GRP	6/16/2016	8/16/2016	Substantial withdrawal from Commercial Liability lines.
10997	WESTERN SELECT INS CO	PUBLIC SERV GRP	6/16/2016	8/16/2016	Substantial withdrawal from Commercial Liability lines.
19518	CATLIN INS CO	XL AMER GRP	3/15/2016	5/15/2016	Transfer certain redundant business to affiliated XL US companies.
24503	CATLIN IND CO	XL AMER GRP	3/15/2016	5/15/2016	Transfer certain redundant business to affiliated XL US companies.
23469	AMERICAN MODERN HOME INS CO	MUNICH RE GRP	3/11/2016	5/11/2016	Intent to discontinue writing Lender Placed insurance.
23450	AMERICAN FAMILY HOME INS CO	MUNICH RE GRP	3/11/2016	5/11/2016	Intent to discontinue writing Lender Placed insurance.
36927	COLONY SPECIALTY INS CO	ARGONAUT GRP	2/22/2016	5/22/2016	Intent to substantially withdraw from offering Liability policies to residential care facilities for the elderly.

2016 ANNUAL REPORT

ENFORCEMENT BRANCH

Enforcement Branch

STATUTORY REPORTING REQUIREMENTS

Pursuant to Sections 1872.9, 1872.96 and 1874.8 of the California Insurance Code and consistent with reporting protocols of the California Department of Insurance, the Enforcement Branch provides information relating to: a) the specific duties of each of its divisions; b) program oversight and expenditures; and c) specific activities for fiscal year 2015-16.

Section One: Enforcement Branch Overview

Section Two: Investigation Division

Section Three: Fraud Division

Section Four: Workers' Compensation Insurance Fraud Program

Section Five: Appendices

SECTION ONE: ENFORCEMENT BRANCH OVERVIEW

The mission of California Department of Insurance Enforcement Branch is:

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

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

In addition to investigating criminal and regulatory violations, the Enforcement Branch administers five grant programs that provide funding to county district attorney offices to assist with their efforts to investigate and prosecute insurance fraud. The Fraud Division administers four of the five grant programs: Automobile Insurance Fraud, Urban Automobile Fraud Activity Interdiction, Disability and Healthcare Fraud, and Workers' Compensation Insurance Fraud. The Investigation Division administers the Life and Annuity Consumer Protection Program. Supplemental-Disability and Healthcare Fraud funding was obtained and implemented on July 1, 2014.This one time supplemental funding will be administered over the next four years.

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

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

BRANCH ORGANIZATION

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

Branch Headquarters – The Administrative Services Chief is responsible for the management of the Branch Headquarters Office that supports the Enforcement Branch Deputy Commissioner and the Fraud and Investigation Divisions' regional offices. This position works closely with other units within the department, most notably Human Resources Management Division, Budget and Revenue Management Bureau, Accounting Services Bureau, Information Technology Division, and Business Management Bureau. The Administrative Services Chief reports to the Deputy Commissioner.

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

- Human Resources, Special Projects, and Reception
- Management Reporting and Intake
- Fraud Grant Audit Program
- Special Investigative Unit (SIU) Compliance Program
- Budgets, Procurement, and Property Control

Recruitment and Background Investigations – The Recruitment and Background Investigations Captain coordinates all investigations and supervises a team of two Detective Sergeants (Supervising Fraud Investigator I), three Detectives (Fraud Investigator), three Associate Government Program Analysts, and seven retired annuitants who perform all pre-employment background investigations for the Branch. The Captain reports to the Deputy Commissioner.

Internal Affairs (IA) – The Internal Affairs Captain coordinates all investigations and supervises a team of two Detective Sergeants (Supervising Fraud Investigator I), one Northern Region and one Southern Region, who are responsible for conducting complex and sensitive investigations and research related to internal affairs investigations and citizen's complaints for the Enforcement Branch in accordance with departmental policies, procedures, and applicable laws, rules and regulations. The Internal Captain reports to the Deputy Commissioner.

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

- Automobile Insurance Fraud
- Workers' Compensation Fraud
- Property, Life, and Casualty Fraud
- Disability and Healthcare Fraud

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

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

Local Assistance Unit – A Staff Services Manager I oversees the operations of the Local Assistance staff that supports activities related to the Insurance Fraud Grant Programs for Automobile, Workers' Compensation, Property, Life, and Casualty, and Disability and Healthcare. The Staff Services Manager I reports to the Assistant Chief, Grant Programs/Training Unit.

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

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

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

ANTI-FRAUD OUTREACH

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

The following are examples of outreach activities:

- Internet – The CDI Internet public web site addresses several topics including: "What is Insurance Fraud?" and "Reporting Fraud". The web site provides Insurance Fraud Reporting Forms, identifies Fraud Division Regional Offices, and reports Workers' Compensation Insurance Fraud Convictions. Relevant press releases are posted as arrests and convictions occur.

- For Workers' Compensation Fraud, consistent with the requirements of California Insurance Code Section 1871.9, the department posts fraud convictions on its web site for five years from the date of conviction or until it is notified in writing that the conviction has been reversed or expunged.

- Community Forums – The Enforcement Branch participates in community-sponsored events, such as town hall meetings, public hearings, and underground economy seminars. These forums give the Branch opportunities to hear directly from consumers regarding their insurance concerns, and also to provide information communities may find useful to protect themselves from insurance fraud.

- Media/Public Service Announcements – The Enforcement Branch participates with local, state, and national broadcasting outlets to educate the public about insurance fraud in California. The Branch's accomplishments are highlighted so the public is aware of workers' compensation arrests, prosecutions, and convictions throughout the state. Significant cases are taken to the media, in partnership with other law enforcement agencies, to educate the public about the Branch's activities with an eye toward further deterrence.

- Industry Liaison – The Enforcement Branch maintains ongoing liaison with the insurance industry by interacting with a variety of organizations including: The International Association of Special Investigation Units, Workers' Compensation Advisory Committee, Insurance Fraud Advisory Board, National Insurance Crime Bureau Regional Advisory Committee, Health Fraud Task Force, Underground Economy Task Forces, California Coalition on Workers' Compensation, California Workers' Compensation Institute, Northern California Fraud Investigators' Association, and the Southern California Fraud Investigators' Association.

- Governmental Liaison – The Enforcement Branch maintains routine liaison with the following state agencies or entities on matters of overlapping jurisdiction or mutual concern: California Peace Officers Association, California Peace Officer Standards and Training, Instructor Standards Counsel, California Highway Patrol, Employment Development Department, Department of Industrial Relations–Division of Workers' Compensation and Division of Labor Standards Enforcement, Department of Consumer Affairs, Bureau of Automotive Repair, California Contractors State License Board, the Cemetery and Funeral Bureau, Department of Justice, Department of Corporations, Franchise Tax Board, California Board of Chiropractic Examiners, California District Attorneys Association, National Association of Insurance Commissioners, Statewide Vehicle Task Force, Department of Corrections and Rehabilitation, Department of Alcoholic Beverage Control, and Regional Auto Theft Task Forces.

- Grant Workshops for County District Attorney's Offices – Statewide workshops for district attorney personnel who participate in the Insurance Fraud Grant Programs are provided jointly by the Local Assistance Unit, Fraud Grant Audit Program, and Fraud Division regional offices. The workshops, designed for staff responsible for complying with the program data collection and reporting requirements, cover the administration and audit of grant programs, and the components of a successful joint plan. Procedures to deal with fraud complaints and referrals received by both the Fraud Division and the district attorney are explored.

SECTION TWO: INVESTIGATION DIVISION

The mission of the Investigation Division is:

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

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

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

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

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

Budget and Staffing

During the fiscal year 2015-16, the Investigation Division's expenditures totaled $10,031,503 in support of 105 authorized positions.

Investigation Division Administration and Operations

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

Branch Headquarters – The Enforcement Branch Headquarters administers the Life and Annuity Consumer Protection Program and provides administrative services to the Investigation Division regional investigators and their staff.

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

Investigation Division Regional Offices – Seven regional offices located throughout California are each managed by a Chief Investigator assisted by first-line supervisors, investigators, and support staff. Each regional office is responsible for investigating reports of suspected violations within their jurisdiction.

The Criminal Operations Point of Sale Unit (COPS) – A team of sworn peace officers within the Investigation Division, assists investigators with criminal investigations, effects arrests, executes search warrants, serves as liaison with allied law enforcement, and advances the department's continuing goal of protecting consumers by using the full array of peace officers' powers authorized by Penal Code §830.3.

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

Violations – The Investigation Division pursues the following violations:

1. Premium Theft – The theft of insurance premiums is the most prevalent type of misconduct in the agent/broker arena. Illegal conduct ranging from single thefts to multi-million dollar scams victimizes the insurance industry and competitive businesses.

2. Senior Citizen Abuse – Certain segments of the insurance industry target their marketing efforts toward senior citizens. Unscrupulous agents abuse elderly customers by unnecessarily replacing existing policies to earn greater commissions. Initial sales or replacement policies may be wholly unsuitable products further victimizing seniors. The misconduct may involve criminal activities including theft, falsifying documents, Ponzi schemes and confidence games.

3. Health Insurance Violations – This type of fraud encompasses the deceptive sale of long term care products; Medicare supplements, Medicare Advantage Plans – Part C, Medicare Prescription Drug Plans – Part D; medical discount card scams and "mini-med" plans; as well as other health insurance schemes and violations of the Affordable Care Act/Covered California program perpetrated by licensees.

4. Deceptive Sales and Marketing Practices – The failure of some insurers to properly monitor and control their sales force can lead to unethical and misleading marketing practices such as bait and switch schemes, misrepresentation, and the use of misleading titles and designations.

5. Unauthorized Insurance Companies – This type of fraud includes everything from phony insurance cards sold in DMV parking lots to fully operational offshore insurance companies issuing policies they have no intention of honoring.

6. Public Adjuster Misconduct – Public adjusters represent insurance claimants in the settlement of claims with their insurance companies. Misconduct in this area includes high-pressure sales, overcharging, conflicts of interest with vendors, and failure to account for claims proceeds.

7. Title Company Rebates and Kick-Backs – Kick-backs and commercial bribery are among the anti-competitive practices used to gain business from realtors.

8. Bail Agent Activity – A bail agent is a person permitted to solicit, negotiate, and transact undertakings of bail on behalf of a surety insurer. Some unscrupulous bail agents fail to return collateral, aid and abet unlicensed bail agents, or apprehend arrestees with the intent to extort premium payments.

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

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

TABLE A: DIVISION WIDE INVESTIGATIONS
Fiscal Year 2015-16

Complaints and General Correspondence Received	1,365
Opened –*(Includes subjects identified in fiscal year 2015-2016 for cases opened in fiscal year 2014-2015)*	1,008
Additional Complaints-Consolidated with Existing Cases	302
Completed	1,017
In Progress as of June 30, 2016:	
Criminal Cases	718
Regulatory /Administrative Cases	545
Total	1,263
Reports of Suspected Violation as of June 30, 2016: - (*Any initial allegation that is found sufficient to warrant an investigation but which has not yet been assigned to an investigator. It is intended to represent matters that are potential future investigations.)*	
Criminal Cases	104
Regulatory /Administrative Cases	123
Total	227
Chargeable Fraud	$45,330,407
Ordered Restitution	$12,129,645
Investigative Cost Recoveries	$571,244
Fines and Penalties	$14,621

TABLE B: CRIMINAL PROSECUTION CASES
Fiscal Year 2015-16

Referral to Prosecutors	118
Case Filed by Prosecutors	79
Search Warrants Obtained	104
Arrest Warrants Obtained	70
Arrested	72
Convictions	42

TABLE C: REGULATORY PROSECUTION CASES
Fiscal Year 2015-16

Cases referred for regulatory prosecution	169

Investigation Division Funding

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

Investigations Related To Automobile Insurance

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

TABLE D: AUTO INSURANCE INVESTIGATIONS
(This data is included in the overall Division case information shown on the previous sections of this report.)
Fiscal Year 2015-16

Opened – *(Includes subjects identified in fiscal year 2015-2016 for cases opened in fiscal year 2014-2015.)*	201
Completed	178
In progress as of June 30, 2016	213
Reports of Suspected Violation as of June 30, 2016	52

Enhanced Fraud Investigations

The California Department of Insurance (CDI) successfully litigated an anti-fraud case against Sutter Health resulting in a settlement payment, which statute indicates upon appropriation shall be used by CDI for enhanced fraud investigation and prevention efforts. The General Fund appropriation begins fiscal year 2014-2015 and extending through fiscal year 2017-2018 consistent with Insurance Code Section 1871.7 (g)(1)(A)(iv).

TABLE E: ENHANCED FRAUD INVESTIGATIONS
Fiscal Year 2015-16

Opened	360
Completed	199
In progress as of June 30, 2016	293
Reports of Suspected Violation as of June 30, 2016	113

Investigations Related to Life Insurance and Annuity Products

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

In this tenth year of grant funding, the Life and Annuity Consumer Protection Program provided $509,500 in grant funds to 13 counties. As a result of this collaborative effort, numerous licensed agents were prosecuted and convicted for theft, financial elder abuse, forgery, and identity theft in the transaction of life insurance and annuities with California consumers.

TABLE F: LIFE INSURANCE AND ANNUITY PRODUCTS INVESTIGATIONS
Fiscal Year 2015-16

Opened – *(Includes subjects identified in fiscal year 2015-2016 for cases opened in fiscal year 2014-2015)*	220
Completed	195
In progress as of June 30, 2016	386
Reports of Suspected Violation as of June 30, 2016	47

TABLE G: LIFE INSURANCE AND ANNUITY CONSUMER PROTECTION PRODUCTS DATA
Calendar Year 2016

Opened Consumer Complaints	2,418
Opened Investigations	210
Investigations referred to/reported by prosecuting agencies	48
Administrative or regulatory cases referred to the Department of Insurance's Legal Division	22
Administrative or regulatory enforcement actions taken	0

To further educate seniors about life insurance and annuity products, the Division participated in 71 senior events in 2016. The senior events provided information regarding scams committed against seniors, the purchase and use of insurance and annuity products, claim filings, and dispute resolution.

Ongoing relationships with the Contractors State License Board, Department of Consumer Affairs, State Bar of California, Town hall meeting, various legislative offices, senior expos, and health fairs enhance the Division's ability to get the message out.

The following educational materials were distributed during 2016:

- Annuities-What Seniors Need to Know – 1,716 copies
- Senior Insurance Advisories– 980 copies
- Informing Seniors-SIBOR – 2,746 copies

Initiatives to Reduce Producer Fraud

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

1. Established quality control measures at the regional level to ensure compliance with Division policies designed to improve efficiency and increase productivity.

2. Established the Investigation Division Disaster Assistance Response Team (DART) to work in conjunction with other CDI divisions and allied agencies to proactively respond to disasters or other emergencies statewide affecting enforcement operations.

3. In conjunction with CDI's Legal Enforcement Bureau, developed the Visiting Attorney Program (VAP) to assist in the review of on-going casework, as well as reports of suspected violations, to ensure that the Division is achieving an efficient use of its resources.

4. Enhanced Investigation Division Database to better identify suspects of investigations, economic impact information, and patterns of non-compliance by individuals and entities involved in the transaction of insurance.

5. Provided Life and Annuity Consumer Protection Program (LACPP) training to county prosecutors, local law enforcement agencies, and consumer groups.

6. Ongoing development of legislative proposals to strengthen laws governing the transaction of insurance and the enforcement of those laws.

7. Ongoing outreach to industry associations, consumer groups, and allied law enforcement agencies

SECTION THREE: FRAUD DIVISION

The mission of the Fraud Division is:

> *"To protect the public and prevent economic loss through the detection, investigation, and arrest of insurance fraud offenders."*

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

The Fraud Division oversees the following five fraud programs: (1) Automobile Insurance Fraud Program, (2) Organized Automobile Fraud Activity Interdiction Program, (3) Disability and Healthcare Fraud Program, (4) Workers' Compensation Insurance Fraud Program, and (5) Property, Life and Casualty Fraud Program. These programs are funded through a combination of annual insurer general assessments and insurance policy assessments. With the exception of the Property, Life, and Casualty Fraud Program, the County District Attorneys share the funding with the Fraud Division.

Fraud Division Administration and Operations

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

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

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

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

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

The Southern Region Bureau Chief is responsible for the operation of the Inland Empire, Orange, Valencia, Southern Los Angeles County and San Diego regional offices. The position also oversees the Fraud Division's two Automobile Fraud Programs – (Regular) Automobile Insurance

Fraud and Organized Automobile Fraud Activity Interdiction – and the Property and Casualty Fraud Program.

Fraud Grant Audit Program

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

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

In fiscal year 2015-16, the FGAP completed fiscal audits of 145 grants received by 19 county district attorney's offices. The breakdown of the audits by program is:

TABLE H: FGAP COMPLETED FISCAL AUDITS
Fiscal Year 2015-16

Workers' Compensation	51
Automobile	50
Organized Automobile	17
Disability and Healthcare	9
Life and Annuity	18

The most common findings were:

- Expenditure Report was not submitted within required timeframe.
- Independent Auditor's Report was not submitted within required timeframe.
- Indirect Cost expenditures exceed the maximum allowable amount.
- Inaccurate Annual Program Report submitted to CDI.

Once the FGAP completes its analysis, a Preliminary Audit Report is issued to the county district attorney's office. The Preliminary Audit Report identifies the potential audit findings, observations, and recommendations. The county district attorney's office is given 30 calendar days to respond and provide additional documentation. After analyzing any additional information received, a Final

Audit Report is issued to the county district attorney, CDI Enforcement Branch Deputy Commissioner, Division Chief, Bureau Chief, Regional Office Captain or Chief Investigator, Enforcement Branch Headquarters Chief, Program Manager, and the Legal Division, as appropriate. The Final Audit Report includes the county's response to the Preliminary Audit Report and any corrective actions taken to resolve the finding(s). In addition to the audit report, the FGAP provides Enforcement Branch Management an annual summary of audit findings, particularly repeat findings and/or unresolved findings, which may be taken into consideration and affect future insurance fraud grant funding for the county district attorney's office.

During FY 2015-16, the FGAP along with the CDI Local Assistance Unit conducted outreach for California District Attorney Staff by conducting three Grant Workshops. Attendees of the workshops were provided insurance fraud grant program request for application information as well as FGAP audit process information through a PowerPoint presentation, interaction with CDI staff, as well as informational handout materials.

AUTOMOBILE INSURANCE FRAUD PROGRAM

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

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

During fiscal year 2015-16, the Fraud Division received 17,955 suspected fraudulent claims (SFCs), assigned 497 new cases, made 243 arrests, and referred 234 submissions to prosecuting authorities. The potential loss amounted to $105,676,230.

District Attorneys' Automobile Insurance Fraud Program

During fiscal year 2015-16, 32 counties received funding totaling $15,259,000 through the department's Auto Insurance Grant Program. The financial support provided to each county is based on county population, the number of Suspected Fraudulent Claims (SFCs) reported, and the Insurance Commissioner's evaluation of the county's historical performance and plan description.

For fiscal year 2015-16, California district attorneys initiated 2,428 investigations and made 1,161 arrests, culminating in 1,094 convictions. This number includes the Fraud Division's enforcement actions and local law enforcement investigations.

Chargeable fraud amounted to $14,042,485, with $2,271,791 in restitution ordered by the courts.

Organized Automobile Fraud Activity Interdiction

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

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

During fiscal year 2015-16, the Fraud Division assigned 145 new cases and made 176 arrests and 109 referrals to prosecuting authorities. Potential loss amounted to $1,078,806.

District Attorneys' Organized Automobile Fraud Activity Interdiction Program

During fiscal year 2015-16, 8 counties were awarded grant funding totaling $6,692,000. The grant awarded to district attorneys reported 259 arrests, including Fraud Division arrests. District attorneys prosecuted 231 cases involving 548 defendants with chargeable fraud totaling $13,486,109. District attorney prosecutions resulted in 252 convictions.

DISABILITY AND HEALTHCARE FRAUD PROGRAM

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

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

During fiscal year 2015-16, the Fraud Division identified and reported 624 SFCs, assigned 68 new cases, and made 17 arrests and 19 referrals to prosecuting authorities. Potential loss amounted to $174,217,415

Healthcare Settlement

During fiscal year 2015-16, the Fraud Division identified and reported 44 SFCs, assigned 35 new cases, and made 25 arrests and 23 referrals to prosecuting authorities. Potential loss amounted to $$3,876,435.

District Attorneys' Disability and Healthcare Program

In fiscal year 2015-16, 12 counties received funding totaling $5,104,000 through the department's Disability and Healthcare Insurance Fraud Grant Program. The district attorneys reported 290 investigations, 50 arrests, and 68 convictions, which also included a majority of Fraud Division arrests. Chargeable fraud amounted to $240,770,245 with $8,513,864 restitution ordered by the courts.

District Attorneys' Disability and Healthcare Supplemental Program (Settlement)

As the result of a one-time Qui-Tam settlement, the California Department of Insurance received $4,000,000 to be awarded over four years, through an annual competitive process, available to those counties receiving a Disability and Healthcare Grant. These funds are to be used solely for the enhanced investigation and prosecution of cases involving healthcare/medical providers that have the potential to have great impact on disability and healthcare insurance fraud.

Fiscal year 2015-16 was the second year of this award; seven counties received funding totaling $1,000,000 through the Disability and Healthcare-Supplemental Insurance Fraud Grant Program. The district attorneys reported 90 investigations and 23 arrests. Chargeable fraud amounted to $6,265,685.

WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM

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

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

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

Funding for the program comes from California employers who are legally required to be insured or self-insured. The total aggregate assessment for fiscal year 2015-16 was $58,862,000.

During fiscal year 2015-16, the Fraud Division identified and reported 5,380 suspected fraud cases; (SFCs) assigned 502 new cases, made 249 arrests and referred 167 cases to prosecuting authorities. Potential loss amounted to $193,354,616.

District Attorneys' Workers' Compensation Program

In fiscal year 2015-16, the district attorneys reported a total of 731 arrests, which also included the majority of Fraud Division arrests. During the same time frame, district attorneys prosecuted 1,379 cases with 1,617 suspects, resulting in 610 convictions. Restitution of $15,626,822 was ordered in connection with these convictions and $10,198,615 was collected during fiscal year 2015-16. The total chargeable fraud was $969,486,865 representing only a small portion of actual fraud since so many fraudulent activities remain to be identified or investigated.

PROPERTY, LIFE AND CASUALTY FRAUD PROGRAM

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

This general program handles criminal investigations involving staged commercial/residential burglaries, life insurance fraud (which includes murder for profit cases), fraudulent natural disaster claims (wildfire, flood, earthquake, wind), slip and fall claims, internal embezzlement cases, false food contamination claims, and false marine claims. Criminal investigations in this program area can involve millions of dollars in loss (especially in life insurance fraud cases), and multiple claims for the same loss perpetrated by multiple suspects. Many of these cases have been jointly investigated in cooperation with local and federal law enforcement agencies and have been prosecuted at the local, state, or federal level.

During fiscal year 2015-16, the Fraud Division identified and reported 5,271 SFCs, assigned 81 new cases, made 46 arrests and referred 44 submissions to prosecuting authorities. Potential loss amounted to $1,222,784,707.

Budget and Staffing

TABLE I:
FRAUD DIVISION BUDGETED/EXPENDITURES BY PROGRAM
AND FISCAL YEAR STAFFING LEVEL
(Includes all authorized Program 20 positions)
Fiscal Year 2015-16

Fraud Budgeted Levels	$117,934,000
Fraud Actual Expenditures	$111,093,000
Insurance Fraud Assessment, Auto:	
District Attorneys' Auto Distribution	$21,951,000
State Operations Auto Expenditures	$20,274,000
Insurance Fraud Assessment, Workers' Compensation:	
District Attorneys' Workers' Compensation Distribution	$34,952,000
State Operations Workers' Compensation Expenditures	$20,592,000
Insurance Fraud Assessment, Disability and Healthcare	
District Attorneys' Disability and Healthcare Distribution	$5,104,000
State Operations Disability and Healthcare Expenditures	$3,051,000
Insurance Fraud Assessment, General:	
State Operations General Assessment Expenditures	$1,846,000
General Fund, Enhanced Fraud and Prevention	
District Attorney's Enhanced Fraud and Prevention Distribution	$1,000,000
State Operations, Enhanced Fraud and Prevention Expenditures	$2,323,000
Fiscal Year 2015-16 Fraud Positions	325

SPECIAL INVESTIGATIVE UNIT (SIU) COMPLIANCE PROGRAM

Special Investigative Units are divisions internal to insurance companies or retained by contract that identify and investigate suspected fraud involving their policyholders or claimants. The SIU Compliance Program within the Department of Insurance is responsible for ensuring that approximately 600 primary and 600 subsidiary companies licensed to do business in California comply with SIU statutes and regulations. This task is accomplished through a combination of field audits, desk reviews, and analysis of the SIU Annual Report that Insurers file with CDI as required by regulations (now in an electronic format referred to as the *eSIUAR*).

Field Audits and Desk Reviews

Field audits consist of:

- Notifying the insurer at least 60 days in advance of the on-site visit
- Audit planning prior to the on-site visit
- On-site fieldwork
- Reporting the results of the audit

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

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

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

Common audit findings of insurers include:

- Insurer did not report all incidents of suspected fraud to CDI within 60 days of reasonable belief being established.
- Insurer's SIU did not identify and investigate all incidents of possible suspected workers' compensation premium fraud.
- Insurer did not provide all verification and/or source documents (e.g., premium audit information) to allow an adequate review of workers' compensation policy files.
- Insurer's suspected fraud referral forms (eFD-1s) to CDI had errors and/or omissions.
- Insurer did not submit all requested documents and/or information requested by the auditor, which affected the auditor's ability to conduct a complete review of workers' compensation closed claims and/or SIU investigation files related to the lines of business subject to review.
- Insurer's integral anti-fraud personnel did not refer all incidents of suspected insurance fraud to the SIU for investigation.
- Insurer's written anti-fraud procedures or SIU investigation procedures did not include all

required topics/information/instructions.

- Insurer's training materials for new hires, integral anti-fraud personnel or SIU staff did not include all required topics/information.
- Insurer's continuing anti-fraud training was not provided to all SIU staff members.
- Insurer's anti-fraud orientation for new hires was not provided to all new employees within 90 days of commencement of duties.
- Insurer's annual anti-fraud in-service training was not provided to all integral anti-fraud personnel.
- Insurer's SIU Annual Report was inaccurate, incomplete and/or late.

TABLE J: SPECIAL INVESTIGATIVE UNIT (SIU) COMPLIANCE PROGRAM
FIELD AUDIT DETAIL
Fiscal Year 2015-16

Final Report Date	Company
1/27/16	Carolina Casualty Insurance Company
2/8/2016	Loya Casualty Insurance Company
2/25/2016	Sompo Japan Insurance Company of America
2/29/2016	Navigators Insurance Company
6/2/2016	Wesco Insurance Company
6/28/2016	Kemper Independence Insurance Company

Desk Reviews

In fiscal year 2015-16, the SIU Compliance Program completed an examination of eighty-six (86) 2014 SIU Annual Report documents of insurers determined to have remained noncompliant during calendar year 2014, which included integral anti-fraud personnel procedures, SIU procedures, new hire anti-fraud orientation material, and integral anti-fraud personnel annual anti- fraud in-service training material for compliance with California Code of Regulations §2698.35, 2698.36, and 2698.39. Insurers determined to have remained noncompliant during calendar year 2014 were allowed an opportunity to bring themselves into compliance on or before the September 30, 2016, due date of the 2015 SIU Annual Report. The SIU Compliance Program plans to complete desk reviews during fiscal year 2016-17 of the 2015 SIU Annual Report document submissions of all insurers who did not have a desk review completed during fiscal year 2015-16

SIU Annual Report

For the convenience of the insurance industry, the SIU Compliance Program's registration, completion, and submission process for the SIU Annual Report (*eSIUAR*) is now online. Safeguards are provided so that the report remains confidential, privileged, and proprietary. Insurers may update their contact information online throughout the year as needed. CDI is able to reach the SIU community via email notifications based on updates made by insurers to this site. The *eSIUAR* requires insurers to upload specified documents such as training materials and procedures, which permits the SIU Compliance Review Program auditors to conduct more extensive and broad-based reviews of insurers' compliance with California SIU statutes and regulations. These procedures help to ensure that suspected fraud is identified, investigated, and referred to the CDI Fraud Division (and District Attorney for workers' compensation) accurately and on time.

SUSPECTED FRAUDULENT CLAIMS REPORTING

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

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

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

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

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

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

TABLE K: SUSPECTED FRAUDULENT CLAIMS (SFCs)
Fiscal Year 2015-16

Auto and Urban Auto	17,955
Property Casualty – *(Includes Health and Disability referrals not submitted under the Health program)*	5,271
Workers' Compensation	5,380
Health	624
Healthcare Settlement	44
Total Suspected Fraudulent Claims	29,274

TABLE L: THE NUMBER OF CASES REJECTED BY THE FRAUD DIVISION DUE TO INSUFFICIENT EVIDENCE OR OTHER REASONS
Fiscal Year 2015-16
(Status of SFCs as of 8/22/2016)

SFCs closed, unassigned due to insufficient evidence	10,434
SFCs closed, unassigned due to insufficient resources	16,154
SFCs closed, unassigned due to other reasons	1,357
SFCs that were assigned to investigators	1,329

TABLE M: THE STATUS OF THE ASSIGNED SUSPECTED FRAUDULENT CLAIMS (SFCs)
Fiscal Year 2015-16
(Status of SFCs as of 8/22/2016)

SFCs that resulted in conviction or referred to District Attorney or other Prosecuting Authority	58
SFCs that were closed due to other reasons such as reduction of resources, insufficient evidence, case dismissal, case rejection, or due to statute of limitations	402
SFCs with ongoing investigation	869

TABLE N: THE NUMBER AND TYPES OF CASES PROSECUTED AS A RESULT OF FUNDING RECEIVED UNDER INSURANCE CODE § 1872.86
Fiscal Year 2015-16

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

Caseload (open and newly assigned)	81
Arrests	46
Suspect submissions to district attorneys	44

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

The following chart monetizes fraud reported to the Fraud Division and extracted from the Fraud Integrated Data Base (FIDB) System.

TABLE O: ECONOMIC VALUE OF FRAUD REPORTED BY TYPE
Fiscal Year 2015-16

Insurance Type	Amount Paid – (*Amount paid on claim to date)*	Suspected Fraudulent Loss – (*Amount paid that is suspected as being fraudulently claimed)*	Potential Loss – *(Amount of loss or exposure if fraud had gone undiscovered)*
Automobile	$61,373,972	$28,032,939	$105,676,230
Organized Automobile Fraud Activity Interdiction	$607,212	$750,757	$1,078,806
Health	$237,825,631	$401,672,686	$174,217,415
Healthcare Settlement	$5,437,906	$3,702,490	$3,876,435
Property Casualty	$35,197,779	$83,211,643	$1,222,784,707
Workers' Compensation	$217,902,520	$70,479,470	$193,354,616
Totals	**$558,345,020**	**587,849,985**	**$1,700,988,209**

BASIC CLAIMS INFORMATION
Including Trends of Payments by Type Of Claim And Other Claim Information That Is Generally Provided In A Closed Claim Study

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

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

Fraud Program	Restitution	
	Ordered	Collected
Automobile	$2,271,791	$1,120,111
Organized Automobile Fraud Activity Interdiction	$5,988,953	$930,932
Health	$8,513,864	$4,003,094
Workers' Compensation	$15,626,822	$10,198,615

SECTION FOUR: WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM

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

Distribution of Workers' Compensation Program Hours

For fiscal year 2015-16, investigative staff spent 80% of program hours on case and direct program support; the remaining 6.8% was indirect time and 13.2% was time off.

The Division spent 43% of its time directly on the Workers' Compensation Program, while the remaining 57% was distributed throughout the other insurance fraud programs. In addition to investigative activities, the Fraud Division is responsible for the administration and oversight of the program, which includes:

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

Maintaining a Balanced Caseload

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

TABLE Q: WORKERS' COMPENSATION CASELOAD
Fiscal Year 2015-16

Fraud Activity	Total Caseload
Claimant Fraud	647
Insider Fraud	5
Employer Defrauding Employee	23
Legal Provider	12
Medical Provider	63
Misclassification	41
Other Workers' Comp	52
Pharmacy	1
Underreported Wages	295
Uninsured Employer	115
X-Mod Evasion	17
Totals	**1,271**

Underground Economy

Underground economy is a term that refers to those individuals and businesses that deal with cash and/or use other schemes to conceal their activities and their true tax liability from government licensing, regulatory, and taxing agencies[1]. Underground economy is also referred to as tax evasion, tax fraud, cash pay, tax gap, payments under-the-table, and off the books.

On March 9, 2015, the Little Hoover Commission released Report #226, Level the Playing Field: Put California's Underground Economy Out of Business, to the Governor and the Legislature. The report addresses the multi-billion dollar underground economy. Chairman Pedro Nava reported,

> "*Non-compliance by some California businesses hurts everyone as the impacts ripple outward: honest business owners, employees, the neighborhood, the state. State estimates suggest losses of $8.5 billion or more annually in uncollected tax revenue."*

Nava further indicated that,

> "*The state should replicate the workers' compensation grant funding model to other high-fraud areas, and the grants should include dedicated funding for complex multi- year investigations" . . . "enabling local district attorneys to increase their role in tackling the underground economy*[2]*."*

When businesses operate in the underground economy, they illegally reduce the amount of money expensed for insurance, payroll taxes, licenses, employee benefits, safety equipment, and safety conditions. As a result, unethical employers gain an unfair competitive advantage over businesses

[1] Underground Economy Operations," Employment Development Department, last modified September 5, 2015, http://www.edd.ca.gov/Payroll_Taxes/Underground_Economy_Operations.htm.
[2] Ibid.

that comply with the various business laws. This causes unfair competition in the marketplace and forces law-abiding businesses to pay higher taxes and expenses.

Employees of the businesses in the underground economy are also negatively affected. Their working conditions may not meet the legal requirements, which can put them in danger. Their wage earnings may also be less than required by law, and benefits they are entitled to can be denied or delayed because their wages are not properly reported[3].

Consumers can also be negatively affected when contracting with unlicensed businesses. Licensing provisions are designed to ensure minimum levels of skill and knowledge to protect the consumer[4].

Joint Enforcement Strike Force

On October 26, 1993, the Governor signed Executive Order W-66-93, which created the Joint Enforcement Strike Force on the Underground Economy (JESF)[5]. The Governor subsequently signed Senate Bill 1490, which placed the provisions of the Executive Order into law as Section 329 of the California Unemployment Insurance Code, effective January 1, 1995.

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

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

Labor Enforcement Task Force

The mission of the Labor Enforcement Task Force (LETF) is to combat the underground economy in order to ensure safe working conditions and proper payment of wages for workers, create an environment where legitimate businesses can thrive, and support the collection of all California taxes, fees, and penalties due from employers[6]. LETF ensures all businesses are provided equal opportunity to thrive and workers are afforded safe and fair working conditions through a collaboration of state agencies and other partners.

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

[3] Ibid.
[4] Ibid.
[5] Ibid.
[6] LETF Report to the California Legislature," Department of Industrial Relations Labor Enforcement Task Force, Accessed August 28, 2015, http://www.dir.ca.gov/letf/LETF_Legislative_Report.pdf.

LETF objectives for 2017 include expanding outreach and education, using data matching to prioritize incoming leads and tips; and increasing engagement with community partners.

The Roofing Compliance Working Group

In fiscal year 2014-15, CDI was invited to join the Department of Industrial Relations' Roofing Compliance Working Group (RCWG). CDI continues to participate with the collaborative working group.

In September 2013, RCWG was created as a collaborative effort between LETF partners, local district attorneys' offices, and several roofing contractor and union groups to combat unsafe and unfair practices in the roofing industry[7]. A dedicated hotline and email account were established to expedite reporting of observed violations. As leads are received, appropriate agency partners are identified and deployed to respond with prompt, coordinated enforcement. In fiscal year 2014-15, RCWG conducted 18 inspections which resulted in just under $152,000 assessed in initial penalties.[8]

Operation Underground

In a proactive approach to impact the underground economy, the Fraud Division has joined forces under JESF, with the Contractors State License Board, EDD, Franchise Tax Board, Department of Industrial Relations, and various district attorney offices including Santa Clara, Los Angeles, Riverside, Santa Barbara, San Bernardino, Ventura, Yolo, and Alameda Counties, to conduct inspections at construction sites and other businesses to enforce workers' compensation insurance, Contractors State License Board violations, EDD tax withholding requirements and Franchise Tax Board tax violations. The targets for these operations are identified using a system of data sharing between partners, Internet searches, and surveillance. Information obtained is cross-referenced with payroll information obtained from EDD, as well as premium information from the insurer.

On May 18, 2016, California Department of Insurance led the annual statewide multi-agency outreach effort, focused on curbing the multi-billion dollar underground economy. LETF and JESF teams inspected 19 businesses and assessed approximately $80,000 in fines as a result of this one-day operation. LETF Cal/OSHA inspectors issued one Order Prohibiting Use (OPU) for an unguarded wood-chipping machine at a trimming operation. After the OPU has been issued, the equipment or machinery cannot be used again until the hazards have been abated and Cal/OSHA has given its approval. LETF and JESF DLSE inspectors issued three stop orders to employers that had no workers' compensation insurance for their employees.

Uninsured Employers Compliance Sweeps

CDI continues to be proactive in seeking out potential premium fraud investigations while participating in enforcement sweeps of Labor Code 3700.5 cases with the Contractors State License Board, Division of Labor Standards Enforcement, district attorneys, and allied law enforcement agencies.

Willfully Uninsured Investigations are successful when approached from a team and joint resource perspective. As mentioned above, Fraud Division detectives participate with JESF and LETF partners to combat this activity. The Fraud Division also actively participates with Contractors State

[7] Ibid.
[8] Ibid.

License Board sting operations after fire disasters and other natural disasters to combat the underground economy.

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

Insurance Premium Fraud

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

These investigations are coordinated regionally as formal or informal task force teams. They include Fraud Division detectives and forensic auditors, district attorney investigators, and prosecutors. On July 1, 2015, the Franchise Tax Board assigned Special Agents to each of the four CDI Enforcement Branch Regional Offices in Northern California. Two Enforcement Branch Southern California Regional Offices already have Franchise Tax Board and EDD agents and investigators assigned. This strategic and coordinated team approach has led to the successful and timely completion of many Premium Fraud investigations. Case successes will be presented later in this document.

Budget and Staffing

TABLE R: WORKERS' COMPENSATION FRAUD
PROGRAM STAFFING/BUDGET
Fiscal Year 2015-16
Personnel Years (PY)

Staffing	
Workers' Compensation Fraud Program Positions	134
Budget	
Total Fraud Budgeted Levels – *(Reflects the FY 2015-16 Fraud Assessment Commission adopted Aggregate Assessment amount)*	$58,862,000
Total Fraud Actual Expenditures	$55,544,000
District Attorneys' Workers' Compensation Distribution	$34,952,000
Local Assistance	$34,952,000
State Operations – Workers' Compensation Expenditures	$20,592,000
Personnel Services	$12,348,000
Operating Expenses & Equipment (OE&E)	$8,244,000

Unfunded Contributions

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

coverage. The costs for the investigation of these cases is derived from fees and licensing funds within CDI.

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

Program Support

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

SECTION FIVE: WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM APPENDICES

Appendix One: Workers' Compensation Insurance Fraud Program
Insurance Commissioner's Grant Funding Recommendations
Fiscal Year 2015-16

Appendix Two: Workers' Compensation Insurance Fraud Program
Reported Suspected Fraudulent Claims (SFC's)
Calendar Years 2014, 2015 and 2016

Appendix Three: Workers' Compensation Insurance Fraud Program
District Attorney Convictions
Fiscal Year 2015-16

Workers' Compensation Insurance Fraud Program
Insurance Commissioner's Grant Funding Recommendations – Fiscal Year 2015-16
(1 of 1)

County	Fiscal Year 2014-15 Grant Awarded	Fiscal Year 2015-16 Amount Requested	Fiscal Year 2015-16 Grant Awarded
Alameda	$1,435,733	$1,675,297	$1,511,933
Amador	$386,479	$386,479	$386,479
Butte	$65,514	$84,769	$76,000
Contra Costa	$644,405	$1,107,063	$850,000
El Dorado	$248,088	$279,615	$271,428
Fresno	$1,114,206	$1,389,025	$1,236,000
Humboldt	$168,480	$203,812	$200,000
Imperial	$163,495	$163,495	$163,495
Kern	$886,522	$1,621,570	$1,058,000
Kings	$263,875	$263,875	$263,875
Los Angeles	$5,869,952	$6,458,643	$6,458,643
Madera	$15,000		
Marin	$233,868	$289,376	$245,648
Merced	$95,210	$238,375	$174,000
Monterey	$605,320	$795,268	$660,000
Napa	$130,741	$145,069	$135,500
Nevada	$66,315	$77,656	$73,525
Orange	$3,629,627	$4,159,371	$3,966,000
Placer		$226,184	$175,000
Riverside	$1,588,669	$2,174,984	$2,020,000
Sacramento	$880,635	$1,110,650	$910,000
San Bernardino	$2,101,458	$2,287,784	$2,113,943
San Diego	$4,567,000	$5,500,000	$4,990,459
San Francisco	$679,946	$835,676	$713,943
San Joaquin	$469,859	$497,101	$472,972
San Luis Obispo	$55,803	$55,524	$54,419
San Mateo	$689,314	$862,901	$691,588
Santa Barbara	$272,800	$351,700	$340,420
Santa Clara	$2,432,404	$3,309,491	$2,626,811
Santa Cruz	$131,425	$140,821	$118,223
Shasta	$144,342	$166,000	$154,955
Siskiyou	$43,384	$69,068	$52,992
Solano	$169,710	$271,057	$175,742
Sonoma	$35,388	$79,000	$66,800
Tehama	$84,214	$117,414	$110,248
Tulare	$499,033	$499,258	$499,258
Ventura	$678,109	$719,454	$683,465
Yolo	$228,069	$378,212	$250,067
Totals	**$31,774,392**	**$38,991,037**	**$34,951,831**

Appendix Two
Workers' Compensation Insurance Fraud Program
Reported Suspected Fraudulent Claims (SFC's)
Calendar Years 2014, 2015 and 2016
(Page 1 of 2)

County	Calendar Year		
	2014 SFC's	**2015 SFC's**	**2016 SFC's**
Alameda	241	200	179
Alpine	0	0	0
Amador	4	3	2
Butte	15	11	14
Calaveras	2	2	5
Colusa	10	12	3
Contra Costa	89	103	65
Del Norte	5	6	3
El Dorado	11	16	19
Fresno	114	93	69
Glenn	3	4	2
Humboldt	5	12	8
Imperial	20	25	16
Inyo	0	2	2
Kern	123	162	123
Kings	13	11	20
Lake	4	3	3
Lassen	2	2	2
Los Angeles	2,374	2,282	1554
Madera	7	12	6
Marin	23	22	11
Mariposa	1	1	3
Mendocino	3	3	5
Merced	21	15	27
Modoc	0	0	0
Mono	2	2	3
Monterey	78	51	43
Napa	21	23	21
Nevada	7	9	8
Orange	576	536	514
Placer	27	27	33
Plumas	2	0	1
Riverside	323	354	261
Sacramento	148	136	121
San Benito	5	6	5

Appendix Two
Workers' Compensation Insurance Fraud Program
Reported Suspected Fraudulent Claims (SFC's)
Calendar Years 2014, 2015 and 2016
(Page 2 of 2)

County	Calendar Year		
	2014 SFC's	**2015 SFC's**	**2016 SFC's**
San Bernardino	348	348	276
San Diego	327	404	332
San Francisco	104	106	96
San Joaquin	69	75	53
San Luis Obispo	18	19	31
San Mateo	63	76	62
Santa Barbara	77	64	37
Santa Clara	188	172	134
Santa Cruz	33	27	30
Shasta	12	18	9
Sierra	0	0	0
Siskiyou	8	7	4
Solano	45	34	33
Sonoma	41	31	38
Stanislaus	43	40	34
Sutter	5	2	8
Tehama	8	7	4
Trinity	0	0	2
Tulare	56	30	26
Tuolumne	3	5	3
Ventura	135	155	118
Yolo	23	25	25
Yuba	7	3	1
Totals	**5,892**	**5,794**	**4,507**

Alameda County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
H58580	Afu, Kali	Uninsured Employer	1 day(s) jail 60 month(s) probation	$0	$160,082	$0
H57092B	Bey, Dahood	Uninsured Employer	60 month(s) prison	$0	$240,707	$0
H57092D	Bey, Jameelah	Uninsured Employer	239 day(s) jail 60 month(s) probation	$0	$10,251	$0
H57092C	Bey, Qadirah	Uninsured Employer	239 day(s) jail 60 month(s) probation	$0	$0	$0
463865	Brown, James	Uninsured Employer		$0	$0	$0
H58537	Brumfield, Earnest	Claimant Fraud	Pending sentencing	$0	$0	$0
442954	Cano, Kevin	Other	1 day(s) jail 36 month(s) probation	$0	$10,000	$0
606040	Capper, William	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$1,000
461412	Durand, Enrique	Other		$0	$0	$0
461950	Esteban, Luis	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$1,000
460386	Fisher, Derick	Uninsured Employer	6 month(s) probation	$0	$5,094	$0
462735	Gaines, Dywan	Uninsured Employer		$0	$0	$0
462735	Gaines, Dywan	Other	1 day(s) jail 36 month(s) probation 150 hour(s) community service	$0	$0	$0
463867	Gaytan, Abel	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$1,000
463866	Gomez-Luis, Juan Carlos	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$1,000
462039	Gonzalez, Jaime	Uninsured Employer	36 month(s) probation	$0	$0	$1,000
604544	Guevarra, Cornelio	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$1,000

Alameda County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
463931	Hampton, Ronald	Other	1 day(s) jail 36 month(s) probation	$0	$2,200	$1,000
463091B	Hernandez, Cornelio	Uninsured Employer	1 day(s) jail 36 month(s) probation 100 hour(s) community service	$0	$0	$500
H57986	Hernandez, John	Claimant Fraud	3 years deferred entry of judgment	$0	$25,995	$0
603649	Hunt, Michael Scott	Uninsured Employer	3 day(s) jail 36 month(s) probation	$0	$3,000	$1,000
462109	Jensen, Erik	Uninsured Employer		$0	$26,100	$0
463863A	Jomok, Teresita	Premium Fraud	1 day(s) jail 36 month(s) probation	$0	$0	$0
462996	Juntilla, Alex	Uninsured Employer		$0	$3,000	$0
460588	Kreidler, Carl	Uninsured Employer	1 day(s) jail	$0	$17,000	$0
H57025	Kumar, Sanjay	Claimant Fraud	1 day(s) jail 36 month(s) probation	$0	$0	$0
462734	Lopez, Samuel	Uninsured Employer	1 day(s) jail 12 month(s) probation	$0	$0	$0
463934	Loum, John	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$2,500	$1,000
461453B	Lujano, Raudel	Uninsured Employer	1 day(s) jail 36 month(s) probation 50 hour(s) community service	$0	$0	$500
462351	Manalastas, Olive	Uninsured Employer		$0	$0	$1,000
456215	Mejia, Ramon	Premium Fraud	2 years deferred entry of judgment	$0	$48,181	$0
603815	Morris, Eric	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$0
H57092E	Muhammad, Basheer	Uninsured Employer	235 day(s) jail 60 month(s) probation	$0	$0	$0
463672B	Natividad, Jesus	Uninsured Employer		$0	$0	$500

Alameda County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
463672A	Natividad, Maribec	Uninsured Employer		$0	$0	$500
H56369	Nolfo, Salvatore	Multiple Entities Provider Fraud	1 day(s) jail 60 month(s) probation	$0	$3,702	$0
H57092A	Parker, Rory	Uninsured Employer	470 day(s) jail 60 month(s) probation	$0	$127,490	$0
463933	Phan, Toan Van	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$260
455231	Qadir, Habibullah	Uninsured Employer	30 day(s) jail 36 month(s) probation	$0	$2,140	$0
463936	Ramirez, Balmoris	Uninsured Employer	1 day(s) jail 36 month(s) probation 50 hour(s) community service	$0	$0	$1,000
607476A	Ricard, Christopher	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$2,000
461453A	Rodriguez, Rigoberto	Uninsured Employer	1 day(s) jail 36 month(s) probation 50 hour(s) community service	$0	$0	$500
462805	Santiago, Marilyn	Uninsured Employer	1 day(s) jail 12 month(s) probation	$0	$31,232	$0
H58902	Sitapa, Ilaikimi	Uninsured Employer	Pending Sentencing	$0	$0	$0
462041	Suyen, Mario	Other	50 hour(s) community service 18 month deferred entry of judgment	$0	$0	$1,000
458361	Toki, Jack	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$3,000	$1,000
463090	Vigil, Laurence	Uninsured Employer		$0	$1,999	$1,000
457370	Viliami, Palu	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$2,000

Amador County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
15C17165	Beebee, Austin	Uninsured Employer		$0	$0	$1,500
15CR23834	Carbajal, Juan	Uninsured Employer	12 month(s) probation	$0	$0	$2,500
15F6540	Cianfarani, Jason	Uninsured Employer	45 day(s) jail 36 month(s) probation	$0	$600	$0
15CR23379	Ellis, Billy	Premium Fraud	24 month(s) probation	$0	$4,967	$0
15CR23680	McLatchy, Michael	Uninsured Employer		$0	$0	$2,500
15CR23679	McLatchy, Michael	Uninsured Employer		$0	$0	$5,000
15F6630	Scantlen, Kannai	Insider Fraud	60 day(s) jail 36 month(s) probation	$0	$20,279	$775
16F6738	Torres, Jorge	Uninsured Employer		$0	$0	$2,220

Butte County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
DA1400458	Console, Dominic / Amjam	Premium Fraud	36 month(s) probation	$0	$5,409	$0
DA14002	Holmes, Dennis	Uninsured Employer	24 month(s) probation	$0	$0	$0
DA1200110	Neel, Howard	Claimant Fraud	365 day(s) jail 36 month(s) probation	$0	$0	$0
DA1300018	Walley, Dion Douglas	Claimant Fraud	36 month(s) prison	$0	$0	$0
DA1300471	Zepeda, Adam	Uninsured Employer	12 month(s) probation	$0	$0	$0

Contra Costa County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
1-170831-2	Abraham, Sarah	Claimant Fraud	60 day(s) jail 48 month(s) probation	$0	$1,079,000	$0
1-170774-4	Bocanegra, Antonio	Uninsured Employer	24 month(s) probation 40 hour(s) community service	$0	$0	$210
01-174254-	Dace, Genieve	Other	Defendant placed on diversion for one year	$0	$0	$0
1-171323-9	Fernandez, Pedro	Premium Fraud	2 day(s) jail 18 month(s) probation 20 hour(s) community service	$0	$0	$370
1-172646-2	Hingano, Pasimi	Claimant Fraud	Defendant placed on diversion	$0	$0	$0
5-152171-5	Khashchuk, Igor	Claimant Fraud	12 month(s) probation 25 hours community service	$0	$90,636	$0
01-172648-	Martin, Janet	Claimant Fraud	24 month(s) probation 80 hours community service	$0	$18,800	$0
1-171323-9	Morales, Jose	Premium Fraud	2 day(s) jail 18 month(s) probation 20 hour(s) community service	$0	$0	$370
1-170235-6	Murray, Karen	Claimant Fraud	36 month(s) prison 80 hour(s) community service	$0	$43,526	$370
1-173436-7	Nyguen, Hoa	Claimant Fraud	40 day(s) jail 36 month(s) probation	$0	$195,772	$0
1-175158-5	Rivera, Jesus	Claimant Fraud	Defendant placed on diversion	$0	$1,550	$0
1-170831-2	Sanchez, Julio	Claimant Fraud	60 day(s) jail 48 month(s) probation	$0	$1,079,000	$0
1-166670-0	Shen, Zhi	Claimant Fraud	Defendant placed on diversion for 18 months	$0	$0	$0
1-170017-8	Smith, Tim	Claimant Fraud	24 month(s) probation 40 hour(s) community service	$0	$0	$0
01-173422-	Swissa, Meir	Claimant Fraud	36 month(s) probation 100 hours community service	$0	$10,600	$0

Contra Costa County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
1-171680-2	Tomasi, Siu	Uninsured Employer	1800 month(s) probation 40 hour(s) community service	$0	$5,600	$210
1-173436-7	Tran, Raphael	Claimant Fraud	40 day(s) jail 36 month(s) probation	$0	$195,772	$0
4-179544-2	Uepi, Tevita	Uninsured Employer	180 day(s) jail 36 month(s) probation	$0	$0	$0

El Dorado County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
S15CRM0204	Aguilar, Todd Michael	Other		$0	$0	$0
S15M0235-2	Allan, David Mann / Victory Outreach	Other	6 month(s) probation	$0	$0	$442
P14CRF0065	Andrews, John / Andrews Construction	Other		$0	$0	$0
P10CRM1444	Barajas-Valencia, Jesus Rafael	Uninsured Employer		$0	$0	$0
P15CRF0211	Cuevas, Francisco	Claimant Fraud	120 day(s) jail 36 month(s) probation	$0	$22,453	$300
P13CRM0099	Deniro, Giorgio Astelian	Other		$0	$0	$0
S15CRM0699	Devoll, Victor Buz / Buzzy Buzzy Painting	Uninsured Employer		$0	$0	$0
P15CRF0215	Digaetano, Anthony	Claimant Fraud	36 month(s) probation	$0	$0	$470
S15CRM0607	Garcia-Compos, Jesus	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$738
S15CRM0202	Garcia-Paniagua, Lorenzo	Other		$0	$0	$0

El Dorado County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
P11CRM0495	Gomez-Hernandez, Fernando	Uninsured Employer		$0	$0	$0
P14CRM1150	Hansen, Mark Douglas	Uninsured Employer		$0	$0	$0
P14CRM1149	Hernandez, Charles / Hernandez Handyman Services	Uninsured Employer	36 month(s) probation	$0	$0	$738
S15CRM0074	Kidd, Narin Ritmaha / Thai Benjarong	Uninsured Employer	36 month(s) prison	$0	$0	$735
P13CRM0718	Larsen, Richard	Uninsured Employer		$0	$0	$0
S14CRM0362	Loayza-Baca, Juvenal	Uninsured Employer		$0	$0	$0
P15CRM0082	Meza, Ulises / Meza's & Clark Paint & Construction	Uninsured Employer	36 month(s) probation	$0	$0	$150
P13CRM0734	Miller, Darryl Dean	Uninsured Employer	36 month(s) probation	$0	$0	$860
S15CRM0085	Mimms, Mathew	Other	36 month(s) probation	$0	$0	$735
S15CRM0235	Smith, Jacob Paul	Other	6 month(s) probation	$0	$0	$443
P13CRM0668	Stamborsky, Phillip Andrew / Wholesale Bark & Mulch	Other	12 month(s) probation	$0	$0	$0
P13CRM0712	Tyler, Jonathan Alexander	Other		$0	$0	$0

El Dorado County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
S15CRM0716	Ure, John	Uninsured Employer		$0	$0	$0
S15CRM0706	Willson, Michael / Mr. Honey Do	Uninsured Employer	6 month(s) probation	$0	$0	$0
P12CRF0303	Xirouhakis, Antonios Dimitrious / Creative Tile & Granite Design	Uninsured Employer	90 day(s) jail 36 month(s) probation	$0	$0	$0

Fresno County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
15-16288	Aleman, Ramiro Marquez	Uninsured Employer	6 month(s) probation	$0	$1,000	$0
12-27149	Bergen, Daniel S	Claimant Fraud		$0	$70,074	$0
14-32707	Boyjian, David	Uninsured Employer	12 month(s) probation	$0	$500	$0
14-38396	Briseno, Joseph Daniel	Uninsured Employer	10 day(s) jail 24 month(s) probation	$0	$1,000	$350
14-15424	Del Toro, Gabriel	Uninsured Employer	12 month(s) probation	$0	$2,000	$0
12-23526	Garrison, Ladonna Nicole	Other	12 month(s) probation	$0	$500	$0
14-25239	Gill, Balbir Singh	Uninsured Employer	12 month(s) probation	$0	$1,000	$0
14-05282	Gill, Ramanpal Singh	Premium Fraud	40 hour(s) community service	$0	$50,000	$500
14-22935	Gonzalez, Miguel	Claimant Fraud	12 month(s) probation	$0	$1,450	$0
15-24931	Juarez, Ricardo	Uninsured Employer	12 month(s) probation	$0	$1,000	$0

Fresno County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
12-03865	Kutnerian, Migran	Premium Fraud	24 month(s) probation	$0	$45,000	$600
14-19920	Lemus, Felipa	Claimant Fraud	180 day(s) jail 24 month(s) probation	$0	$3,770	$0
14-17919	Loera, Luis Joe	Uninsured Employer	12 month(s) probation	$0	$0	$0
13-27229	Maciel, Guadalupe	Claimant Fraud	4 month(s) probation	$0	$0	$0
14-29710	Mccollum, Lawrence	Uninsured Employer	12 month(s) probation	$0	$500	$0
13-19780	Mendoza, Reidecil	Premium Fraud	365 day(s) jail 24 month(s) probation	$0	$30,000	$150
15-19201	Montejano Sr., Gilbert H	Uninsured Employer	4 month(s) probation	$0	$500	$0
15-32097	Oganesyan, Grigor	Uninsured Employer	12 month(s) probation	$0	$1,000	$0
13-37194	Ramirez, Rodger Alfonso	Claimant Fraud	12 month(s) probation 100 hour(s) community service	$0	$8,469	$150
16-11971	Vargas Garcia, George V	Uninsured Employer	12 month(s) probation	$0	$1,000	$0
13-21968	Villeda, Rosa	Claimant Fraud	365 day(s) jail 12 month(s) probation	$0	$9,999	$0
14-27483	Zabarsky, Steven G	Uninsured Employer	12 month(s) probation	$0	$500	$0
15-03072	Zapata, Marie Lazara	Uninsured Employer	6 month(s) probation	$0	$500	$0

Humboldt County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
DA15-0117	Hover, Brandy	Uninsured Employer	12 month(s) probation deferred entry of judgment	$0	$0	$1,000
DA15-0072	Koches, Joseph / The Blacksmith Shop	Uninsured Employer	Deferred entry of judgment	$0	$0	$2,500
DA15-0137	Linin, Zachary	Other	Deferred entry of judgment	$0	$0	$500
DA14-0051	Myers, Joseph	Single Entity Provider Fraud	36 month(s) probation Order not to prescribe medications while on probation.	$0	$16,000	$500
DA15-0032	Ward, Georgia / Native Construction	Uninsured Employer	18 month(s) probation Deferred Entry of Judgment	$0	$0	$500
DA14-0073	White, Richard	Claimant Fraud	36 month(s) probation	$0	$88,000	$0

Imperial County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
JCF34657	Marrujo, Jethro / Osts Interpreting	Single Entity Provider Fraud		$0	$0	$0
JCF30708	Mejia, Oscar	Claimant Fraud	36 month(s) probation	$0	$23,980	$0
JCF34485	Sandoval, Pedro	Claimant Fraud	36 month(s) probation	$0	$1,205	$220
JCF32728	Urrutia, Ricardo	Claimant Fraud	36 month(s) probation	$0	$20,000	$0

Kern County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
MM084914A	Aldaco, Alfredo H	Uninsured Employer	36 month(s) probation	$0	$0	$0
BM885796A	Allen, Joshua Cain	Uninsured Employer	36 month(s) probation	$0	$0	$980
BM862334A	Callaghan, Kenneth Newell / Holiday Pool Service	Uninsured Employer		$0	$0	$480
RM044437A	Cannon, Joseph Lawrence	Uninsured Employer		$0	$0	$0
BM867141A	Cantero, Richard	Uninsured Employer		$0	$0	$0
BM866960A	Carhuaz, Mateo	Uninsured Employer	Defendant's case dismissed per CDM.	$0	$0	$0
BF160354A	Chavez, Jose Villegas	Uninsured Employer		$0	$0	$0
BM862401A	Contreras Jr., Sergio	Uninsured Employer	36 month(s) probation	$0	$0	$480
BM862676A	Florez, Jose Delapaz	Uninsured Employer	90 day(s) jail 36 month(s) probation 120 hour(s) community service	$0	$0	$50,000
BM832617A	Fowler, Timothy Dwayne	Uninsured Employer	24 day(s) jail 36 month(s) probation	$0	$0	$1,000
BM885794A	Gonzalez, Alexis Ernesto	Uninsured Employer		$0	$0	$0
BM862402A	Higgins, Charles Martin	Uninsured Employer	36 month(s) probation	$0	$0	$10,000
BM885795A	Juarez, Alfred	Uninsured Employer	30 day(s) jail 36 month(s) probation	$0	$0	$980

Kern County County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BM885788A	Juarez, Arthur Villa	Uninsured Employer	36 day(s) jail	$0	$0	$980
BM843004A	Laverdue, Donald	Uninsured Employer	180 day(s) jail	$0	$0	$70
BM862975A	Lund, Mark Allen	Uninsured Employer	36 month(s) probation	$0	$0	$9,500
BM885790A	Lutrel, Derrick Gene	Uninsured Employer		$0	$0	$0
BM851485A	Maloney, Lloyd Daniel	Uninsured Employer	36 month(s) probation	$0	$0	$480
BM885800A	Manga, Javier Fuentes	Uninsured Employer	36 month(s) probation	$0	$0	$980
BM821624B	Martinez, Gustavo	Uninsured Employer		$0	$0	$0
BM843005A	Meadors, Jim Scott	Uninsured Employer	12 month(s) probation	$0	$0	$265
BM885798A	Menser, Daniel Duncan	Other	36 month(s) probation	$0	$0	$980
BM847578A	Montantes, Daniel	Uninsured Employer	36 month(s) probation	$0	$0	$10,000
BM864137A	Navarro, Daniel Gomez	Uninsured Employer	90 day(s) jail 36 month(s) probation	$0	$0	$0
BF155149A	Nunez, Nicole	Claimant Fraud	1 day(s) jail 24 month(s) probation 100 hour(s) community service	$0	$1,550	$570
BM869738A	Oates, Gary Matthew	Uninsured Employer		$0	$0	$0
MM084915A	Oliver, Jack Anthony	Uninsured Employer	36 month(s) probation	$0	$0	$500
BM885799A	Ortiz, Jessie Jermaine	Claimant Fraud	15 day(s) jail 36 month(s) probation	$0	$0	$500
BM835230A	Ortiz, Miguel Angel Triana	Uninsured Employer	36 month(s) probation	$0	$0	$2,000

Kern County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BF141700E	Pierce Ii, Dolphus Dwayne / P&R	Multiple Entities Provider Fraud		$0	$0	$0
BM862403A	Ramos, Reynaldo Fuentes	Uninsured Employer	36 month(s) probation	$0	$0	$480
BM866961A	Rodriguez, Rod Salvador	Uninsured Employer	36 month(s) probation	$0	$0	$3,000
BM856715A	Sharp, Bobby Joe Edward	Uninsured Employer	12 month(s) probation	$0	$0	$480
BM885786A	Smith, Jsean Larue	Uninsured Employer	36 month(s) probation	$0	$0	$980
BM885793A	Staker, Christopher Stuart	Uninsured Employer	5 day(s) jail 36 month(s) probation	$0	$0	$980
BM874054A	Swen, Anthony George	Uninsured Employer	36 month(s) probation	$0	$0	$480
BM862403B	Turcios, Nefar Ernesto	Uninsured Employer	36 month(s) probation	$0	$0	$480
BF162345A	Turner, Briana	Claimant Fraud		$0	$0	$0

Kings County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M-16-1644	Bojorquez, Adam	Uninsured Employer	36 month(s) probation	$0	$0	$500
M-14-6400	Garza, Andrew	Uninsured Employer	36 month(s) probation 80 hour(s) community service	$0	$0	$650
M-13-1096	Grunwald, Jr., Robert	Uninsured Employer	36 month(s) probation	$0	$0	$50
M-15-3422	Hernandez, Rufo	Uninsured Employer	36 month(s) probation	$0	$0	$500
F-15-1222	Kopitzke, Gayla	Claimant Fraud	36 month(s) probation	$0	$6,539	$150

Kings County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M-16-1644	Ramirez, Victor	Uninsured Employer	36 month(s) probation	$0	$0	$500
M-15-2747	Salas, Mario	Claimant Fraud	30 day(s) jail 36 month(s) probation	$0	$0	$3,400
M-12-4988	Waller, Cameron	Uninsured Employer	36 month(s) probation	$0	$0	$0

Los Angeles County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BA439084	Almaraz, Marcus James	Claimant Fraud	365 day(s) jail 36 month(s) probation 400 hour(s) community service	$0	$0	$0
BA435049	Alvarez, Armando	Claimant Fraud	60 month(s) probation 400 hour(s) community service	$0	$15,140	$0
BA435554	Benavides, Rosa	Claimant Fraud	36 month(s) probation 100 hour(s) community service	$0	$3,450	$0
BA429990	Boettcher, Andrew	Claimant Fraud	12 month(s) probation	$0	$4,426	$0
BA442986	Campos, Steven Nicholas	Claimant Fraud	36 month(s) probation 200 hour(s) community service	$0	$11,393	$0
BA396324	Chang, Mia Christine / Lotte Insurance Services	Premium Fraud	1 day(s) jail 36 month(s) probation 200 hour(s) community service	$0	$19,218	$0
ba433994	Clark, Maria	Claimant Fraud		$0	$0	$0
BA435713	Contreras, Jorge	Claimant Fraud	12 month(s) probation 200 hour(s) community service	$0	$13,265	$0
BA435727	Cruz, Jose Denis	Claimant Fraud	24 month(s) probation 200 hour(s) community service	$0	$4,991	$0
BA433548	Dellarso, Denise	Other	4 day(s) jail 12 month(s) probation	$0	$9,599	$0

Los Angeles County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BA434604	Evans, Kimberly	Claimant Fraud	36 month(s) probation 200 hour(s) community service	$0	$1,707	$0
BA435553	Frausto, Octavio	Claimant Fraud	36 month(s) probation 200 hour(s) community service	$0	$15,772	$0
BA367616	Fuentes, Paca	Claimant Fraud	1 day(s) jail 36 month(s) probation 300 hour(s) community service	$0	$9,700	$0
ba433871	Galarza, Silvia	Claimant Fraud	45 day(s) jail 36 month(s) probation 200 hour(s) community service	$0	$5,000	$0
BA431674	Gallegos, Fernando	Claimant Fraud	1 day(s) jail 36 month(s) probation 200 hour(s) community service	$0	$5,146	$0
BA422877	Galvin, Joseph William	Claimant Fraud	5 day(s) jail 36 month(s) probation 1000 hour(s) community service	$0	$609,070	$0
BA434243	Garces-Solis, Fernando	Claimant Fraud	36 month(s) probation 300 hour(s) community service	$0	$10,000	$0
BA420265	Garcia, Inda	Claimant Fraud	36 month(s) probation 150 hour(s) community service	$0	$2,869	$0
BA434415	Ghoston, Dejuan Donelle	Claimant Fraud	270 day(s) jail 36 month(s) probation 400 hour(s) community service	$0	$48,234	$0
BA434551	Godofredo, Casco	Claimant Fraud	36 month(s) probation 300 hour(s) community service	$0	$9,999	$0
BA435070	Gonzalez, Luisa Manerva	Claimant Fraud	36 month(s) probation 120 hour(s) community service	$0	$1,568	$0
BA438012	Guzman, Ismenia	Claimant Fraud	5 day(s) jail 36 month(s) probation 200 hour(s) community service	$0	$7,492	$0
BA432413	Habben, Veronica	Claimant Fraud	24 month(s) probation 200 hour(s) community service	$0	$0	$0
BA435504	Herrejon, Juan	Claimant Fraud	180 day(s) jail 36 month(s) probation	$0	$12,364	$0
BA434553	Herrera, Jingi	Claimant Fraud	100 hour(s) community service	$0	$0	$0
BA433406	Jewkes, Koty Aaron	Claimant Fraud	1 day(s) jail 48 month(s) probation 400 hour(s) community service	$0	$13,049	$300

Los Angeles County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BA423553	Johnson, Michael	Claimant Fraud	36 month(s) probation 200 hour(s) community service	$0	$4,883	$0
BA435555	Lee, Charles Nagiong / California Sun Painting, Inc	Premium Fraud	1 day(s) jail 24 month(s) probation 100 hour(s) community service	$0	$40,000	$0
BA435677	Lopez, Joseph	Claimant Fraud	36 month(s) probation 400 hour(s) community service	$0	$5,000	$0
BA434004	Lowe, Narvil	Claimant Fraud	36 month(s) probation 200 hour(s) community service	$0	$12,500	$0
BA434820	Madrid, Clara	Claimant Fraud	36 month(s) probation 200 hour(s) community service	$0	$0	$0
BA408019	Martin, Emilio	Premium Fraud	36 month(s) probation 400 hour(s) community service	$0	$623,193	$0
BA432421	Milton, Raymond	Claimant Fraud	24 month(s) probation 100 hour(s) community service	$0	$2,375	$0
BA434841	Palomino, Amaru	Claimant Fraud	13 day(s) jail 36 month(s) probation	$0	$26,000	$0
BA435513	Pantilo, Dean	Claimant Fraud	24 month(s) probation 100 hour(s) community service	$0	$9,127	$0
BA438973	Poturyan, Gevorg	Claimant Fraud	12 month(s) probation 120 hour(s) community service	$0	$1,567	$0
BA433077	Puyat, Elmer	Claimant Fraud	36 month(s) probation 100 hour(s) community service	$0	$1,262	$0
BA435673	Regalado, Iggy	Claimant Fraud	36 month(s) probation 300 hour(s) community service	$0	$19,563	$0
BA435516	Riechers-Santiago, Peter	Claimant Fraud	36 month(s) probation 120 hour(s) community service	$0	$3,673	$0
BA392535	Robertson, Joyce Marie	Claimant Fraud	1 day(s) jail 36 month(s) probation 280 hour(s) community service	$0	$50,000	$0
BA435167	Salazar, Cesar	Claimant Fraud	1 day(s) jail 36 month(s) probation 100 hour(s) community service	$0	$4,146	$0
BA434533	Sanchez, Avalos Emanuel	Claimant Fraud	36 month(s) probation 400 hour(s) community service	$0	$36,780	$0

Los Angeles County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BA434176	Santos, Daniel	Claimant Fraud	1 day(s) jail 36 month(s) probation 250 hour(s) community service	$0	$22,824	$0
BA434643	Sinay, Amit	Premium Fraud	4 day(s) jail 24 month(s) probation	$0	$60,000	$0
BA434643	Sinay, Avi	Premium Fraud	4 day(s) jail 24 month(s) probation	$0	$60,000	$0
BA435620	Smith, Jason	Claimant Fraud	24 month(s) probation 100 hour(s) community service	$0	$3,007	$0
BA432413	Smith, Judith Ann	Claimant Fraud	24 month(s) probation 200 hour(s) community service	$0	$1,986	$0
BA434894	Sosa, Juan	Claimant Fraud	180 day(s) jail 36 month(s) probation 400 hour(s) community service	$0	$40,855	$0
4DY06818	Tamayo, Gilberto / Lazaro Botanica	Claimant Fraud		$0	$0	$1,000
BA432150	Vard, Suzanna	Claimant Fraud	60 month(s) probation 600 hour(s) community service	$0	$92,685	$400
BA435530	Vasquez, Salvador Diaz	Claimant Fraud	36 month(s) probation 400 hour(s) community service	$0	$26,785	$0
BA405165	Villalobos, Raul	Claimant Fraud	36 month(s) probation 300 hour(s) community service	$0	$20,676	$0
BA433542	Villatoro, Darbin	Claimant Fraud	2 day(s) jail 36 month(s) probation 200 hour(s) community service	$0	$19,652	$0
BA428961	Wesley, Cynthia	Claimant Fraud		$0	$2,335	$0
BA427989	Yac, Julian	Claimant Fraud	36 month(s) probation 300 hour(s) community service	$0	$10,170	$0
BA423247	Ypez-Vega, Ricardo	Claimant Fraud	2 day(s) jail 24 month(s) probation	$0	$3,282	$0

Marin County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
SCR675315	Araque, Martin / A Rocky Road General & Electrical Contractors Inc.	Premium Fraud	36 month(s) probation 100 hour(s) community service	$0	$0	$10,000
CR196866	Barragan, Jesus / Barragan Tree Service	Premium Fraud	36 month(s) probation 40 hour(s) community service	$0	$0	$2,365
2741152	Ryan, Deana Lanae	Claimant Fraud	29 day(s) jail 36 month(s) probation 60 hour(s) community service	$0	$42,757	$490

Merced County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
15CR-05726	Gevarges, Alexander Daoud	Uninsured Employer	36 month(s) probation	$0	$0	$1,000
CRM034360	Gluhm, Richard Brice	Uninsured Employer	36 month(s) probation	$0	$0	$420
CRM034750	Gomes, Laneil	Uninsured Employer	36 month(s) probation	$0	$0	$1,000
CRM034375	Rose, Chuck Rice	Uninsured Employer	36 month(s) probation	$0	$0	$1,000
CRM034361	Vo, Truong M.	Uninsured Employer	36 month(s) probation	$0	$0	$2,000

Monterey County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
WCF15-0308	Alves, Luis / Abc Contruction	Uninsured Employer	30 day(s) jail 36 month(s) probation	$0	$0	$10,440
WCF16-0004	Barrera, Rosendo / Petes Automotive Repair	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$1,220
WCF13-0060	Efren, Evangelista / National Security Agency	Premium Fraud	120 day(s) jail 60 month(s) probation	$0	$0	$7,570
WCF15-0307	Gutierrez, Juan / Costa Pacific Roofing	Premium Fraud	250 day(s) jail 120 month(s) probation	$0	$392,224	$21,110
WCF14-0074	Hoffman, Sven / Pebble Beach County Club	Claimant Fraud	180 day(s) jail 60 month(s) probation	$0	$28,400	$5,740
WCF15-0030	Infante, Arcadia / Arcadias House Cleaning Service	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$1,100	$1,220
WCF15-0215	Olvera, Felipe / La Sirenita Tree Care	Premium Fraud	120 day(s) jail 36 month(s) probation	$0	$2,975	$10,210
WCF16-0005	Uribe, Diego / Precision Automotive	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$2,220
WCF15-0213	Zawideh, Osama / Gabilan Pizza	Premium Fraud	120 day(s) jail 60 month(s) probation	$0	$4,819	$11,110

Napa County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
CR176884	Blanton, Richard J	Other	1 day(s) jail 36 month(s) probation 60 days work program	$0	$150	$70
CR173562	Ramirez, Bulmaro Gonzalez	Other	36 month(s) probation 10 days work program	$0	$150	$0

Napa County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
CR173394	Seguro, Efren Deharo	Other	1 day(s) jail 36 month(s) probation	$0	$150	$70
CR176872	Songer, Jacob John / Jake Of All Trades	Uninsured Employer	36 month(s) probation 10 days Work program	$0	$250	$0

Orange County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
15CF0802	Gonzalez, Alberto	Claimant Fraud	90 day(s) jail 36 month(s) probation	$0	$29,270	$300
13CF3627	Hashemi-Mousavi, Shamseddin	Premium Fraud	Sentencing continued to 06/24/16.	$0	$0	$0
14CF3738	Parker, William	Claimant Fraud	180 day(s) jail 36 month(s) probation	$0	$41,461	$200
13CF3730	Reyes, Anthony	Claimant Fraud	60 month(s) probation	$0	$78,922	$240
13CF3730	Rivera, Anita	Claimant Fraud	60 month(s) probation	$0	$78,922	$140
14CF4001	Rodriguez, Santos	Insider Fraud	60 month(s) prison	$0	$434,918	$300
15CF1032	Siapin, Daniel / Siapin Horticulture	Premium Fraud	90 day(s) jail 36 month(s) probation	$0	$227,485	$300
15CF1032	Siapin, Gabriel / Siapin Horticulture	Premium Fraud	90 day(s) jail 36 month(s) probation	$0	$227,485	$300
15CF2317	Tafua, Maluelue	Claimant Fraud	36 month(s) probation 100 hour(s) community service	$0	$30,271	$150

Placer County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
62-137510	Crow, Grant A. / Landscape Management Group Inc.	Uninsured Employer	Deferred Entry of Judgment (DEJ)	$0	$0	$0
62-137468	Nall, Kelvin Murray / Nall Construction	Uninsured Employer	12 month(s) probation	$0	$2,500	$150
62-142793	Suarez-Perez, Marco Antonio / Construction Services	Uninsured Employer	30 day(s) jail 36 month(s) probation	$0	$2,000	$0

Riverside County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
RIM1518608	Abdolrahimi, Kamaleddi / College Book Store	Uninsured Employer	26 month(s) probation	$0	$0	$1,720
SWM1505157	Alderete, Robert / 20Th Century Pools	Uninsured Employer	36 month(s) probation	$0	$0	$2,220
INM1601160	Alwishah, Kassim Mohamed / K & A Market	Uninsured Employer	36 month(s) probation	$0	$0	$650
INM1600061	Barajas, Frederico De La Torre / Taco De Jalisco	Uninsured Employer	36 month(s) probation	$0	$0	$2,220
RIF1203140	Baron, Jeffrey Adam / Baron Services Inc.	Premium Fraud	180 day(s) jail 60 month(s) probation	$0	$589,008	$950
INM1601161	Calderon, Ruben / Rubens Tire Shop	Uninsured Employer	36 month(s) probation	$0	$0	$0
RIF1501510	Ceja, Arturo	Claimant Fraud	90 day(s) jail 36 month(s) probation	$0	$18,201	$440
RIM1516819	Chomsinsub, Hermila / Alpers Cleaners	Uninsured Employer	36 month(s) probation	$0	$0	$2,220

Riverside County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
INM1602162	Coad, Kevin James / Desert Empire Mirror And Glass	Uninsured Employer	36 month(s) probation	$0	$0	$1,190
INF1300150	Contreras, Jesse / Sunshine Landscape	Premium Fraud	1 day(s) jail 36 month(s) probation	$0	$50,000	$670
RIF1670154	Doshi, Tushar Ramnik	Multiple Entities Provider Fraud	180 day(s) jail	$0	$0	$0
RIM1504471	Friedlinghaus, Ryan / Rmf Empire	Uninsured Employer	36 month(s) probation	$0	$0	$5,000
INM1602162	Coad, Kevin James / Desert Empire Mirror And Glass	Uninsured Employer	36 month(s) probation	$0	$0	$1,190
INF1300150	Contreras, Jesse / Sunshine Landscape	Premium Fraud	1 day(s) jail 36 month(s) probation	$0	$50,000	$670
RIF1670154	Doshi, Tushar Ramnik	Multiple Entities Provider Fraud	180 day(s) jail	$0	$0	$0
RIM1504471	Friedlinghaus, Ryan / Rmf Empire	Uninsured Employer	36 month(s) probation	$0	$0	$5,000
RIM1516818	Fu, Ping / Foot Massage	Uninsured Employer	36 month(s) probation	$0	$0	$2,220
RIF1502465	Fulton, Myron	Claimant Fraud	180 day(s) jail 36 month(s) probation	$0	$39,419	$510
SWF1402160	Garcia, Gabriel Alvarez / Tower Marble And Granite	Premium Fraud		$0	$0	$0
INM1506598	Garcia, Jorge Antonio Sanchez / Desert Tire Auto Repair Shop	Uninsured Employer	20 day(s) jail 36 month(s) probation	$0	$0	$2,360
INM1403080	Garcia, Sacramento Morales / G&G Private Recycler	Uninsured Employer	36 month(s) probation	$0	$0	$1,380

Riverside County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
INM1602160	Gazca, Miguel Angel Camacho / Miguels Gardening	Uninsured Employer	36 month(s) probation	$0	$0	$500
RIF1500984	Goff, Loyle Harry	Claimant Fraud		$0	$0	$220
RIM1517397	Gutierrez, Huber / United Furniture	Uninsured Employer	36 month(s) probation	$0	$0	$2,220
RIF1500769	Ibarra, Miguel	Claimant Fraud	1 day(s) jail 36 month(s) probation	$0	$14,550	$370
INM1602161	Jimenez, Martin Lopez / Mj Painting	Uninsured Employer	36 month(s) probation	$0	$0	$2,000
SWM1502583	Johnson, Ryan Andrew / Fuzzy Gardens	Uninsured Employer	24 month(s) probation	$0	$0	$2,220
RIF1500289	Luna, Catherine Lynn	Claimant Fraud	12 month(s) probation	$0	$0	$220
INM1407323	Martinez, Jonathan / Cali-Collision	Uninsured Employer	36 month(s) probation	$0	$0	$1,170
RIM1417870	Montes, Rafael	Uninsured Employer	14 day(s) jail 36 month(s) probation 80 hour(s) community service	$0	$0	$1,720
RIM1518605	Ortega, Deciedrio / Joses Painting	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$4,290
RIF1402634	Palmer, Shawna Lynn	Claimant Fraud	36 month(s) probation 50 hour(s) community service	$0	$5,589	$1,220
RIM1518174	Park, In Nyeong / Best Painting Co.	Uninsured Employer		$0	$0	$0
INM1507130	Phan, Kevin Duc / Cali-Collision	Uninsured Employer	36 month(s) probation	$0	$0	$1,290
BAM1503280	Rutherford, Nakia / Tortillas Restaurant	Uninsured Employer	36 month(s) probation	$0	$0	$2,220
SWF1500073	Silverberg, Michael / Us Pools Construction	Other	36 month(s) prison	$0	$181,722	$720

Riverside County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
INF1300149	Silverberg, Michael / Us Pools Construction	Premium Fraud	120 month(s) prison	$0	$566,951	$370
SWF1402291	Silverberg, Michael / Us Pools Construction	Other	8 month(s) prison	$0	$221,673	$440
SWF1500130	Silverberg, Michael / Us Pools Construction	Other	16 month(s) prison	$0	$48,800	$650
BAM1601080	Smith, Kisuk / Florida Acupressure Massage	Uninsured Employer	36 month(s) probation	$0	$0	$1,220
INM1601159	Stella, Steven / $5 Pizza Place	Uninsured Employer	36 month(s) probation	$0	$0	$1,150
BAM1503277	Sujittakune, Janejeera / Papaya Bay Thai	Uninsured Employer	36 month(s) probation	$0	$0	$1,220
INM1503027	Torres, Rosendo / Torres Produce	Uninsured Employer	15 day(s) jail 36 month(s) probation	$0	$0	$2,720
BAM1503282	Toscanoruiz, Giovanni Andres / Agua Pura	Uninsured Employer	36 month(s) probation	$0	$0	$1,220
RIF1409778	Tuosto Jr, Michael Angel	Multiple Entities Provider Fraud	270 day(s) jail	$0	$0	$0
INM1503026	Velazquez, Rogelio / Cinco De Mayo Meat Market & Taqueria	Uninsured Employer	36 month(s) probation	$0	$0	$1,790
RIM1518002	Veloz, Martha / Carniceria Las Gloria	Uninsured Employer	36 month(s) probation	$0	$0	$2,220

Sacramento County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
15F03297	Benavente, Mark Anthony	Claimant Fraud	30 day(s) jail 36 month(s) probation	$0	$5,366	$150
10F01816	Biasi, Cynthia Ann	Claimant Fraud	60 month(s) probation 720 hour(s) community service	$0	$0	$200

Sacramento County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
15f06532	Couch, Trudy Mae	Claimant Fraud	30 day(s) jail 36 month(s) probation	$0	$0	$150
15F04734	Frausto, Socorro	Claimant Fraud	36 month(s) probation	$0	$5,857	$150
16F00501	Huffman, William Alan	Premium Fraud	364 day(s) jail 60 month(s) probation	$0	$303,680	$300
15F00633	Khashchuk, Alesya / Also Known As: Nesterenko, Alesya	Claimant Fraud	36 month(s) probation 174 hour(s) community service	$0	$9,235	$150
11F04711	Lee, Cal Taliaferro	Claimant Fraud	36 month(s) probation VOP	$0	$0	$100
11F04718	Lemke, Alan Edward	Claimant Fraud	150 day(s) jail 36 month(s) probation	$0	$38,263	$150
10F02251	Lewis, Josephine Krystal	Claimant Fraud		$0	$0	$0
14F05983	Mello, Michael George / Green Valley Landscaping	Premium Fraud	30 day(s) jail 60 month(s) probation	$0	$144,673	$300
13F06710	Phillips, Todd Alan	Claimant Fraud	60 day(s) jail 36 month(s) probation	$0	$12,824	$140
15F02237	Rodriguez, Ernesto Chavez	Claimant Fraud	120 day(s) jail 60 month(s) probation	$0	$36,404	$300
14F05983	Rodriguez, Mary Catherine / Green Valley Landscaping	Premium Fraud	50 hour(s) community service	$0	$110,463	$150
14F05866	Ross, Elliott John	Claimant Fraud	1 day(s) jail 12 month(s) probation	$0	$19,513	$140
10F01816	Smiley, John Alfonzo	Claimant Fraud	60 month(s) probation 720 hour(s) community service	$0	$38,207	$200
16MI001108	White, Brandon Matthew	Claimant Fraud	3 month(s) probation 180 hour(s) community service	$0	$2,894	$0

San Bernardino County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
MSB1301075	Ayala, Manuel	Other	2 day(s) jail 36 month(s) probation	$0	$0	$1,670
MSB1505184	Bau, Mario	Other	Terminal Disposition (no probation-case closed)	$0	$0	$440
MVI1506547	Breland, William Estus	Other	24 month(s) probation	$0	$0	$635
FWV1401229	Castrejon, Demetrio	Premium Fraud	180 day(s) jail 36 month(s) probation	$0	$77,000	$300
FSB1501038	Cebreros, Vilma	Other	60 month(s) probation	$0	$8,000	$165
FSB1404853	Contreras, Miguel / National Drywall	Premium Fraud	120 day(s) jail 36 month(s) probation	$0	$262,535	$965
16CR000600	Cortez, Francisco Rodriguez / Construction	Uninsured Employer	36 month(s) probation	$0	$0	$2,000
FSB1501041	Johnson, Dedrick	Claimant Fraud	6 day(s) jail 36 month(s) probation	$0	$27,393	$300
FVI1403643	Molina, Sonia	Claimant Fraud	1 day(s) jail 36 month(s) probation	$0	$19,071	$0
FVI1500305	Rodriguez, Nury	Claimant Fraud	12 month(s) probation	$0	$11,900	$235
FVI1500305	Scott, Juanita	Claimant Fraud	12 month(s) probation	$0	$11,900	$235
FVI1300540	Singh, Bhagwant / Operator Trucking Company	Premium Fraud	2 day(s) jail 36 month(s) probation	$0	$178,000	$300
FSB1503844	Song, Seung Min / Don Jin America Inc.	Premium Fraud	12 month(s) probation	$0	$236,324	$0
FSB1404041	Tyler-Willie, Tameca	Claimant Fraud	1 day(s) jail 36 month(s) probation	$0	$29,320	$234
FVI1500439	Wurst, Gregg	Claimant Fraud	24 month(s) probation	$0	$0	$220

San Diego County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
ADV893	Acosta, Ana Garcia	Claimant Fraud		$0	$0	$0
ADO614	Aguiluz, Rufino A	Premium Fraud	1 day(s) jail 36 month(s) probation 80 hour(s) community service	$0	$0	$1,101
M094893	Ahad, Abdul	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$1,500	$139
ADW162	Akhunzadah, Abdul Wali	Premium Fraud	1 day(s) jail 36 month(s) probation 40 hour(s) community service	$0	$2,500	$500
M094956	Appleby, Andrew	Uninsured Employer		$0	$250	$239
S285900	Aquino, Salomon	Uninsured Employer		$0	$1,000	$239
ADW269	Avalos, Jorge Ignacio	Premium Fraud	36 month(s) probation 80 hour(s) community service	$0	$7,500	$0
M094852	Average Joe's Gym California Llc	Uninsured Employer	36 month(s) probation	$0	$0	$0
M094904	Avila, Jose	Uninsured Employer	36 month(s) probation	$0	$1,500	$0
M094851	Aviles, Edgar Juarez	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$1,750	$112
M094864	Ayona, Enrique Juan	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$750	$0
ADQ890	Azimpour, Firoozeh	Premium Fraud	36 month(s) probation	$0	$0	$696
M094891	Barajas, Norma Y	Claimant Fraud	12 month(s) probation	$0	$2,500	$239
M094872	Barnicoat, Jeffery Alan	Uninsured Employer	36 month(s) probation	$0	$500	$239
ADW218	Bautista, Marcelo M	Claimant Fraud		$0	$0	$0
M094951	Berger, Patrick	Uninsured Employer	36 month(s) probation	$0	$1,000	$0
M094954	Bernal, Daniel F	Uninsured Employer		$0	$1,000	$239

San Diego County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M094889	Betton, Marcus C	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$0
ADW018	Bosonn, David Craig	Claimant Fraud	18 month(s) probation 80 hour(s) community service	$0	$22,637	$0
ACY025	Bruno, Noel	Claimant Fraud	36 month(s) probation	$0	$30,070	$0
ADQ572	Butts, David Alan	Premium Fraud	1 day(s) jail 60 month(s) probation	$0	$0	$1,000
M094910	Cannon, Dimitrus	Uninsured Employer	36 month(s) probation	$0	$1,250	$0
M094917	Castro, David B	Uninsured Employer	36 month(s) probation	$0	$2,000	$239
ADW162	Cinar, Ali Gunduz	Premium Fraud	36 month(s) probation 40 hour(s) community service	$0	$119,336	$0
M094892	Cisco, Santos R	Uninsured Employer	36 month(s) probation	$0	$500	$239
M094901	Contreras, Jesus	Uninsured Employer	36 month(s) probation	$0	$1,000	$239
M094888	Cooper, David	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$2,500	$0
ACR878	Cortez, Karla	Claimant Fraud	1 day(s) jail 36 month(s) probation	$0	$0	$1,020
M094852	Crawford, Bill D	Uninsured Employer		$0	$0	$0
M094852	Crawford, Stephanie T	Uninsured Employer		$0	$15,000	$0
M094886	Diaz, Diomariz	Uninsured Employer	36 month(s) probation	$0	$2,000	$0
M094920	Dina, Romeo	Uninsured Employer	12 month(s) probation	$0	$750	$239
M094894	Doyle, John C	Uninsured Employer	36 month(s) probation	$0	$6,500	$0

San Diego County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M094949	Duong, Kiet Tuan	Uninsured Employer	36 month(s) probation	$0	$750	$239
ADW264	Ebadat, Corey	Premium Fraud	36 month(s) probation	$0	$25,000	$0
ADW264	Ebadat, David A	Premium Fraud		$0	$2,187	$0
ADQ890	Ebadat, David Afshin	Premium Fraud		$0	$0	$0
ADW264	Ebadat, Joseph	Premium Fraud	36 month(s) probation	$0	$0	$0
M094961	Elvira, Humberto	Uninsured Employer	36 month(s) probation	$0	$1,030	$239
ADV896	Enzenauer, Lori	Uninsured Employer	36 month(s) probation	$0	$0	$0
ADJ721	Flores, Hector Manuel	Premium Fraud		$0	$131,966	$0
ADZ507	Flores, Wendy L	Claimant Fraud		$0	$0	$0
ADO614	Foulk, Maria G	Premium Fraud	1 day(s) jail 36 month(s) probation	$0	$513,356	$1,101
M094849	Frost, Douglas Leon	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$30,000	$0
M094883	Gallo, Thomas E	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$1,750	$0
M094916	Galvan, Gerardo	Uninsured Employer		$0	$0	$249
M094916	Galvan, Ramon M	Uninsured Employer	18 month(s) probation	$0	$500	$249
M094850	Garcia, Arnulfo	Uninsured Employer	36 month(s) probation	$0	$250	$239
ADW264	Geravesh, Ben N	Premium Fraud	36 month(s) probation	$0	$0	$0
M094898	Gonzalez, Ismael	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$1,000	$0

San Diego County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M094918	Gutierrez, Oscar	Uninsured Employer	36 month(s) probation	$0	$750	$0
AEA076	Hamilton, Robert	Claimant Fraud		$0	$0	$0
ADW132	Harris, Ronald	Claimant Fraud		$0	$0	$0
S285881	Hernandez, Jahaziel	Uninsured Employer	36 month(s) probation	$0	$250	$245
S285894	Hernandez, Marino	Uninsured Employer	36 month(s) probation	$0	$1,250	$239
M094842	Hinojosa, Jose Luis	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$5,500	$0
ADX600	Holland, Ronald	Premium Fraud		$0	$101,000	$0
M094897	Hubbard, Bradley	Uninsured Employer	36 month(s) probation	$0	$1,000	$250
M094970	Huerta, David	Uninsured Employer	18 month(s) probation	$0	$1,500	$236
M094970	Huerta, Raul	Uninsured Employer		$0	$1,500	$236
ADW085	Jaimes, Cristian L	Premium Fraud	1 day(s) jail 36 month(s) probation	$0	$0	$0
M094839	Jang, Jinhee	Uninsured Employer		$0	$6,000	$0
ADU388	Javdani, Farzaneh	Premium Fraud		$0	$0	$150
ADU388	Javdani, Javid	Premium Fraud	36 month(s) probation	$0	$450,000	$0
M094846	Jimenez, Santiago	Uninsured Employer	36 month(s) probation	$0	$1,250	$239
ADQ222	Jones, Chellyn Sue	Claimant Fraud		$0	$0	$0
M094871	Kalasho, Bessmon	Uninsured Employer	36 month(s) probation	$0	$0	$0

San Diego County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M094931	Kelly, Sean Patrick	Uninsured Employer	36 month(s) probation	$0	$1,250	$249
M094830	Kholov, Rustam	Uninsured Employer		$0	$0	$0
M094936	Kondovski, Gjoko	Uninsured Employer	12 month(s) probation	$0	$0	$239
M094905	Lara, Jose	Uninsured Employer	36 month(s) probation	$0	$2,000	$239
ADX146	Leung, Chau Ha Suk	Premium Fraud		$0	$0	$0
M094852	Linn, Joseph Eric	Uninsured Employer	36 month(s) probation	$0	$500	$239
M094847	Liverman, Christopher Lee	Uninsured Employer	36 month(s) probation	$0	$2,250	$0
M094941	Loaiza, Pablo	Uninsured Employer		$0	$220	$0
M094926	Lopez, Ivan Medina	Uninsured Employer	36 month(s) probation	$0	$750	$239
ADW085	Lopez, Norma Urbina	Premium Fraud	1 day(s) jail 36 month(s) probation	$0	$59,487	$0
ADP173	Lozada, Anna	Premium Fraud	1 day(s) jail 18 month(s) probation	$0	$0	$240
ADW220	Marquez, Blanca	Claimant Fraud	36 month(s) probation 20 hour(s) community service	$0	$0	$0
ADY526	Martinez, Alexander	Multiple Entities Provider Fraud		$0	$0	$0
ADY528	Martinez, Alexander	Multiple Entities Provider Fraud		$0	$0	$0
ADY535	Martinez, Alexander	Multiple Entities Provider Fraud		$0	$0	$0
M094906	Martinez, Rigoberto	Uninsured Employer	36 month(s) probation	$0	$3,000	$239
M094921	Mateus, Joao M	Uninsured Employer	36 month(s) probation	$0	$750	$0

San Diego County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
ADW224	Maurer, Trudy	Single Entity Provider Fraud	180 day(s) jail 36 month(s) probation 26 hour(s) community service	$0	$0	$0
M094925	Mcknight, Michael	Uninsured Employer	36 month(s) probation	$0	$750	$0
AEA015	Mendiola, Esteven	Claimant Fraud		$0	$0	$0
ADW026	Messer, Erin	Claimant Fraud	1 day(s) jail 36 month(s) probation 80 hour(s) community service	$0	$20,465	$0
M094902	Miller, Gloria R	Uninsured Employer	36 month(s) probation	$0	$7,000	$239
M094932	Montejo, Fransico	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$1,252	$0
M094841	Moore, Stephen	Uninsured Employer	36 month(s) probation	$0	$1,250	$0
S285883	Morales, Julian	Uninsured Employer	36 month(s) probation	$0	$250	$0
ADW126	Morris, Diana Carol	Premium Fraud		$0	$0	$0
ADW126	Morris, Ronnie D	Premium Fraud		$0	$0	$0
M094965	Moshy, Rody S	Uninsured Employer	36 month(s) probation	$0	$2,500	$239
M094953	Munoz, Humberto	Uninsured Employer	36 month(s) probation	$0	$750	$239
ADW233	Nation, Sherrie Jeanette	Claimant Fraud	36 month(s) probation 80 hour(s) community service	$0	$10,594	$0
M094868	Navarro, Samuel	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$2,000	$0
M094900	Nehme, Georgette	Uninsured Employer	12 month(s) probation	$0	$5,000	$239
ADP173	Nuylan, Robert	Premium Fraud	36 month(s) probation	$0	$0	$0
ADP173	Nuylan, Shorouk	Premium Fraud	1 day(s) jail 36 month(s) probation	$0	$45,248	$239

San Diego County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M094903	Oelke, John Alan	Uninsured Employer	36 month(s) probation	$0	$500	$239
S285890	Olea, Fernando	Uninsured Employer	36 month(s) probation	$0	$750	$0
M094876	Padilla, Rigo Mendoza	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$750	$239
M094909	Palos, Guadalupe	Uninsured Employer	36 month(s) probation	$0	$0	$0
M094909	Palos, Humberto	Uninsured Employer	36 month(s) probation	$0	$2,000	$0
M094923	Pappas, Nathaniel	Uninsured Employer	36 month(s) probation	$0	$1,250	$250
M094948	Pemberton, Breck	Uninsured Employer	36 month(s) probation	$0	$750	$239
S276668	Perea, Carlos A	Uninsured Employer	4 day(s) jail 36 month(s) probation	$0	$1,250	$0
M094917	Perez, Rosa M	Uninsured Employer		$0	$0	$245
M094887	Perkins, Albert H	Uninsured Employer	36 month(s) probation	$0	$1,500	$0
M094887	Perkins, Michael	Uninsured Employer		$0	$0	$0
M094912	Piedras, Abel G	Uninsured Employer	36 month(s) probation	$0	$3,500	$0
M094861	Posada, Clinton M	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$750	$0
M094939	Quintero, Omar V	Uninsured Employer	18 month(s) probation	$0	$750	$0
M094907	Ramirez, Anthony	Uninsured Employer	36 month(s) probation	$0	$1,500	$351
M094919	Ramirez, Hector C	Uninsured Employer	36 month(s) probation	$0	$650	$0
M094945	Rangel, Eduardo	Uninsured Employer	24 month(s) probation	$0	$1,500	$239

San Diego County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
ADT945	Reed, Steven	Premium Fraud	1 day(s) jail 36 month(s) probation	$0	$18,000	$0
M094933	Rivera, Gerardo	Uninsured Employer	36 month(s) probation	$0	$3,500	$0
M094886	Rodriguez, Elisa	Uninsured Employer		$0	$0	$249
S285899	Rodriguez, Jose	Uninsured Employer	36 month(s) probation	$0	$1,750	$239
M094850	Ruvalcaba, Omar	Uninsured Employer		$0	$2,000	$0
M094915	Salazar, Ricky	Uninsured Employer	36 month(s) probation	$0	$1,000	$239
M094938	Salinas, Ricardo V	Uninsured Employer	18 month(s) probation	$0	$1,250	$0
M094830	Salomov, Umed	Uninsured Employer		$0	$0	$0
M094844	Samson, Spencer	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$3,000	$0
M094922	Santos, Jose F	Uninsured Employer	36 month(s) probation	$0	$1,250	$239
ADZ084	Schweizer, Rebecca	Claimant Fraud	36 month(s) probation	$0	$0	$820
ADW224	Shahsuvaryan, Tigran	Single Entity Provider Fraud	180 day(s) jail 96 month(s) probation 25 hour(s) community service	$0	$84,894	$0
M094830	Slivko, Andrey	Uninsured Employer		$0	$0	$0
ADV118	Snow, Sara C	Claimant Fraud		$0	$0	$0
M094962	Soliz, Carlos	Uninsured Employer	36 month(s) probation	$0	$1,250	$239
S285903	Stanley, Charles	Uninsured Employer	36 month(s) probation	$0	$250	$239
M094890	Stinson, Martin	Uninsured Employer	36 month(s) probation	$0	$3,000	$239

San Diego County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M094878	Stone, Markis F	Uninsured Employer	36 month(s) probation	$0	$500	$239
M094899	Sucharda, Denny J	Uninsured Employer	18 month(s) probation	$0	$2,000	$239
M094924	Suvaizdis, Gintaras	Uninsured Employer	36 month(s) probation	$0	$500	$249
M094895	Valdez, James P	Uninsured Employer	36 month(s) probation	$0	$2,000	$239
M094855	Valdovinos, Cesar Aviles	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$2,239
M094911	Valencia, Sandra	Uninsured Employer	12 month(s) probation	$0	$1,000	$239
M094911	Vargas, Oscar	Uninsured Employer	12 month(s) probation	$0	$0	$239
ADW221	Vasquez, Griselda	Claimant Fraud	36 month(s) probation	$0	$2,500	$0
ADV663	Vazquez, Christopher Alan	Claimant Fraud	18 month(s) probation 160 hour(s) community service	$0	$7,885	$239
ADV663	Vazquez, Cruz	Claimant Fraud	18 month(s) probation 80 hour(s) community service	$0	$0	$239
ADJ721	Vega, Celina Andrade	Premium Fraud		$0	$0	$0
M094850	Vega, Martha A	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$0	$0
M094934	Venegas, Yomaira S	Uninsured Employer	36 month(s) probation	$0	$5,000	$496
M094862	Ventura, Pablo Trinidad	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$750	$239
ADQ572	Victor, Janet L	Premium Fraud	1 day(s) jail 60 month(s) probation	$0	$0	$0
ADQ572	Victor, Sherri Ann	Premium Fraud	60 month(s) probation	$0	$0	$820
ADQ572	Victor, Tim M	Premium Fraud	36 month(s) probation 2080 hour(s) community service	$0	$297,164	$0

San Diego County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
ADW290	Villanueva, Benjamin	Claimant Fraud	1 day(s) jail 60 month(s) probation 160 hour(s) community service	$0	$0	$0
M094863	Washington, Tomas Samuel	Uninsured Employer		$0	$750	$0
ADX164	Whole Mart International Llc	Premium Fraud		$0	$100,000	$0
M094875	Williams, John Ollie	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$1,250	$0
ADX146	Wong, Yiu Chung	Premium Fraud		$0	$0	$0
M094937	Wu, Jason	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$1,500	$0
M094884	Young, Steven J	Uninsured Employer	36 month(s) probation	$0	$3,000	$239
M094854	Zamudio, Florencio S	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$1,500	$0
ADT984	Zhang, Zihan	Premium Fraud		$0	$0	$0

San Francisco County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
2295935	Fisher, Dennis	Insider Fraud	180 day(s) jail 60 month(s) probation	$0	$150,000	$340

San Joaquin County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
SF132313A	Avalos, Lucilla / Monada Farming	Claimant Fraud	36 month(s) probation	$0	$0	$235

San Joaquin County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
CR16-4228	Dean, Greg / Lawrence Livermore National Labs	Claimant Fraud		$0	$17,824	$0
CR16-3439	Filimoeatu, Mofini	Uninsured Employer	36 month(s) probation	$0	$0	$0
CR16-4824	Goodwin, Daniel / Handyman Dan & Lito	Uninsured Employer	36 month(s) probation	$0	$830	$0
CR15-16530	Hernandez-Gomez, Jose / Conagra Foods	Claimant Fraud		$0	$5,277	$0
SF132326A	Nitura, Jerommel / Comcast Cord	Claimant Fraud	36 month(s) probation	$0	$37,954	$344
SF132314A	Rodarte, Angel / Angel's Tree Service	Premium Fraud	36 month(s) probation	$0	$4,064	$400
SF132325A	Salvi, Michelle / Boston Market, Corp.	Claimant Fraud		$0	$3,600	$0

San Luis Obispo County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
559040	Silva, Jay Scott / Drywall Dynamics	Premium Fraud	180 day(s) jail 60 month(s) probation	$0	$0	$0
558964	Smith, Russell John / Paso Robles Automatic Transmission	Uninsured Employer	Bench probation.	$0	$0	$350

San Mateo County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
NM435207-A	Nam, Kim	Uninsured Employer	10 day(s) jail 24 month(s) probation	$0	$6,756	$235

San Mateo County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
SM382989-A	Sprague, Stephen	Uninsured Employer	10 day(s) jail 24 month(s) probation	$0	$0	$235
SF399177A	Woods, Dane	Uninsured Employer	36 month(s) probation	$0	$0	$234

Santa Barbara County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
1477660	Blackstar Construction	Claimant Fraud	36 month(s) probation	$0	$5,000	$160
1478157	Hoffman, Paul Alexander	Claimant Fraud	36 month(s) probation	$0	$0	$325
1475566	Perry, Matthew	Claimant Fraud	36 month(s) probation	$0	$10,306	$0
1479101	Reiter, Edward Daniel	Claimant Fraud	36 month(s) probation	$0	$0	$160

Santa Clara County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
C1524959	Allen, Richard Edward / Rick Allen Builder	Uninsured Employer	1 day(s) jail 12 month(s) probation	$0	$0	$165
C1504022	Benitez, Nancy	Claimant Fraud		$0	$0	$0
C1518204	Bowman, Shawn Patrick / Bowman Construction	Uninsured Employer	1 day(s) jail 12 month(s) probation	$0	$0	$165
C1480499	Castillas, Ricardo	Claimant Fraud	30 day(s) jail 36 month(s) probation	$0	$16,036	$264

Santa Clara County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
C1519442	Crowley, Stephan Alan / Steve Crowley Construction	Uninsured Employer	1 day(s) jail 24 month(s) probation	$0	$0	$165
C1520151	Cruz, Juan Santiago / J. C. Concrete Works	Uninsured Employer	24 month(s) probation	$0	$0	$165
C1494075	Debono, Kenneth A. / Ken Debono Construction	Uninsured Employer	1 day(s) jail 36 month(s) probation	$0	$8,000	$165
C1353223	Echiverria, Delia	Claimant Fraud	1 day(s) jail 60 month(s) probation 360 hour(s) community service	$0	$25,000	$165
C1525362	Fanti, Robert Luis	Uninsured Employer	45 day(s) jail 24 month(s) probation	$0	$0	$575
C1495071	Fereydoun, Toofan / F T Construction	Uninsured Employer	1 day(s) jail 12 month(s) probation	$0	$0	$165
C1507866	Fu, Yen Jen / Jva Management	Uninsured Employer	12 month(s) probation	$0	$0	$165
C1504541	Garcia, Juan Gabriel Vasquez / Hamilton Builders, Inc.	Uninsured Employer	1 day(s) jail 12 month(s) probation	$0	$0	$165
C1524960	Gatwood, Gregory / Mod. Irrigation & Landscape	Uninsured Employer	1 day(s) jail 12 month(s) probation	$0	$0	$165
C1519445	Gonzales-Pineda, Jose Refugio / Barjan Construction, Inc.	Uninsured Employer	1 day(s) jail 12 month(s) probation	$0	$0	$165
C1507980	Guillen, Heriberto	Claimant Fraud		$0	$0	$0
C1518782	Gurrola, Jose Luis / L G Masonry	Uninsured Employer	1 day(s) jail 12 month(s) probation	$0	$0	$165
C1518205	Huber, Christopher / A Cut Above Fenco Co.	Uninsured Employer	1 day(s) jail 24 month(s) probation	$0	$0	$165
213331	Kadesh, Maoz / Asap Relocations, Inc.	Premium Fraud	1 day(s) jail 60 month(s) probation	$0	$166,129	$220

Santa Clara County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
C1521819	Karoglou, Dimitrios / Adelyte Construction	Uninsured Employer		$0	$0	$165
C1506489	Kieu, Duy Vanhuy	Uninsured Employer	1 day(s) jail 24 month(s) probation	$0	$0	$165
C1503225	Kim, Chong Hwi / Bay One Construction	Uninsured Employer	1 day(s) jail 24 month(s) probation	$0	$0	$165
C1522933	Kye, In Taek / Innovation	Uninsured Employer	1095 day(s) jail 12 month(s) probation	$0	$0	$0
16509904	Lee, Ka Kei	Uninsured Employer	1 day(s) jail 12 month(s) probation	$0	$0	$575
C1518247	Ly, Toan My / Horizon Construction	Uninsured Employer	1 day(s) jail 24 month(s) probation	$0	$0	$165
C1519440	Maggetti, Gary Dean / G & G Fencing	Uninsured Employer	1 day(s) jail 24 month(s) probation	$0	$0	$165
C1507981	Molaie, Ahmad / The Floor Center	Premium Fraud		$0	$0	$0
C1521449	Navarette, Mark	Claimant Fraud	120 day(s) jail 36 month(s) probation	$0	$22,880	$330
C1497366	Nenadic, Dusan	Claimant Fraud	1 day(s) jail 24 month(s) probation	$0	$0	$165
C1507978	Nguyen, Anthony	Claimant Fraud	30 day(s) jail 36 month(s) probation	$0	$24,069	$308
C1480805	Oceguera, Sara / Teo's Roofing	Premium Fraud		$0	$0	$0
C1480805	Oceguera, Teofilo / Teo's Roofing	Premium Fraud		$0	$0	$0
C1480392	O''Neill, Sandra / O'Neill Lath & Plaster	Premium Fraud	90 day(s) jail 36 month(s) probation	$0	$236,021	$0
C1519441	Ortega, Gary Thomas / Valley Tree Care	Uninsured Employer	1 day(s) jail 12 month(s) probation	$0	$0	$575
C1520154	Pham, Scott / Pham Landscape And Gardening	Uninsured Employer	1 day(s) jail 24 month(s) probation	$0	$0	$165

Santa Clara County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
C1526093	Polonaiti, Epensisa	Uninsured Employer	1 day(s) jail 12 month(s) probation	$0	$0	$575
C1519078	Poshard, Dean Glenn	Uninsured Employer		$0	$0	$0
C1368607	Rodriguez, Sr., Henry Frank / Life's Connection	Uninsured Employer	1 day(s) jail 24 month(s) probation	$0	$0	$132
C1503261	Santora, Dennis J. / Firefighter Tree Service	Uninsured Employer	1 day(s) jail 24 month(s) probation	$0	$0	$575
C1521461	Sheridan, Timothy Rodman / Sheridan Bros. Construction	Uninsured Employer	1 day(s) jail 24 month(s) probation	$0	$0	$165
C1506124	Simmons, Donald	Claimant Fraud		$0	$0	$0
C1507982	Ta, Andy / Ata Bobcat Services	Premium Fraud		$0	$0	$0
C1502407	Toailoa, Toese Ionatana / Tree Service	Uninsured Employer	1 day(s) jail 24 month(s) probation	$0	$0	$165
C1494502	Townsend, Nicholas	Claimant Fraud		$0	$0	$0
C1520152	Trinh, Danh Thanh / Dhlk Construction	Uninsured Employer	1 day(s) jail 12 month(s) probation	$0	$0	$165
C1480803	Ventura, Fredencio	Claimant Fraud	20 day(s) jail	$0	$15,500	$110
C1518246	Xie, Caixing / Welkin International Industrial, Inc.	Uninsured Employer	1 day(s) jail 12 month(s) probation	$0	$0	$165
C1520153	Yang, Lian Chiang / Yang Construction	Uninsured Employer	1 day(s) jail 24 month(s) probation	$0	$0	$165

Santa Cruz County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
NY14-16565	Colores, Teodoro	Uninsured Employer	12 month(s) probation	$0	$750	$370
NY14-16568	Damaan, Glenn	Uninsured Employer	12 month(s) probation	$0	$150	$210
f27179	Duncan, Frank / Duncan Dance School	Premium Fraud	3 years suspended	$0	$2,400	$360
NY14-16562	Gouveia, Brian Joseph	Uninsured Employer	12 month(s) probation	$0	$500	$0
NY14-16563	Gutierrez, Moises	Uninsured Employer	12 month(s) probation	$0	$1,479	$210
NY14-16571	Huerta, Pedro	Uninsured Employer	12 month(s) probation	$0	$150	$210
NY14-16546	Mayrikis, Paul Anthony	Uninsured Employer	12 month(s) probation	$0	$150	$210
15CR01216	Ramirez, Donato Orozco	Claimant Fraud	120 day(s) jail 60 month(s) probation	$0	$6,700	$0
NY14-16551	Uribe, Marcelino	Uninsured Employer	12 month(s) probation	$0	$700	$210
NY14-16545	Zambrano, Jose	Uninsured Employer	90 day(s) jail 12 month(s) probation	$0	$750	$0

Shasta County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
14F0323	Schneiter, William Lee	Claimant Fraud	2 day(s) jail	$0	$9,982	$195

Solano County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
FCR 313159	Cortez, Angel Garcia	Premium Fraud	36 month(s) probation 50 hour(s) community service	$0	$500	$200
FCR 313682	Johnson, Veneisha Debbian	Claimant Fraud	180 day(s) jail 60 month(s) probation	$0	$17,000	$0
FCR 293416	Morgan, Hosea	Claimant Fraud	180 day(s) jail 60 month(s) probation	$0	$131,461	$570
FCR 313985	Orozco, Alma Isabel	Claimant Fraud	60 day(s) jail 60 month(s) probation	$0	$26,000	$545

Sonoma County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
PBK0891449	Araque, Martin John	Uninsured Employer	36 month(s) probation 100 hour(s) community service	$0	$0	$10,000

Tulare County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
14-017498	Balderama, Mark	Uninsured Employer	Pending sentencing	$0	$0	$0
VCF318775	Gutierrez, Auden	Claimant Fraud	Pending sentencing	$0	$0	$0
VCF281353C	Jacobo, Gregorio	Premium Fraud	24 month(s) probation 100 hour(s) community service	$0	$851,211	$0
VCM322733	Morgan, Ralph	Uninsured Employer	Pending sentencing	$0	$0	$0

Tulare County (continued)

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
VCM320048	Salgado, Jose	Uninsured Employer	Pending sentencing	$0	$0	$0
VCF329421	Smith, Kimberly	Claimant Fraud	90 day(s) jail 60 month(s) probation	$0	$13,750	$0
VCM321306	Whaley Jr., Sandy	Uninsured Employer	Pending sentencing	$0	$10,000	$0

Ventura County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
2014039234	Ackermann , Matthew	Claimant Fraud	45 day(s) jail 36 month(s) probation	$0	$417	$150
2012003236	Aguilar, Francisco	Claimant Fraud	90 day(s) jail 36 month(s) probation	$0	$3,970	$150
2012023255	Boggess, Linda	Claimant Fraud		$0	$0	$0
2015011805	Campos, Joy	Uninsured Employer	24 month(s) probation	$0	$0	$0
2015003467	Ostovar, Mohammad	Premium Fraud	30 day(s) jail 36 month(s) probation	$0	$2,369	$0
2015023616	Perez, Baltazar	Claimant Fraud	24 month(s) prison	$0	$47,635	$300
2014014531	Tinto, Steven	Insider Fraud		$0	$0	$0

Yolo County

CASE NUMBER	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
15M02194	Banda, Frances C.	Uninsured Employer	36 month(s) probation	$0	$0	$41,000
15F07393	Chaudhry, Stephen Javaid	Premium Fraud	36 month(s) probation 80 hour(s) community service	$0	$0	$41,000
15F07393	Hines, Brian David	Other	36 month(s) probation	$0	$0	$1,370
15M05634	Kinser, Kenneth Allen / Kenny's Bar & Grill	Uninsured Employer	36 month(s) probation	$0	$0	$41,000
15005916	Manas, Steven / Manas Construction	Uninsured Employer	36 month(s) probation	$0	$0	$41,000
15M05917	Montoy Del Rio, Angel Octavio / Montoy's Landscaping	Uninsured Employer	36 month(s) probation 120 hour(s) community service	$0	$0	$41,000
15M03434	Pozossolano, Placido	Uninsured Employer	36 month(s) probation 40 hour(s) community service	$0	$0	$41,000
CRM16-0747	Saeidah, Kamal / Dungeon	Uninsured Employer	36 month(s) probation	$0	$0	$41,000

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FINANCIAL SURVEILLANCE BRANCH

Financial Surveillance Branch

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

FSB divides its work among the Financial Analysis Division, the Field Examination Division, the Actuarial Office, the Troubled Companies Unit, the Premium Tax function, and the Office of Principle-Based Reserving.

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

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

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

The Troubled Companies Unit (TCU) is responsible for overseeing those insurers identified as being financially troubled.

FSB also audits premium tax returns filed by insurers and surplus lines brokers.

The Office of Principle-Based Reserving is responsible for reviewing domestic and non-domestic life insurance companies' Principle-Based Reserves and related principle-based calculations for compliance with all PBR requirements.

Participation with the National Association of Insurance Commissioners

California Insurance Commissioner Dave Jones is a member of the National Association of Insurance Commissioners (NAIC). The goal of the NAIC is to establish a national system of state based regulation in order to provide for consistent, uniform, and timely regulation of the financial condition and market conduct of insurers. The system of financial regulation is risk-based in order to provide regulatory assets where they are most needed. As part of the California involvement in the work of the NAIC, the FSB staff participates in a significant number of NAIC committees and working groups, covering all areas of financial surveillance and financial reporting, in order to ensure that our financial surveillance is most efficient and

effective. As part of the NAIC accreditation program, the California Department of Insurance is subject to annual offsite reviews of its solvency activities by the NAIC, and is subject to an on-site review every five years. California has passed each of these reviews.

FINANCIAL ANALYSIS DIVISION

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

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

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

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

TABLE A: FINANCIAL ANALYSIS PERFORMED
Calendar Year 2016

TYPE	NUMBER OF ANNUAL STATEMENTS	NUMBER OF QUARTERLY STATEMENTS
Life and Property & Casualty	766	1009
Other Entities	727	275

TABLE B: CORPORATE AFFAIRS APPLICATIONS REVIEWED
Calendar Year 2016

TYPE	NUMBER OF APPLICATIONS
Certificate of Authority	30
Holding Company Matters	268
All Others	163

FIELD EXAMINATIONS DIVISION

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

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

Various types of examinations initiated and completed by FED in 2016 are presented as follows:

TABLE C: FED INITIATED EXAMINATIONS
Calendar Year 2016

TYPE	INITIATED	COMPLETED
Domestic Companies	29	31
Underwritten Title Companies	11	7
Foreign Companies	2	4
Qualifying Exams	3	2
Statutory Exams	1	1
Total:	46	45

ACTUARIAL OFFICE

The Actuarial Office (AO) provides technical assistance within the FSB and provides assistance to FED in the examination of domestic companies. The AO monitors reserves established by life and health insurance companies; drafts new legislation, regulations, and bulletins regarding actuarial matters; reviews selected portions of life insurance and annuity policy forms; and ensures compliance regarding Appointed Actuary changes, long term care loss ratios, and illustration certifications. Listed below are workload statistics of the AO for the year 2016:

TABLE D: AO WORKLOAD STATISTICS
Calendar Year 2016

ACTUARIAL REVIEWS	NUMBER REVIEWED
Actuarial Memorandum for Statement Reserves	90
Regulatory Asset Adequacy Issues Summaries	442
Illustration Certifications	220
Life Insurance and Annuity Policy and Rider	654
Grant and Annuity Submissions	18
Disability Income Rate Filings	40
Long Term Care Rate Filings	67
Credit Insurance Rate Deviation Filings	10
Schedule P Loss Review Compilations	288

TROUBLED COMPANIES UNIT

The Troubled Companies Unit (TCU) is responsible for closely monitoring those companies identified as being financially troubled. The number of companies under review varies, along with the level of complexity each presents. An average of 40 troubled companies were assigned to TCU during 2016.

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

PREMIUM TAX AUDIT BUREAU

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

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

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

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

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

Taxes Levied and Collected

TABLE E: TAXES LEVIED AND COLLECTED
Fiscal Year 2015-16

Insurance premium taxes and retaliatory taxes	$2,397,344,545
Retroactive premium tax adjustments	$2,628,095
Premium tax refunds	$77,723,456
Surplus line taxes	$196,004,373
Additional taxes	$4,784,358

OFFICE OF PRINCIPLE-BASED RESERVING

Principle-Based Reserving (PBR) became effective 1/1/2017. PBR results in increased flexibility and complexity of reserve calculations including reserving systems, models, methodologies, and assumptions. Due to the introduction of PBR, the new Office of Principle-Based Reserving (OPBR) is responsible for reviewing domestic and non-domestic life insurance companies' Principle-Based Reserves and related principle-based calculations (e.g., exclusion tests) for compliance with all PBR requirements. To this end, OPBR is responsible for the review of PBR Actuarial Reports submitted by domestic and non-domestic life insurance companies for compliance with all PBR Actuarial Report requirements. Also related to this, OPBR is responsible for review of company PBR modeling procedures, controls, and oversight for compliance with the PBR requirements for PBR model controls. Beginning in 2018, OPBR will perform both off-site and on-site company examinations related to PBR. OPBR actively participates in NAIC continued development and guidance on Principle-Based Reserving (e.g. Valuation Manual revisions, interpretation, and guidance). To date, fifteen companies have signaled that they will be adopting PBR in 2017.

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LEGAL BRANCH

Legal Branch

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

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

The Legal Branch also promulgates regulations implementing California statutes and provides legal services to CDI relating to service of process and records requests. The Legal Branch is divided into nine bureaus:

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

AUTO ENFORCEMENT BUREAU

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

In addition to other duties, AEB is also responsible for Vehicle Service Contracts, including the review of contracts and forms, evaluation of Vehicle Service Contract Provider license applications, and related license disciplinary matters. 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.

TABLE A: AUTO ENFORCEMENT BUREAU STATISTICS
Calendar Year 2016

Matter Type	Matters Opened	Matters Closed
Disciplinary	262	235
Vehicle Service Contract	398	324
Unfair Practices Act	1	0
Legal Opinion	5	2
Regulation	0	0
Cease & Desist	0	4
Litigation/Defense	0	0
Legislation (bill analysis)	2	2
Miscellaneous	2	1
Human Resources	0	1
Order to Show Cause	0	0
Public Records Act Request	0	0
Oversight	3	2
Total	**673**	**571**

Structure

Corporate Affairs Bureau I, Corporate Affairs Bureau II and the Administrative Hearing Bureau were previously under the separate branch of Corporate and Regulatory Affairs Branch (CARAB). In July of 2015, Corporate Affairs Bureau I and II were reintegrated into the Legal Division and the Administrative Hearing Bureau was moved under the Special Counsel's office. In November of 2015, the Health Policy Bureau was moved under Executive Operations office.

CORPORATE AFFAIRS BUREAU I

The Corporate Affairs Bureaus protect California consumers through company licensing, oversight, and enforcement. These activities protect insurer solvency and require the conduct of company affairs in accordance with the law. The Corporate Affairs Bureau I (CAB I) specializes in the areas of surplus lines, risk retention and risk purchasing groups, title and underwritten title companies, insurer name approvals, premium tax issues, and charitable gift organizations. In addition, CAB I reviews applications filed by insurance companies for approval of securities issuances, mergers, acquisitions, inter-affiliate service agreements, holding company act filings, and extraordinary dividend payments.

CORPORATE AFFAIRS BUREAU II

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

TABLE B: CAB STATISTICS
Calendar Year 2016

TYPE	BEGIN # ASSIGNED CASES	ASSIGNED	CLOSED	END # ASSIGNED CASES
Accredited Reinsurer	0	1	1	0
Accredited Reinsurer Renewal	1	28	27	3
Advisory Organization License	0	0	0	0
Amended Deed of Trust	0	0	0	0
C/A Amend-Add Line	4	17	11	10
C/A Amend-Delete Line	0	1	1	0
C/A Amend-Domestic Change 709.5	0	5	4	1
C/A Amend-Name	1	19	19	1
C/A Amend-Non-Domestic Re-domicile	1	10	9	2
Certificate of Authority	12	22	21	13
Certificate of Authority Status - 700C	5	7	5	7
Certified Reinsurer	2	0	2	0
Certified Reinsurer Renewal	2	7	6	3
Custodian Qualification	0	1	1	0
Custody Agreement	1	7	6	2
Exemption – Certificate of	1	0	1	0
Failure to Make Required Filing	0	0	0	0
Grants/Annuities - C/A	13	8	6	15
Grants/Annuities-Amended C/A	1	3	3	1
HC Disclaimer of Affiliation .4l	11	10	19	2
HC Exempt - Comm. Domiciled Status .14b	3	2	3	2
HC Exempt – Form A .2g	2	13	13	2
HC Extraordinary Dividend .5g	0	28	28	0
HC Guarantees .5b5	0	0	0	0
HC Mgt. Serv./Cost Share Agmt .5b4	34	110	121	23
HC Misc.	1	1	2	0
HC Reinsurance .5b3	7	20	24	3
HC Sales Purchases Loans .5b1	8	24	21	11
Holding Companies Acquisition	5	6	6	5
Home Protection	0	1	0	1

TABLE B CAB STATISTICS
Calendar Year 2016 (Continued)

TYPE	BEGIN # ASSIGNED CASES	ASSIGNED	CLOSED	END # ASSIGNED CASES
Letter of Credit	1	0	0	1
Life Settlement Provider	1	6	4	3
Merger	5	25	29	1
Miscellaneous	14	140	141	13
Motor Club License	0	3	3	0
Motor Club Service Contract	19	23	32	10
Name Approval Reservation	6	94	84	16
Organizational Permit	1	3	3	1
Purchasing Alliance Registration	0	0	0	0
Rein/Sale-Purchase/Transfer-Assumption	3	13	11	5
Reinsurer Accreditation	0	0	0	0
Risk Purchasing Group	7	21	17	11
Risk Purchasing Group Renewal	45	292	299	38
Risk Retention Group	8	14	11	11
Risk Retention Group Renewal	88	116	111	93
S810	0	0	0	0
Stock Permit	0	4	1	3
Stock Permit - Amend	0	0	0	0
Surplus Line Filing	6	3	6	3
US Trust	1	3	3	1
US Trust Amendment	2	3	5	0
US Trust Renewal	3	15	12	6
UTC-Amend License	0	8	4	4
UTC-License	0	1	0	1
UTC-Organizational Permit	1	4	2	3
UTC-Permit	0	0	0	0
UTC-Transfer of Shares	1	4	5	0
Variable Annuity	0	1	0	1
Variable Annuity - Amend	165	158	194	129
Variable Life	0	1	0	1
Variable Life - Amend	49	55	68	36
WC Deposit Agreement	15	3	18	0
Withdrawal	5	12	11	6
TOTAL	**562**	**1377**	**1434**	**504**

ENFORCEMENT BUREAU SACRAMENTO

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

Enforcement Bureau Sacramento Statistics

- During the year, 2,174 cases were received and action was completed on 1,974.
- In 2016, EB-SAC concluded 120 administrative hearings.
- Monetary penalties, cost reimbursement, and restitution assessed through negotiated settlements and/or hearings amounted to over $128,060.50.

TABLE B: ENFORCEMENT BUREAU SACRAMENTO STATISTICS
Calendar Year 2016

RESOLUTION OF ENFORCEMENT CASES	MATTERS CLOSED
Order of Revocation	108
Order of Revocation / Issuance of Restricted License	17
Order of Revocation / Issuance of Restricted License with fines	28
Order of Denial	191
Order of Denial / Issuance of Restricted License	238
Order of Denial / Issuance of Restricted License with fines	93
Order of Suspension	18
Order of Dismissal	16
Cease and Desist	4
Order for Monetary Penalty and/or Reimbursement	29
Order Removing Restrictions Granted	160
Miscellaneous Orders	3
Warning	12
Voluntary Withdrawal of Application	24
No Disciplinary Action Warranted	34
No AR Action/Referred for Disciplinary Proceeding	553
Removal of Restrictions Denied	28
Order of Summary Denial	175
Order of Summary Denial/Issuance of Restricted License	108
Order of Summary Revocation	85
Order of Summary Revocation/Issuance of Restricted License	8
Order Granting 1033 Consent	14
Order Denying 1033 Consent	21
Barred from Licensure/Exam	7

ENFORCEMENT BUREAU SAN FRANCISCO

- During the year, 431 cases were received and action was completed on 259.
- Monetary penalties, cost reimbursement, and restitution assessed through negotiated settlements and/or hearings amounted to over $21,500.

TABLE C: ENFORCEMENT BUREAU SAN FRANCISCO STATISTICS
Calendar Year 2016

RESOLUTION OF ENFORCEMENT CASES	MATTERS CLOSED
Order of Revocation	12
Order of Revocation/Issuance of Restricted License	7
Order of Revocation/Issuance of Restricted License with fines	3
Order of Denial	16
Order of Denial/Issuance of Restricted License	44
Order of Suspension	6
Order Monetary Penalty	1
Order of Dismissal	4
Cease and Desist	0
Order Removing Restrictions Granted	2
Order Removing Restrictions Denied	0
Rewritten Decision	9
Miscellaneous	34
No Disciplinary Action Warranted	53
Warning Letter	17
Order of Summary Denial	1
Order of Summary Denial/Issuance of Restricted License	2
Order of Summary Revocation	19
Order of Summary Revocation/Issuance of Restricted License	4
Default Revocation	10
Default Denial	4
Default Order of Denial/Issuance of Restricted License	3
Surrender License	4
License Application Withdrawn	4

FRAUD LIAISON BUREAU

The Fraud Liaison Bureau (FLB) provides legal support to the department's Fraud Division (FD).

General Duties – FLB provides legal services to the anti-fraud grant programs created by statute and managed by the FD. Legal support is provided to the Division office in Sacramento and Regional offices throughout the state in the implementation of these grant programs, including the promulgation of regulations, drafting of proposed legislation, and providing advice to the Fraud Assessment Commission (FAC). The FAC, in conjunction with the FD, is charged with the enforcement of the laws relating to workers' compensation fraud prevention.

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

Qui Tam Cases

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

In July 2016, the Commissioner settled a qui tam case pending against defendant Bristol Myers Squibb for $30 million of which the state received $15.024 million of the recovery.

On December 31, 2016, there were 73 active qui tam cases pending.

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

TABLE D: FLB WORKFLOW
Calendar Year 2016

TYPE	MATTERS OPENED	MATTERS CLOSED	PENDING AT YEAR-END
Qui Tam Litigation	26	13	73
Investigative Hearing	9	0	9
Legal Opinions	4	1	6
Legislation(analysis of pending bill)	1	0	6
Miscellaneous	5	4	7
Human Resources	0	0	0
Regulation	0	0	0
Civil Litigation	4	0	6
Subpoenas/Public Records	0	0	0
Search Warrants	0	0	0
Oversight	2	2	3
Total	**51**	**19**	**104**

GOVERNMENT LAW BUREAU

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

TABLE E: STATISTICS BY MATTER TYPE
Calendar Year 2016

NAME	ASSIGNED	CLOSED
Litigation – Defense/Other	20	11
Public Records Act Request	1237	1216
Subpoena	154	152
Substituted Service of Process	20	19
Legislation Oversight	72	72
Regulation Oversight	20	20
Total	**1523**	**1490**

POLICY APPROVAL BUREAU

The Policy Approval Bureau (PAB) perform reviews of life, non-health disability, and workers' compensation insurance products. PAB advise public, other government agencies, CDI personnel, and legislators, and others, regarding statutes and regulations pertaining to life, disability, and workers' compensation insurance. Further, PAB develop regulations relating to life and disability insurance law, advertising, and administration.

TABLE F: PAB STATISTICS
Calendar Year 2016

PRODUCT	RECEIVED	CLOSED
Group Non-Health	350	347
Supplemental Life Insurance	228	183
Variable Contracts	233	242
Unclassified	33	38
Individual Non-Health	137	136
Individual and Group Credit Insurance	2	4
Long Term Care Insurance	114	119
Workers' Compensation	297	298
Total	**1,394**	**1,367**

RATE ENFORCEMENT BUREAU

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

TABLE G: SUMMARY OF THE BUREAU'S MAJOR ACTIONS
Calendar Year 2016

MAJOR ACTIVITIES	MATTERS CLOSED
Prior Approval:	
Petitions for Hearing Received	13
Petitions for Hearing Granted	0
Petitions for Hearing Denied	4
Notices of Hearing Issued	0
Hearings in Progress	0
Matters Resolved Without Hearing	7
Matters Resolved Following Hearing	0
Matters Pending	8
Regulations:	
Regulation Matters Opened	9
Regulations Approved	4
Regulations Pending	7
Enforcement Matters:	
Enforcement Matters Opened	6
Enforcement Matters Closed	2
Enforcement Matters Pending	17
Civil Litigation:	
Matters Opened	2
Amicus Brief Filed	0
Matters Closed	0
Matters Pending	4

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OFFICE *of the* SPECIAL COUNSEL

Office of the Special Counsel

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

- **Legal Advice and Litigation –** The Special Counsel provides the Commissioner with independent legal advice on various issues regarding litigation, adjudicatory proceedings, and other legal matters. In 2016, the Special Counsel acted as "in house counsel" on several litigation matters, interfacing with Deputy Attorney Generals and advising the Commissioner and Chief Deputy Commissioner. In 2016, the Special Counsel also handled approximately 25 adjudicatory matters received from the Department's Administrative Hearing Bureau (AHB) and the Office of Administrative Hearings (OAH) in the California Department of General Services, where hearings on enforcement actions, insurance rate plans, workers' compensation matters, and other disputes are conducted.
- **Rulemaking Proceedings (Regulations) –** Oversight of the Department's Rulemaking Projects and Regulations is vested with the Special Counsel. This process includes regulation development, project management, research, interaction with the insurance industry and other stakeholders, and navigating the requirements of the Administrative Procedure Act (APA) in conjunction with the Office of Administrative Law (OAL). In 2016, the Department managed 24 rulemaking projects, reviewed and evaluated eight potential rulemaking projects, and filed and received OAL approval on 11 rulemaking projects. Significant projects completed in 2016 included:
    - Auto Body Repair Labor Rate Surveys, identify and clarify consistent standards by which insurers can conduct reliable labor rate surveys;
    - Anti-Steering in Auto Body Repairs, addresses the problem of insurance companies who communicate deceptive and untruthful information in order to improperly "steer" the claimant to an insurer-chosen repair shop; and,
    - Workers' Compensation Forms Regulations, create a framework for the submission, approval, withdrawal of approval, and overall use of workers' compensation policy forms, endorsements, and collateral agreements by insurers.
- **Administrative Hearing Bureau –** The Special Counsel oversees the Department's Administrative Hearing Bureau (AHB), which provides adjudicatory functions including conducting hearings by Administrative Law Judges. More information on the AHB is contained in the Chapter entitled – Administrative Hearing Bureau.
- **National Association of Insurance Commissioners (NAIC) –** Coordination and facilitation of the Department's interaction with the NAIC and its participation on NAIC Committees, Task Forces, and Working Groups are handled by the Special Counsel. As the largest insurance market in the nation, California plays a significant role in helping shape model laws and regulatory policy. Doing so involves active participation in National Meetings and conference calls with regulators from other states. In 2016, California served as Chair, Vice Chair and/or Member on 115 out of the 161 NAIC

technical and policy groups, and monitored approximately 46 others. The Special Counsel also directly supported the Commissioner in his roles as President of the Western Zone, Chair of the Big States Group, Vice-Chair of the Climate Change and Global Warming Working Group, Member of the Executive Committee, and Member of the Governance Task Force.

- **Commissioner Initiatives –** The Special Counsel manages various special projects and initiatives for the Commissioner involving policy and law such as climate change, green insurance, and others. In 2016, the Special Counsel assisted the Commissioner in his continued efforts to raise awareness of the effects of climate change and subsequent financial impacts on the insurance industry. Specifically, significant work in this area included:

    - NAIC Climate Risk Disclosure Survey. In 2016, California continued to lead a multi-state group (Connecticut, Minnesota, New Mexico, New York, and Washington) that administered the NAIC Climate Risk Disclosure Survey to more than 1,000 companies representing approximately 78% of the entire insurance market. California continued to maintain three interactive survey websites which allow regulators, insurers, and members of the public to quickly analyze the survey results.

    - Climate Risk Carbon Initiative. The Special Counsel served in an integral role in the creation and development of the Commissioner's Climate Risk Carbon Initiative that calls on the insurance industry to (1) voluntarily divest from their investments in thermal coal enterprises and to refrain from future investments in them, and (2) required insurers that write $100 million or more in premium nationally to disclose detailed coal, oil, gas and power-generating utility investments.

    - Sustainable Insurance Forum (SIF). In 2016, the Sustainable Insurance Forum, an international collaboration of insurance regulators and supervisors, was formed to promote cooperation on critical sustainable insurance challenges, such as climate change. The inaugural meeting was held in San Francisco and included representatives from Brazil, California, France, Ghana, Jamaica, Morocco, the Netherlands, Singapore and the U.K., as well as the International Association of Insurance Supervisors and the United Nations Environment Programme (UNEP).

    - 4th Climate Change Assessment. California's Fourth Climate Change Assessment is the first major, cross-sectoral effort to implement parts of California's Climate Change Research Plan as well as support key recommendations of Safeguarding California. The Special Counsel led the grant review team and acts as the Technical Manager for the research project on the impact of climate change on wildfires in California and the availability and affordability of insurance.

Administrative Hearing Bureau

The Administrative Hearing Bureau, a branch of the Office of the Special Counsel, assists the Insurance Commissioner in performing adjudicatory tasks provided for by statute or regulation. Specifically, the Administrative Hearing Bureau (AHB) provides Administrative Law Judges (ALJ) to conduct hearings authorized by the Insurance Code and its applicable regulations.

Staff

In 2016, the AHB employed two full-time ALJ I's, one full-time ALJ II (supervisor), one legal secretary, one office technician and one office assistant. Each of CDI's Administrative Law Judges has completed over 300 hours of judicial training and each is certified by the National Judicial College in Dispute Resolution and Administrative Adjudication. As quasi-judicial officers, the ALJs must adhere to the tenets of the Model Code of Judicial Conduct as well as the California Code of Judicial Ethics. Accordingly, the ALJs must remain insulated from the enforcement and regulatory branches of CDI.

During the 2016 calendar year, AHB's legal secretary received the Insurance Commissioner's Superior Accomplishment Award, the highest CDI honor, for her dedication and diligence as AHB's only legal support staff. In addition, AHB's Chief ALJ received the Insurance Commissioner's Team Award for her assistance during the Centene/Health Net merger.

Evidentiary Hearings

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

In 2016, AHB Judges presided over the following types of evidentiary hearings:

- Appeals from decisions of the Workers' Compensation Insurance Rating Bureau or insurance carriers regarding application of the workers' compensation insurance rating system and plans including proceedings related to workers compensation insurance rate filings.
- Prior Approval Rate hearings
- Applications for Written Consent by Prohibited Persons
- Cease and Desist hearings
- Health Care Merger hearings

In 2016, the AHB opened 57 cases and closed 36 cases in the following case categories. These figures far exceed the 2014 and 2015 case counts.

Case Type	Opened	Closed
Workers' Compensation Appeals including procedures re: rate filings	49	31
Prohibited Person hearings	6	4
Cease & Desist proceedings	2	0
Prior Approval Rate hearings	0	1

The AHB also assisted the Insurance Commissioner with the Centene/Health Net merger. Specifically, the Chief Administrative Law Judge aided the Commissioner in presiding over the televised public hearing, reviewed proposed settlements for accuracy and compliance with the Government and Insurance Codes, and made recommendations regarding future adjudicatory proceedings.

Courtroom & Litigation Support

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

In the event the Insurance Commissioner's decision is appealed, AHB prepares the administrative record, sends the mandated record for reproduction and files the administrative record with the proper appellate Court. In 2016, AHB prepared two cases for appeal.

Special Initiatives

The AHB is continuing to improve its visibility within and outside of CDI.

AHB updated its website and increased the number of consumer resources available. AHB's website now includes videos on filing appeals and conducting an administrative hearing in order to assist consumers and alleviate the procedural uncertainty felt by many members of the public. The website also provides all necessary forms and links to the Insurance Code and applicable regulations. In addition, all AHB case files are scanned and all prior approval case files are now available online. Plans to scan and make all the Commissioner's decisions available online are in the works for 2017.

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LEGISLATIVE OFFICE

Legislative Office

Under the leadership of Insurance Commissioner Dave Jones, the California Department of Insurance (CDI) sponsored six bills in 2016, three of which were signed into law by Governor Brown. In addition to strongly advocating for CDI's six 2016 sponsored bills, CDI's Legislative Office (LO) closely monitored, provided technical assistance to, took positions on, and/or advocated for or against 489 bills this legislative calendar. This includes 227 bills that made it to Governor Brown's desk, 190 of which were signed. The other 299 bills the LO engaged on/tracked were introduced and amended throughout 2016, yet did not make it through the legislative process and to the Governor's desk.

The following are the six CDI sponsored bills, three of which were signed into law by Governor Jerry Brown:

1. **AB 2449 authored by Assembly Member Eggman (D-Stockton) on "Bail Education, Investigation, and Prosecution Fund" – Vetoed by Governor Brown.** This bill would have provided the CDI Investigation Division with the resources to reduce CDI's bail complaint backlog and more fully investigate allegations of illegal bail practices by creating a Bail Education, Investigation, and Prosecution Fund within CDI.

2. **AB 2588 authored by Assembly Member Chu (D-Milpitas) on "Independent Adjuster Reform Act" – Vetoed by Governor Brown.** This bill would have made changes to the Insurance Adjuster Act to enhance consumer protection and conform to national licensing reciprocity and uniformity.

3. **AB 2728 authored by Assembly Member Atkins (D-San Diego) on "California Organized Investment Network (COIN)" – Vetoed by Governor Brown.** The final version of this bill would have extended the COIN tax credit for one year, from January 1, 2017 to January 1, 2018.

4. **AB 2884 authored by the Assembly Committee on Insurance "Omnibus" – Signed into Law as Chapter 304, Statutes of 2016.** This bill is CDI's annual omnibus bill to clarify and clean up various California Insurance Code sections.

5. **SB 488 authored by Senator Block (D-San Diego) on "Public Adjuster Reform Act" – Signed into Law as Chapter 833, Statutes of 2016.** This bill has four components which establish and enhance consumer protections against unfair practices by insurance adjusters: 1) Changes the Insurance Adjuster Act and the Public Insurance Adjuster Act to conform to national licensing guidelines; 2) clarifies public adjusters' compensation; 3) further clarifies conditions under which a public adjuster may contact consumers in a disaster area; and 4) modifies the notification requirement which allows consumers to cancel the services of a public adjuster.

6. **SB 1302 authored by Senator McGuire (D-Santa Rosa) on "California Fair Access to Insurance Requirements (FAIR) Plan" – Signed into Law as Chapter 543, Statutes of 2016.** This bill makes clarifying changes to the

FAIR Plan, which provides basic fire coverage for residential and commercial property owners having difficulty finding such coverage in the marketplace. This bill would require agents to more actively assist consumers with their FAIR Plan application and attempts to find adequate fire coverage.

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COMMUNITY PROGRAMS *and* POLICY INITIATIVES BRANCH

Community Programs and Policy Initiatives Branch

The Community Programs and Policy Initiatives Branch (CPPI) leads and oversees programs that benefit California's underserved communities.

CPPI delivers services through the:

- CPPI Deputy Commissioner's office
- Consumer Education and Outreach Bureau (CEOB)
- California Low Cost Automobile Insurance Program (CLCA)
- Community Organized Investment Network (COIN)
- Insurance Diversity Initiative (IDI)
- Office of the Ombudsman (OMB)
- Special Projects Division (SPD)
- Statistical Analysis Division (SAD)

CONSUMER EDUCATION AND OUTREACH BUREAU

To achieve the branch's mission, the Consumer Education and Outreach Bureau (CEOB) creates and sustains collaborative partnerships with community groups, consumer organizations, insurance industry organizations, individuals, and other government agencies.

These partnerships facilitate the dissemination of consumer information on insurance issues and educate consumers on the availability of programs and consumer protection services available through the California Department of Insurance (CDI). Californians are encouraged to utilize CDI as a resource.

CEOB staff provides presentations to a variety of groups on important insurance topics. In addition to providing speakers, staff handle workshops, health forums, town hall meetings, seminars, educational panels, and partner with other governmental agencies to promote comprehensive consumer education. CEOB also coordinates special events along with other duties to meet the Insurance Commissioner's objectives. The bureau creates, updates, and publishes insurance consumer informational guides to meet consumer needs and statutory provisions. The majority of these information guides may be found on the California Department of Insurance website at www.insurance.ca.gov.

Further to the above, if needed, the Bureau plays an important role as back-up for disaster outreach immediately following major disasters in the state.

During 2016, CEOB distributed 52,000* insurance-related informational guides and coordinated and/or participated in 211* outreach events throughout the state as follows:

TABLE A: CEOB OUTREACH EVENTS BY TYPE
Calendar Year 2016

TYPE	QTY
Department of Motor Vehicles	21
CDI - Consumer Outreach	41
California Low Cost Automobile Program	23
Diversity Program	24
Employment Development Department	3
Emergency Preparation	8
Health Insurance	7
Senior	69
VITA /EITC Resource Fairs	15
TOTAL	**211**

2016 Special Events	
5th Annual Insurance Diversity Summit	VITA Free Income Tax Preparation
Insur/-Fest Conference	Univision Television News Interviews
Taste of Soul	Radio live broadcast Santa Barbara DA office
Drugged Driving Summit	California Insurance Training Roundtable
American Agents Alliance Convention	Coal Divestment-Press Conference
Business & Economic Summit Women's Symposium	Radio Shasta District Attorney
Senior Town Hall & Fraud Prevention	Radio Ranchito District Attorney
Participation with Various Legislators	
Supervisor Marion Ashley	Senator Hanna-Beth Jackson
Assemblymember William P. Brough	Senator Mike Morrell
Governor Edmund G. Brown Jr.	Assemblymember Adrin Nazarian
Assemblymember Matt Dababneh	Assemblymember Jay Obernolte
Assemblymember Tom Daly	Assemblymember Jim Patterson
Assemblymember Chris Holden	Assemblymember Curren Price
Supervisor Jerome Horton	Assemblymember Freddie Rodriquez

* Manual count

Life and Annuity Consumer Protection Program (LACPP)

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

CEOB continues to distribute "Annuities - What Seniors Need to Know" brochure which is distributed at consumer outreach events, to other states agencies, and to District Attorneys' offices throughout the State.

The Senior Information Center on CDI's website provides useful information through alerts and advisories issued by CDI. The website also includes, videos, and insurance guide's specific to seniors. The website can be found at: www.insurance.ca.gov/0150-seniors/.

The website's health coverage section provides links to programs and resources such as Health Insurance Counseling and Advocacy Program (HICAP), Medicare Advantage Plan, California Health Advocates, and Social Security. This website can be found at: www.insurance.ca.gov/0150-seniors/0300healthplans/index.cfm.

Patient and Provider Protection Act (PPPA)

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

Space was secured to advertise CDI's ability to help health consumers and providers resolve disputes with insurers over the internet at https://www.insurance.ca.gov/01-consumers/101-help/. Advertisements were targeted throughout major metropolitan areas of California including San Francisco, Los Angeles, San Diego, Riverside/San Bernardino, and the Central Valley. Focus areas included:

- Patient Rights
- Health Insurance Problems
- Health Insurance Complaints
- Problems with Medical Insurance Claims
- Health Care Insurance Protection

CALIFORNIA LOW COST AUTOMOBILE INSURANCE PROGRAM

The California Low Cost Automobile Insurance Program (CLCA) was established by the Legislature in 1999 and exists pursuant to California Insurance Code Section 11629.7. The program is designed to provide income eligible persons with liability insurance protection at affordable rates as a way for them to meet California's financial responsibility laws. Since inception, 121,753 Californians received insurance through the program. At the end of 2016, 14,388 active policies were in force, 633 policies were cancelled, and 2,422 policies were written as new business. Undocumented immigrants with Assembly Bill (AB) 60 driver licenses are now eligible for the program. AB 60 authorized undocumented immigrants to obtain drivers licenses effective January 1, 2015.

In 2016, CAARP worked with CDI to complete the implementation of the provisions of AB 1024 (Hueso 2011), which provides for the establishment of an online producer and web portal, to process online applications for program-eligible consumers. This web-based product is intended to allow consumers to apply for the CLCA program directly online, without having to physically visit a producer's office.

- A Request for Proposal (RFP) was initiated in 2015 to solicit a producer to provide this service to eligible drivers in California. Pacific Preferred Insurance was selected upon completing the RFP process.

- The Primary Online Producer (POP) web portal was successfully implemented and available to the public on February 2, 2016. It has allowed for greater connectivity to consumers, provides a safe and secure means to upload eligibility documents, and allows for an electronic payment option.

During 2016, the following CAARP amendments were prepared for the Plan of Operations. The proposed amendments are scheduled for approval through the Office of Administrative Hearings in 2017.

- A procedure was introduced for reinstatement of Low Cost Auto policies that are cancelled for nonpayment of premium or terminated for nonpayment of the renewal deposit, because the premium payment is not submitted to the insurer on a timely basis.

- Proposal to expand the Low-Cost Program eligibility to include applicants and operators 16 to 18 years of age, pursuant to SB 1273 (Lara 2014). General provisions are noted below.

    - Applicant eligibility is expanded to include people ages 16 to 18. Applicants include a person 16 through 17 who is an emancipated minor in accordance with California Statutes or (2) a person age 18 who is financially independent.

    - A family with an adult driver covered under a Low-Cost Auto policy that has one or more additional drivers ages 16 to 18 in the household may qualify for coverage subject to a surcharge.

    - Low Cost Auto Policy coverage will be provided for household members ages 16 through 18 when coverage is specifically requested at the time of application. However, during the policy period, the applicant may request coverage for a driver age 16 to 18 years old.

The CLCA website (mylowcostauto.com) serves as the primary source of information and education about the CLCA program for consumers and producers. The CLCA program meets the success standards established under law for 2016 because:

- The rates generate sufficient premiums to cover losses and expenses incurred by CLCA policies issued under each respective county program.
- It benefits underserved communities throughout California. Nearly 82% of the policies issued in 2016 were to applicants with household income at or below $20,000 per year.
- It reduces the number of uninsured motorists. Approximately 94% of new policies assigned were to applicants who were uninsured at the time of application.
- CLCA outreach causes motorists to contact a producer and purchase a policy, other than CLCA, which meets the requirements of California law.

2017 CLCA Report to the Legislature:

http://www.insurance.ca.gov/01-consumers/105-type/95-guides/01-auto/lca/upload/2017-CLCA-Legislative-Report.pdf

CALIFORNIA ORGANIZED INVESTMENT NETWORK

The California Organized Investment Network (COIN) guides insurers on making safe and sound investments that yield environmental benefits in California and/or social benefits for the State's underserved communities.

Highlights from 2016 include:

- Sourced 5 COIN Insurer Investment Bulletins to generate up to $2.4 billion of investment in infrastructure, small and middle sized businesses, real estate, and financial technologies (Fin Tech) for low-to-moderate income populations in California.
- Raised a record $183 million in investments through the Community Development Financial Institutions (CDFI) Tax Credit Program. Awarded $10 million in CDFI Tax Credits for $50 million in private investments into COIN Certified CDFIs.

- Generated five potential deals and established valuable partnerships between insurers, CDFIs, and investment funds at COIN's 2016 Investment Summit.
- Conducted the 2016 Community Investment Survey (CIS) Data Call. The survey targeted the top 228 insurance companies that wrote more than $100 million in California premiums to make transparent the amount of capital insurers held in California community development and green investments between 2013 and 2015. Here are some of the highlights from our findings:
    - Total COIN qualified investment holdings increased by 19% from $18.39 billion in 2013 to $21.85 billion in 2015
    - High Impact Investment holdings increased by 9% from $5.41 billion in 2013 to $5.88 billion in 2015
    - Green investment holdings increased by 11% from $7.18 billion in 2013 to $7.98 billion in 2015
    - Rural investment holdings increased by 15% from $2.29 billion in 2013 to $2.64 billion in 2015

COIN Insurer Investment Bulletin Program

COIN sources and structures investment opportunities for insurers that are safe, sound and solvent, offer an acceptable financial return, and benefit California's environment, low to moderate-income (LMI) individuals and communities, and rural communities through its Insurer Investment Bulletin Program. These investment bulletins help inform insurance companies about COIN qualified investment opportunities in California.

In 2016, COIN reviewed 14 investment opportunities, of which five were certified: CIM Infrastructure Fund II, Core Innovation Capital II, GCM Grosvenor California Impact Fund, Oak Street California Added Alpha Fund II, and Solomon Hess SBA Loan Fund.

COIN Insurer Investment Program: http://www.insurance.ca.gov/0250-insurers/0700-coin/35-Investment-Programs/

COIN CDFI Tax Credit Program

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

During 2016, COIN awarded $10 million in CDFI Tax Credits for 24 investments into 12 CDFIs to leverage $50 million in private investments. Of this total, 15 insurance companies made 18 investments for a total of $42.3 million. Since the inception of the COIN CDFI Tax Credit program in 1997, $67 million in COIN CDFI tax credits have been award to leverage $335 million in private investments.

The 2016 CDFI Tax Credit investments are expected to create approximately 900 jobs with a total economic impact of $150 million. These investments fund affordable housing, health clinics, community facilities, education, small businesses, and water treatment and efficiency services across California.

2016 CDFI Tax Credit Awardees				
#	CDFI	Investor	Investment Amount	Tax Credit
1	California Farmlink	Rabobank	$ 1,500,000	$ 300,000
2	Clearinghouse	CSAA	$ 2,500,000	$ 500,000
3	Enterprise Community Investment	American Bankers Insurance	$ 219,004	$ 43,801
4	Enterprise Community Investment	American Security Insurance Co.	$ 109,502	$ 21,900
5	Enterprise Community Investment	Mutual of Omaha	$ 273,754	$ 54,751
6	Enterprise Community Investment	United of Omaha	$ 821,263	$ 164,253
7	Enterprise Community Investment	CSAA	$ 177,177	$ 35,435
8	Enterprise Community Investment	MetLife	$ 1,203,840	$ 240,768
9	ICC/Clearinghouse CDFI	Farmers Insurance Exchange	$ 10,000,000	$ 2,000,000
10	ICC/Capital Impact Partners	Pacific Life Insurance Co.	$ 10,000,000	$ 2,000,000
11	LIIF*	Wells Fargo	$ 1,120,380	$ 224,076
12	LIIF*	JP Morgan Chase	$ 1,120,380	$ 224,076
13	LISC	Rabobank	$ 2,000,000	$ 400,000
14	NCCLF	CSAA	$ 2,500,000	$ 500,000
15	Neighborworks Sacramento	Tri Counties Bank	$ 1,000,000	$ 200,000
16	RCAC	JP Morgan Chase	$ 1,000,000	$ 200,000
17	Self Help	C.M. Life Insurance Company	$ 250,000	$ 50,000
18	Self Help	Mass Mutual Life Insurance Company	$ 250,000	$ 50,000
19	Self Help	MML Bay Life Insurance Company	$ 250,000	$ 50,000
20	Self Help	General American Life Ins. Co.	$ 3,500,000	$ 700,000
21	Self Help	MetLife	$ 7,000,000	$ 1,400,000
22	Self Help	Metropolitan Tower Life Ins. Co.	$ 500,000	$ 100,000
23	WNC & Associates	Nationwide Mutual Life Insurance	$ 1,879,723	$ 375,945
24	WNC & Associates	Nationwide Life Insurance	$ 824,978	$ 164,996
TOTAL			**$ 50,000,000**	**$ 10,000,000**
2016 Tax Credits Remaining			**$ -**	**$ -**

* Reflects partial Tax Credit award and Investment

2016 COIN Investment Summit

The 2016 COIN Investment Summit was held on August 17th at the California Endowment in downtown Los Angeles. This event brought together insurers, CDFIs, community organizations, asset managers, government officials, trade associations, and other stakeholders to engage in productive and insightful dialogue to garner feedback and suggestions on COIN's programs. Commissioner Dave Jones emphasized the importance of increasing insurance company investments in California communities, particularly in low income communities where insurer investments through the Department of Insurance's COIN program can help create more jobs, affordable housing, community centers, schools, health clinics, and otherwise help to revitalize neighborhoods and communities. More than 200 individuals including insurer investment executives, CDFI executive management, social investment funds, asset managers, rating agencies, and government officials attended the summit.

The 2016 COIN Investment Summit: http://www.insurance.ca.gov/0250-insurers/0700-coin/30-Events/2016COINInvestmentSummit.cfm

Community Investment Survey 2016 (CIS) Data Call

COIN conducted the CIS-2016 Data Call to make transparent the amount of capital insurers held in California community development and green investments between 2013 and 2015. All 228 insurance companies that wrote more than $100 million in California premiums submitted their investment holdings. COIN published the CIS-2016 Key Findings Report that describes in detail the major trends in insurers' COIN qualified investment holdings and suggests methods for COIN to facilitate greater insurer investment into California's underserved communities.

2016 Key Findings Report: http://www.insurance.ca.gov/0250-insurers/0700-coin/10-Pub-News/upload/COIN-CIS-2016-Key-Findings-Report-Final.pdf

INSURANCE DIVERSITY INITIATIVE

The Insurance Diversity Initiative (IDI) was established to focus on diversity issues within California's $288 billion insurance industry. Specifically, these efforts, both by department staff and the Commissioner-appointed Insurance Diversity Task Force, are meant to encourage increased procurement from diverse suppliers and diversity of insurer governing boards. The department accomplishes these goals by conducting surveys to collect and make public information about the diversity efforts of insurers, as well as through outreach, partnerships, and department-hosted events.

The Insurance Diversity Initiative has three major components:

- Insurance Diversity Task Force.
- Surveys of insurance company supplier diversity and governing board diversity.
- A first in the nation Annual Diversity Summit which facilitates business matchmaking to increase contracts for California's diverse businesses with the nation's leading insurers and awards insurance industry leaders and stakeholders for achievements in diversity.

Insurance Diversity Task Force

The Insurance Diversity Task Force is a Commissioner-appointed 15 member advisory group comprised of diversity advocates, community leaders, and insurer representatives. Stakeholders include: community advocates, chambers of commerce, diverse businesses, certification agencies, insurers, trade associations, researchers, and interested individuals from the banking, energy, and legal industries.

Diversity Surveys

In 2011, Insurance Commissioner Jones asked insurance companies to participate in a voluntary survey regarding supplier diversity and governing board diversity, but only 29% of companies responded. In 2012, Assembly Bill 53 was enacted to codify the supplier diversity survey.

The Department has administered the supplier diversity and governing board diversity surveys since, and in 2016 California partnered with five other states (District of Columbia, Minnesota, New York, Oregon, and Washington) to launch a national insurance supplier and governing board diversity survey called the Multi-state Insurance Diversity Survey (MIDS).

The 2016 Multi-State Insurance Diversity Survey (MIDS) collected 2015 information on supplier and governing board diversity from insurance companies with written premiums of $100 million

or more in California or $300 million nationally. For the first time ever, information about insurer procurement practices is being collected and made available to the public.

In 2016, the Insurance Diversity Task Force and CPPI Branch:

- Collected, compiled, and publicly posted reports from over 600 insurance companies that responded to the survey.
- Helped propel procurement of diverse suppliers in California by 83% since 2012 ($770 million difference from $930 million in 2012 to $1.7 billion in 2015) as a result of the efforts of this transparency initiative.

Diverse Procurement Spend in California	
2012	$930 Million
2013	$1.3 Billion
2014	$1.5 Billion
2015	$1.7 Billion

- Organized the 5th Annual Insurance Diversity Summit in December 2016 with over 200 stakeholders in attendance. The Summit included business matchmaking sessions, business-to-business networking, an insurer-only work session, and a governing board roundtable.

California Insurer Supplier Diversity Results

Diverse Procurement by Certification

- Women Business Enterprises
  - 2012 ($153 Million), 2013 ($433 Million), 2014 ($558 Million), 2015 ($537 Million)
- Minority Business Enterprises
  - 2012 ($241 Million), 2013 ($618 Million), 2014 ($729 Million), 2015 ($964 Million)
- Disabled Veteran Business Enterprises
  - 2012 ($1 Million), 2013 ($83 Million), 2014 ($89 Million), 2015 ($92 Million)
- LGBT Business Enterprises
  - 2012 ($104,000), 2013 ($6 Million), 2014 ($5 Million), 2015 ($6.6 Million)

Diverse Procurement by Ethnicity

- African-American
  - 2013 ($154 Million), 2014 ($173 Million), 2015 ($157 Million)
- American Indian
  - 2013 ($42 Million), 2014 ($39 Million), 2015 ($87 Million)
- Asian/Pacific Islander
  - 2013 ($277 Million), 2014 ($330 Million), 2015 ($576 Million)
- Latino/Hispanic
  - 2013 ($111 Million), 2014 ($146 Million), 2015 ($145 Million)

Governing Board Diversity Survey Results

Governing board diversity remains a challenge. There was a total number of 2,348 insurance company governing board members in 2016, of which:

- 20% of board members reported as women
- 12% of board members reported as persons of color
    - 6% African-American
    - 3% Hispanic / Latino
    - 2% Asian Pacific Islander
    - 1% Multi-Ethnic
    - 0% American Indian
- 3 board members identified as a disabled veteran
- 12 board members publicly identified as LGBT

Additionally in 2016, 80% of insurance company governing board seats were reported held by men, 96 insurance companies had reported zero women on their governing boards, and 273 insurance companies had reported zero persons of color on their governing boards.

OFFICE OF THE OMBUDSMAN

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

During 2016, Ombudsman staff facilitated and closed 1,220 cases. Responding to 809 consumer requests for assistance, 327 legislative inquiries, and 84 general requests from other divisions within the department or other state agencies.

SPECIAL PROJECTS DIVISION

The Special Projects Division (SPD) administers several ongoing programs and processes related to Commissioner initiatives as well as performs targeted research, analysis, implementation, and coordination of various projects assigned by the CPPI Deputy Commissioner.

SPD facilitates the Commissioner’s appointments of members to serve on seven boards and committees. In accordance with a strategic planning goal to increase the diversity of Commissioner’s appointees, special focus resulted in an increase in the number of diverse (women and minorities) appointees to boards and committees by 8% from the prior year, a total increase of 36% since 2012 (exceeding the 15% three-year strategic planning goal).

Additionally, the SPD hosts the Senior Gateway, an inter-agency website designed to provide meaningful resources and information to seniors and their families to inform them about health care and insurance options, and empower them to protect themselves against financial fraud, abuse and neglect.

STATISTICAL ANALYSIS DIVISION

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

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

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

TABLE C: SAD ANALYSIS WORKLOAD
Calendar Year 2016

#	ITEM	CALIFORNIA INSURANCE CODE SECTION	CALIFORNIA CODE OF REGULATIONS
1	Private Passenger Automobile Liability Loss Experience Summary	11628(a)	
2	Private Passenger Automobile Physical Damage Loss Experience by ZIP Code	11628(a)	
3	Personal Property Coverage and Limits by ZIP Code	16014(b)	
4	Community Investment Survey	926.2(a) & 926.3(b)	
5	Annual Private Passenger Automobile Premium Comparison Survey	12959(a)	
6	Annual Homeowners Premium Comparison Survey	12959(a)	
7	Annual Consumer Complaint Ratio Study	12921.1	
8	Seismic Safety Assessment	12975.9	
9	Annual Long-Term Care Insurance Consumer Rate and History Guide including the outlines of coverage and policy summary information from the companies	10234.6 and 10233.5	
10	Medicare Supplement Insurance Consumer Rate Guide	10192.20(d)	
11	Health and Disability Insurance covered lives	10127.19, 10508.6, 10508.7, 10144.5 (a), 1872.85, 10123.198, 10123.199, and 10752.46	
12	Small Employer Stop-Loss Policies Report	10752.46	
13	Health Insurance Covered Lives Report in collaboration with the Department of Managed Healthcare (DMHC)	10127.19.	
14	Developed a list of insurance companies currently offering health insurance coverage	10133.661(b)(2)	

TABLE C: SAD ANALYSIS WORKLOAD (Continued)
Calendar Year 2015

#	ITEM	CALIFORNIA INSURANCE CODE SECTION	CALIFORNIA CODE OF REGULATIONS
15	Fraud Disability and Health Assessment Table and Report Development	1872.85	
16	California Healthcare Benefits Fund Assessment Table and Report Development		2218.62 (SB 1704)
17	Special Purpose Fraud Assessment - Develop a database and tracking system to Support Collection of Fraud Assessments	1872.86	
18	Workers Compensation Claims Adjusters, Medical-Only Claims Adjusters and Medical Bill Reviewers	11761(b)	Title 10, Chapter 5, Sections 2592 – 2592.08
19	Workers Compensation Policyholder Appeals contact information		Title 10, Chapter 5 Section 2509.43 et. Seq
20	Long-Term Care Experience	10232.3(h), 10234.86, 10234.95(i), and 10235.9	
21	Long-Term Care Insurance Agents semi-annual reporting	10234.93(a)(3)	
22	Health Insurance Dispute Resolution information collecting experience data on a company's "Health Dispute Resolution Mechanism"	10123.137	

SPECIAL PROJECTS REQUESTED BY EXECUTIVE STAFF/COMMISSIONER

In addition to annual data calls, SAD also conducts research and data collection for special projects. These special projects are a result of hot topic policy issues that the CDI Executive Staff faces throughout the year. For 2016, special projects included:

- **Northern California Wildfire Loss Summary** –Statistical Analysis Division (SAD) conducted a data call to determine the extent of the losses incurred as a result of the two major wildfires that occurred in Northern California in late 2015.

- **Fossil Fuel Investments Data Call** – SAD was asked to work with Legal and Financial Examination Division to develop a data call in support of the Climate Risk Carbon Initiative. As a focal point of this Initiative, the Commissioner also asked insurers to voluntarily divest from thermal coal investments and disclose their thermal coal and fossil fuel related investments. The Fossil Fuel Investments Data Call was developed to facilitate the collection under this initiative.

- **Wildfire Survey** – in collaboration with Consumer Services Division and Rate Regulation Bureau, Statistical Analysis Division (SAD) conducted a data call late 2015 to determine the

state of the homeowners' insurance market regarding availability in wildfire prone areas. The results of this survey were presented to a Senate Insurance Committee hearing in March 2016.

RESEARCH CONSULTATION AND DATABASE DEVELOPMENT

At various times throughout the year, SAD provides technical assistance in developing databases or assistance in conducting analysis of data for CDI internal branches as well as other state or insurance related agencies. The following is a list of the SAD's research consultation/database development activities during 2016:

- **Arizona Department of Insurance Data Request** – Arizona Department of Insurance requested assessment data pertaining to California Health Care Benefits Fund for fiscal year 2016-2017. This information was used for the development of reports pertaining to the Arizona retaliation calculation.
- **California Healthcare Foundation** – Provided covered lives data on individual & group health, Administrative Service Only (ASO) and Medicare supplement plans to support trend reports developed by the foundation.
- **Provided Individual & Group Health Plan Information to Legal Division** – In support of the department's regulation of grandfathered and non-grandfathered health plans related to Assembly Bill 1083, SAD provided health plan information to the Legal Division to identify all medical plan forms that were subject to AB 1083 and related laws.
- **Provided Data to CDI's Life Actuarial Division: Long Term Care Rate Increase History** - SAD provided the Long-Term Care Rate Increase History data tables to the Financial Analysis Division (Perry Kupferman).
- **Medicare Supplement Rates Joint Project with Health Actuary Office (HAO)** - In the latter half of 2016, SAD began working with HAO on a new process for the collection and reporting of Medicare Supplement premiums and information that are currently approved by CDI's HAO/Legal and/or DMHC. Starting in 2017, SAD will provide the oversight and coordination with HAO and IT on publishing the results of the data call collection (from both CDI insurers and DMHC contracted companies) to the web survey. The new process is being implemented to collect and update the Medicare Supplement rates and information on a quarterly basis.
- **National Association of Insurance Commissioners (NAIC) Annual Reports** – Provided Private Passenger Automobile and Personal Property information to the NAIC for their annual reports.
- **Commission on Health and Safety and Workers' Compensation (CHSWC) Annual Request** – Provided workers' compensation related data to the CHSWC for their annual reporting on the health, safety, and workers' compensation systems in California.

REQUEST FOR DATA / CONSUMER INQUIRIES RECEIVED

During calendar year 2016, SAD was requested to provide data and handle inquiries received by the CDI's Consumer Hotline and through the Public Records Act. SAD fielded requests for data from a wide spectrum of the public, including individual consumers, state and federal agencies, university students and professors, the insurance industry and from "consultants" that use the data to help consumers and/or insurance companies.

In addition, SAD has assisted and provided data collection/form development information to the Nevada Department of Insurance and DC District of Columbia Department of Insurance, Securities and Banking (Washington DC). SAD provided several teleconferences with these two departments on the Medicare Supplement data call and web survey, as well as, the automobile premium survey.

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COMMUNICATIONS *and* PRESS RELATIONS OFFICE

Communications and Press Relations Branch

The Communications and Press Relations Branch (CPRB) coordinates communication within the department and disseminates the department's key messages to consumers, the insurance industry, media, CDI staff, and other stakeholders. The effective delivery of this information, through a variety of tools ensures that all department efforts contribute to the CDI Mission, "to ensure vibrant markets where insurers keep their promises and the health and economic security of individuals, families and businesses is protected."

The function of CPRB is to keep the public informed about significant insurance issues. To accomplish this goal, the Bureau studies trends, conducts research, and identifies relevant issues that could potentially impact the department. CPRB fosters relationships with important stakeholders, including: consumers, media, the insurance industry, state legislators, advocates, the Governor's Office, and CDI staff.

CPRB collaborates with the Community Programs, Consumer Services, and Market Conduct Branches in formulating and executing outreach campaigns about the department's consumer programs and services. CPRB staff works closely with internal stakeholders to advance the department's goals and objectives, including the Enforcement, Rate Regulation, Licensing, and Legal Branches. CPRB plays an integral role by serving as an effective liaison with the media (television, newspapers, radio, online publications, and bloggers) via press releases, phone calls, emails, social media outreach, and media events. During 2016, major initiatives included:

Consumer Protection and Education:

- Communicated and coordinated with numerous reporters and hundreds of outlets throughout the state to promote the Consumer Services Branch and Consumer Hotline. Major media outlets and wire services including, CNN, World News Tonight, ABC, NBC, CBS and Fox national and local news affiliates, *Sacramento Bee, Los Angeles Times, USA Today, the New York Times, Wall Street Journal*, and *Bloomberg Wire* among many others, including insurance trade media.
- Supported outreach regarding pending legislation, including: media coverage, developing fact sheets, consumer stories, press conferences, and graphic design and promotion.
- CPRB also supported other CDI branches by providing graphic design and writing services, as well as marketing and other outreach to assist each branch with messaging and consumer education and protection.
- Produced 149 news releases, an average of 2.87 each week covering a range of topics including consumer protection and information, natural disaster preparedness, enforcement, health insurance, major legal victories, and the development of new insurance products to meet the demands of emerging technologies such as Transportation Network Companies (TNCs).
- Planned and executed more than 15 news conferences and media avails to inform the public about important issues and organizational accomplishments and to promote key consumer protection initiatives.
- Coordinated with the Enforcement Branch and Consumer Education and Outreach to educate homeowners after natural disasters by working closely with major media outlets.

Enforcement Efforts:

- CPRB collaborated with the Enforcement Branch to promote significant enforcement operations.
- Coordinated media at enforcement command centers, enabling real-time news dissemination.
- Independently developed real-time newsworthy media material immediately following major operations.
- Coordinated with the Enforcement Branch to dramatically increase CDI's social media presence on multiple platforms, notably reaching over 1.2 million views on our Flickr page and established daily social media followers including trend bloggers, mass media, insurance trade media, trade associations and insurers.
- Coordinated multi-agency media outreach during a statewide Underground Economy enforcement program and for the first time ever allowed major media outlets to accompany the Enforcement team in Los Angeles.

California Disaster Preparedness and Recovery Public Information Campaign:

- CPRB led a multi-pronged outreach campaign to motivate California residents to prepare for wildfire season and to educate them about post-disaster recovery by combining efforts with Cal Fire, the insurance industry, community and government assistance services, and retailers. CPRB leveraged opportunities to positively impact consumer behavior.
- CPRB disseminated multiple news releases and used social media to educate and promote post-disaster recovery options, in response to mandatory evacuations, fires, earthquakes, and floods.
- CPRB created multiple feature interviews with major media outlets throughout the state providing important information on wildfire preparedness and prevention issues such as home inventory, emergency kits, insurance review, as well as the department's post-disaster assistance.
- Coordinated a multi-agency outreach campaign to educate California residents about available resources including mitigation, supplies for disaster/emergency kits, practice drills, creating a home inventory, retrofitting, and the types of disaster coverage offered by different insurance policies.
- CPRB joined allied agencies, ShakeOut, Association of California Insurance Companies, Insurance Information Institute, and California Earthquake Authority, to produce joint news materials and conferences and to promote the Earthquake Brace + Bolt program. CPRB also wrote multiple news releases and used social media to educate and prepare consumers.

Sharing Economy:

- CPRB coordinated feature interviews, press releases and speeches by the Insurance Commissioner about the sharing economy including TNC coverages and Air BNB considerations. The purpose of these efforts was to promote consumer protection for

ridesharing drivers, hosts, and consumers, as well as to educate Californians about insurance concerns and considerations in the sharing economy. Further, CPRB's efforts helped inform rideshare drivers about their coverage options and developing insurance laws and requirements in the sharing economy. CPRB also used social media to educate TNC rideshare drivers and consumers about the department's efforts to expand insurance options and enforce new TNC laws.

Health Insurer Mergers:

- CPRB produced multiple news materials, press releases, and speeches by the Insurance Commissioner about the proposed health insurer mega mergers. The purpose of these efforts was to share with the public the Commissioner's findings regarding the impact of the proposed mergers to the health insurance marketplace and to California consumers.
- CPRB arranged multiple feature interviews and provided insurance company merger background and health insurance information to major media outlets across the nation.
- CPRB also assisted in the coverage for the health insurance merger hearings.

Climate Change:

- CPRB produced multiple news events, materials, press releases, and speeches by the Insurance Commissioner about the Climate Risk Carbon Initiative. With the launch of this new initiative CPRB led the production of events, interviews, and press releases to educate the public about the department's continued efforts to ensure the financial stability of the insurance market.

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ADMINISTRATION *and* LICENSING SERVICES BRANCH

Administration and Licensing Services Branch

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

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

FINANCIAL MANAGEMENT DIVISION

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

- **The Accounting Services Bureau (ASB)** provides a full range of accounting functions including payables, receivables, revolving fund, cashiering, general ledger, security deposits, and gross premium and surplus line tax collection. ASB maintains centralized records of CDI's appropriations, financial activities, and cash flow to ensure effective management of CDI's financial affairs and to provide accurate financial reports to state control agencies.
- **The Budget and Revenue Management Bureau (BRMB)** consists of the Budget Office and the Administrative Systems Unit (ASU). The Budget Office develops CDI's annual budget including the preparation and submission of all Supplementary Schedules required by the Department of Finance; develops annual budget allocations for all programs; develops various hourly rates for cost recovery; and monitors expenditures and revenue collection. ASU oversees and maintains CDI's activity reporting system for cost accounting purposes; generates monthly expenditure and time/activity reports; provides training and technical support to users of various fiscal systems including CALSTARS; and updates the annual cost allocation plan.
- **The Business Management Bureau (BMB)** provides CDI administrative and management services in the areas of contracts, purchasing, facilities, records, forms, reprographics, physical assets, fleet, transportation, disaster planning, mail, and supply services.

FMD Key Accomplishments in 2016:

- **Sustained High Performance in Procurement Activities with Small/Micro and Disabled Veteran Businesses –** CDI is committed to supporting the State's Small/Micro Business (SB/MB) and Disabled Veteran Business Enterprise (DVBE) programs, as reflected in CDI's participation rates. In the last seven years, the department has consistently exceeded the statewide participation rate goals of 25% for SB/MB and 3% for DVBE.
- **Electronic Funds Transfer (EFT) –** Beginning July 1, 2016, the EFT payment method was extended to insurance companies for invoice payments. Insurance companies are now able to pay their invoices over the phone, web, or mobile device. Previously, this method of payment was offered only for premium tax payments. Currently, the Accounting

Services Bureau receives and processes approximately 20,000 checks annually related to invoice payments for receipts of over $160 million. The EFT payment option is cost-effective for both CDI and our customers and will provide companies a secure, faster, and more efficient way to make payments by reducing the resources associated with mailing paper checks.

- **Assembly Bill 704 New Financial Requirements for the Underwritten Title Companies (UTC) –** New financial requirements for UTCs that perform escrow services in California became effective July 1, 2016. ASB's Securities Transaction Unit worked with CDI's Legal and Financial Analysis Divisions to implement the necessary policies and procedures to comply with the new law. The work tasks included promulgation of a new surety bond form regulation; publishing informative bulletins to provide instructions on what, when, and how UTCs should proceed; and establishment of review and follow-up procedures to ensure compliance. ASB also reached out to the UTCs to release/replace the current deposit with a new deposit or an approved surety bond and successfully brought the UTCs in compliance with the law. Feedback from the industry has been generally positive. The new requirements will strengthen consumer protection for Californians who use UTCs for escrow services.

Major Programs:

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

For calendar year 2015, ASB processed 3,391 tax returns. Additionally, CDI collected approximately $2.6 billion in tax revenue for fiscal year 2015-16 to support the state's General Fund.

TABLE A: ASB PROCESSED TAX RETURNS
Calendar Year 2015

INSURANCE TYPE	NUMBER OF ANNUAL TAX RETURNS	TAX RATE	LAW REFERENCE
Surplus Line	1,453	3%	CIC Section 1775.5
Property & Casualty	899	2.35%	CRTC Section 12202
Ocean Marine	579	5%	CRTC Section 12101
Life	414	2.35% or 0.5%	CRTC Section 12202
Title	18	2.35%	CRTC Section 12202
Home	28	2.35%	CRTC Section 12202
TOTAL	**3,391**		

CIC = California Insurance Code
CRTC = California Revenue and Taxation Code

TABLE B: FIVE-YEAR SUMMARY OF PREMIUM *(*INCLUDING SURPLUS LINE) TAXES COLLECTED BY THE DEPARTMENT FOR THE STATE'S GENERAL FUND

FISCAL YEAR	TAXES COLLECTED
2011-12	$2,411,792,000
2012-13	$2,422,934,000
2013-14	$2,590,271,000
2014-15	$2,446,704,000
2015-16	$2,595,977,000

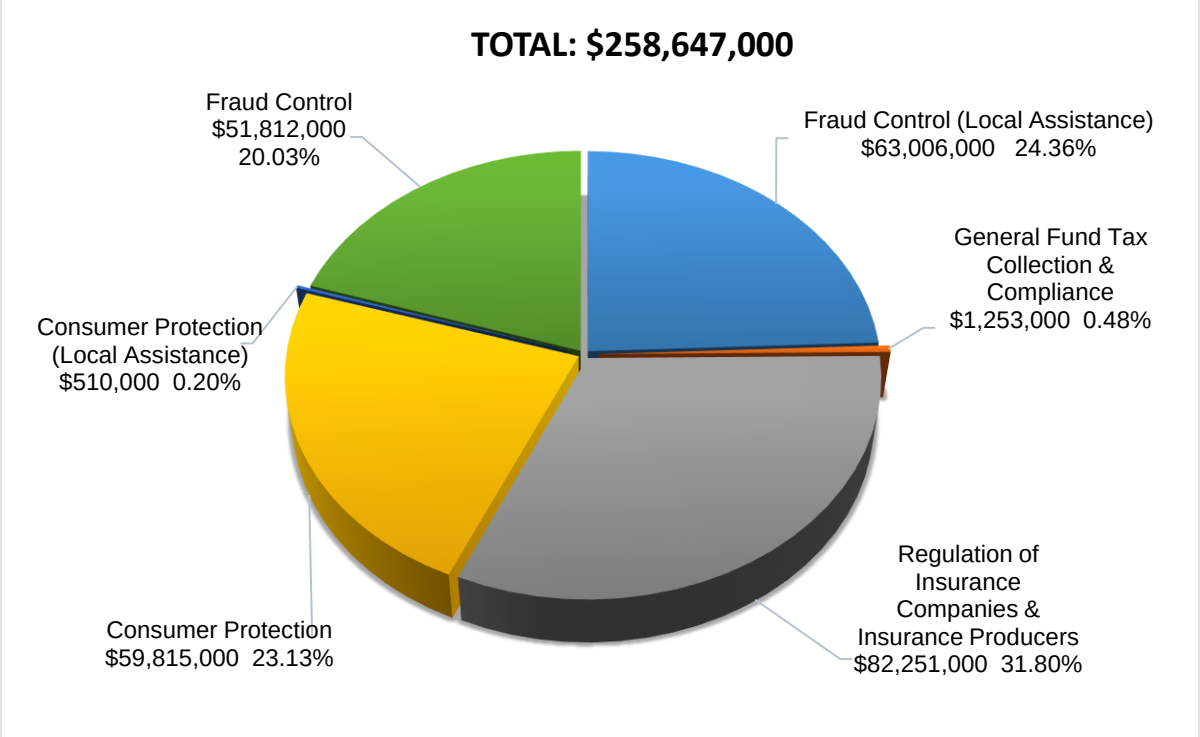
CDI Budget and Programs – CDI's budget includes the following programs:

- **Regulation of Insurance Companies and Insurance Producers (Program 0520) –** The objectives of this program are to: prevent losses to policyholders, beneficiaries, or the public due to the insolvency of insurers; prevent unlawful or unfair practices by insurers as defined by the Insurance Code; ensure that property and casualty insurance rates are not excessive, inadequate, unfairly discriminatory, or otherwise in violation of the Insurance Code; review health insurance rates filed with the department to determine whether they are reasonable and attempt to get unreasonable rates lowered by insurers; and ensure that applicants for insurance licenses, and holders of insurance licenses, satisfy and maintain the qualifications for licensure. Through the Conservation and Liquidation Office, CDI administers the estates of insolvent and delinquent insurance companies.

- **Consumer Protection (Program 0525) –** The objectives of this program are to: provide direct service to California consumers by protecting insurance policyholders and other parties involved in insurance transactions against unfair or illegal practices with respect to claims handling, rating, or underwriting by insurers; and protect applicants and policyholders from discriminatory, unlawful, or fraudulent practices or incompetence relating to the sale of insurance.
- **Fraud Control (Program 0530) –** The objective of this program is to protect the public from economic loss by actively investigating, arresting, and referring for prosecution or adjudication those who commit insurance fraud and other violations of the law. The program is staffed by sworn peace officers who conduct criminal investigations of insurance fraud and related criminal cases.
- **General Fund Tax Collection and Compliance (Program 0535) –** This program performs tax collection; ensures compliance from insurance companies and surplus line brokers with the laws contained in the Insurance Code and Revenue and Taxation Code; and works with the Board of Equalization and State Controller's Office with various refund, assessment, and accounting matters relative to the premium tax program. Tax collections from this program are deposited in the state's General Fund.
- **Administration (Program 9900) –** This program provides administrative support services to CDI including budgets, accounting, human resources, business services, and information technology as well as legislative and legal services.

Expenditures – CDI's total expenditures for FY 2015-16 were $258.6 million.

CHART A: TOTAL EXPENDITURES BY PROGRAM



Fiscal Year 2015-16

Note: Includes FY 2015-16 Distributed Administration expenditures of $32,753,000.

CDI's expenditures are in the following categories:

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

TABLE C: EXPENDITURES BY CATEGORY

CATEGORY	EXPENDITURES
Personal Services	$137,838,000
Operating Expenses and Equipment	$57,293,000
Local Assistance	$63,516,000
TOTAL	**$258,647,000**

Revenues – In FY 2015-16, CDI generated $266.3 million in revenue from fees, licenses, and various assessments paid by insurers, insurance producers, and other licensees. Insurance Fund revenue generally is received from insurance companies and insurance producers that CDI regulates. Both insurers and producers pay license, filing, and other fees. Insurance companies pay special assessments for Proposition 103, Fraud, Auto Consumer Services ($0.26), and Life and Annuity. Insurance companies also pay for the department's periodic examinations to determine the financial stability of companies and to evaluate insurance practices and market conduct.

TABLE D: REVENUES BY TYPE
Fiscal Year 2015-16

TYPES OF REVENUE	AMOUNT	% OF TOTAL
Fraud (shown by subset below):	$115,871,000	43.51%
-Workers' Compensation	($59,469,000)	(51.32%)
-Auto ($1.50)	($42,381,000)	(36.58%)
-Disability and Healthcare	($8,470,000)	(7.31%)
- General	($5,551,000)	(4.79%)
Fees and License	$82,082,000	30.82%
Proposition 103	$30,211,000	11.34%
Examination Fees	$24,031,000	9.02%
Auto Consumer Services ($0.26)	$8,590,000	3.23%
Independent Medical Review	$1,911,000	0.72%
Principle-Based Reserving	$1,008,000	0.38%
Seismic Safety	$1,494,000	0.56%
Life and Annuity	$1,113,000	0.42%
TOTAL	**$266,311,000**	**100.0%**

- **Fraud –** This revenue is derived from the following assessments:
  - Fraud Workers' Compensation – Annual assessment determined by the Fraud Assessment Commission used to fund workers' compensation fraud investigation and prosecution.
  - Fraud Auto ($1.50) – Annual assessment for each vehicle insured. $1.00 funds the investigation and prosecution of automobile insurance fraud and $0.50 funds the organized automobile Fraud Activity Interdiction Program (self-assessed quarterly).
  - Fraud Disability and Healthcare – Annual assessment not to exceed $0.20 for each insured person to fund investigation and prosecution of fraudulent disability insurance claims.
  - Fraud General – Annual assessment up to $5,100 for each insurer doing business in the state to support Fraud Division.
- **Fees and License –** This revenue is derived from the following fees:
  - License Fees and Penalties – Fees to cover the cost of issuing and making changes to licenses (paid by companies and individual licensees) to support the department's general operations.
  - General Fees – Fees to cover the costs associated with processing and maintaining

Action Notices, Policy Approvals, Insurer Certifications, Annual Statements, and Workers' Compensation Rate Filings.

- **Proposition 103 –** Annual assessment to recover costs of administering Proposition 103 including participating in rate hearings and conducting inquiries into consumer complaints.
- **Examination Fees –** Hourly rate developed annually to recover the costs of performing insurance practice exams, financial analysis reviews, field exams, and actuarial reviews.
- **Auto Consumer Services ($0.26) –** Annual assessment for each vehicle insured to fund the consumer services functions related to regulating automobile insurers. Part of the fee (i.e., up to $0.05) is specifically used to support the California Low Cost Auto Program (self-assessed quarterly).
- **Independent Medical Review –** Annual assessment to cover the costs of administering the Independent Medical Review System.
- **Principle-Based Reserving –** Annual assessment of at least $1 million to cover the costs incurred to implement principle-based reserving valuation.
- **Seismic Safety –** Annual assessment of $0.15 per earned property exposure to fund the Seismic Safety Commission (pass through from CDI to the Commission).
- **Life and Annuity –** Annual fee of $1.00 for each individual life insurance and individual annuity product issued (self-assessed bi-annually).

HUMAN RESOURCES MANAGEMENT DIVISION

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

- **The Classification and Pay Unit** administers CDI's classification and pay program. Analysts provide advice and assistance on varied personnel management problems; analyze and classify positions; gather and evaluate pay data; and conduct classification and pay surveys.
- **The Selections and Recruitment Unit** is responsible for CDI's selections process. Analysts administer civil service exams; conduct job analyses; establish certification and eligibility lists; oversee recruitment efforts; and function as liaisons between the California Department of Human Resources (CalHR) and CDI's programs in the development of online exams.
- **The Departmental Training / Health and Safety Unit** provides technical expertise, training, and guidance to employees, supervisors, and managers in administrative personnel matters relating to a variety of health and safety issues. Analysts perform ergonomic evaluations for CDI employees and act as coordinators for the Family and Medical Leave Act (FMLA); Americans with Disabilities Act; Reasonable Accommodation Policy; Return-to-Work; Injury, Illness, and Prevention Policy; Workplace Violence Prevention Policy; Drug-Free Workplace Policy; Workers' Compensation Program; and Wellness Program. The Training Officer/Analysts develop, deliver, and coordinate in-house instructor-led training and intranet-based training videos for employees, facilitate CDI's annual award and recognition programs, and administer the Biennial Language Survey.
- **The Personnel Transactions Unit** provides a full range of personnel and disability

transactions as well as technical resources to the department. Personnel Specialists prepare appointment, separation, and other personnel/payroll transaction documents to establish and update employment histories for CDI employees; ensure accurate and timely payment of regular and miscellaneous pay; ensure accurate and timely completion of benefit forms; certify time and attendance to confirm accuracy of leave balances; and process State Disability Insurance, Non-Industrial Disability Insurance, catastrophic leave, paid family leave, FMLA requests, and workers' compensation claims pertaining to pay and leave credit restoration.

- **The Technical Resources Unit (TRU)** offers technical expertise, guidance, and support to employees, supervisors, and managers. TRU provides statistical information on topics such as position control/allocation and department vacancy rates/trends. Analysts facilitate compliance with Fair Political Practices Commission Form 700 requirements and disseminate HRMD policies, procedures, and forms. TRU carries out special projects to streamline HRMD operations and enhance distribution of material to the department including developing manuals, guidelines, memorandums, announcements, bulletins, and other forms of written communication and job aids.
- **The cdiHR Coordination Unit** is responsible for the administration and continuous improvement of the cdiHR system. The cdiHR system functionality includes, but is not limited to, attendance reporting, leave accrual and usage, and position control. The Unit ensures cdiHR conforms to all laws, rules, and collective bargaining agreements. The Unit provides training and support to HRMD and cdiHR users by developing processes, providing procedures, and identifying and creating reports relative to cdiHR.
- **Labor Relations** facilitates cooperative and productive labor relations among CDI, employees, and respective employee labor organizations; provides consultative services to management on collective bargaining agreements and contract administration; establishes procedures for the equitable and peaceful resolution of differences on labor relations matters; and provides information on the application of collective bargaining agreements including CDI policies and grievance responses.
- **Performance Management** provides technical expertise, training, and guidance to management to ensure compliance with laws, regulations, and standards regarding employee progressive discipline issues and personnel actions.

HRMD Key Accomplishments in 2016:

- **Contract Cost Reductions –** HRMD identified redundancy in the State Controller's Office (SCO) report requests and worked with SCO to consolidate and eliminate duplications in an effort to streamline the process for both departments. Eliminating the redundancy will ultimately reduce CDI's contract costs for the next fiscal year and the cost of mail distribution for both the SCO and the department.
- **Principle-Based Reserving (PBR) –** In cooperation with the Financial Surveillance Branch, HRMD was instrumental in the establishment of the organizational structure for the newly created Office of PBR. A total of nine positions, including an exempt Chief Systems Actuary, were established to address a law that enacted a new method for determining policy reserves and their associated risks. To fill positions in this brand new classification, HRMD developed a strategic outreach plan involving extensive college and professional association outreach efforts to fill eight of the nine positions within a five-month period.

- **cdiHR System Enhancements –** The cdiHR team identified methods in which to better inform our employees; ensure compliance with human resources laws and rules; and streamline processes utilizing the cdiHR application, the department's automated human resources system. Most significant enhancements include: the capability for permanent intermittent employees to post hours worked and leave directly into cdiHR eliminating the use of paper records; the creation of a FMLA report ensures compliance with FMLA regulations; and the development of email notifications to alert department managers and supervisors when probationary reports and performance appraisals are due.
- **Training Efforts – HRMB has played a major role in** the launch of CDI Forward, a Commissioner Jones initiative to enhance departmental training opportunities. This robust training and development program has been developed to ensure CDI's workforce has the tools to do our work; to lead and help drive change; and to realize the meaning of the work we do on behalf of California's insurance consumers as a result. HRMD extended many training opportunities to department employees. These opportunities included leadership development for 95 executive and senior management employees; Performance Management training and Labor Relations training for supervisors and managers; and "core skills" training for all department employees. The core skills training included Collaborative Teams, Communicating Effectively, and Completed Staff Work among other offerings.
- **Examination Process Improvements –** In 2016, the Selections and Recruitment Unit made several innovative improvements to streamline and simplify the examination process. Improvements included the development of online examinations and Job Analysis Surveys resulting in reduced processing times; reformatting of examination bulletins to improve readability; implementation of a Satisfaction and Recruitment Survey utilized during examination administration to improve customer service; and use of Quick Response Codes to quickly and efficiently provide information to candidates during recruitment efforts.

INFORMATION TECHNOLOGY DIVISION

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

- **The Application Development and Maintenance Bureau (ADAM)** provides custom software development and supports a variety of commercial-off-the-shelf products/applications to meet the business needs of the department. ADAM keeps abreast of the latest advancements in application tools and technology, including maintaining CDI's Internet and intranet application servers.
- **The CDI Menu Modernization Project (CMMP)** is responsible for overseeing and delivering the department's five-year IT project initiated in FY 2014-15 to replace and upgrade its legacy CDI Menu and Integrated Database. CMMP is tasked with replacing 26 subsystems in eight development waves throughout all branches of CDI and is responsible for implementing a department-wide data architecture effort; cataloging and classifying data; standardizing data structures; and providing project oversight and management (including risk management) for this large, reportable IT project.
- **The Information Security Office** is responsible for protecting CDI's information assets; managing vulnerabilities within CDI's information processing infrastructure; managing threats and incidents impacting CDI's information resources; developing and maintaining

policies to ensure appropriate use of CDI's information assets; and educating employees about their information security and privacy protection responsibilities.

- **The Project Coordination and Administrative Support Bureau** provides departmental and divisional support. Departmental support activities include IT procurement; IT project management; and control agency compliance as well as supporting and improving usability of CDI's website content, online services, and intranet. Divisional support activities include expenditure tracking; human resources coordination; IT and department infrastructure budget tracking and monitoring; and training request coordination.
- **The Statewide Network Support Bureau** (**SNSB)** provides departmental support for the technology infrastructure. Support consists of telecommunication services; Local Area Network; Wide Area Network; hardware/software installation; e-mail services; video services; security; and maintenance for personal computers and other devices. SNSB monitors and maintains the Oracle database infrastructure, commonly referred to as the 'middle tier', and hosts all production data in-house serving as CDI's Data Center.

ITD Key Accomplishments in 2016:

- **Continued Development of the CMMP –** The CMMP continued into its third year. Fifteen of the 26 planned sub-projects are complete. Most significantly, the project implemented the Company Information Tracking System. This enterprise system allows for tracking of companies or insurer information and provides data to multiple CDI programs. Additional accomplishments include implementation of several Statistical Analysis Division applications to provide consumer driven information and statistical research on the insurance industry and on market conditions; and replacement of two licensing systems to provide the Licensing Services Division a way to review the backgrounds of agents, brokers, and agencies while also providing query and reporting capabilities. The five-year project was initiated in July 2014 and is on schedule to be completed in July 2018.

LICENSING SERVICES DIVISION

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

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

LSD Key Accomplishments in 2016:

- **Revised Exam Content Outlines –** CORB, in coordination with the Commissioner-appointed Curriculum Board, revised the exam content outlines to ensure that the outlines contain accurate, relevant, and current questions for the following license exams: property, casualty, personal lines, limited lines automobile, commercial, and bail. Education providers follow the exam content outlines to develop their course materials and the qualifying license exams are based on the content of the exam content outlines.
- **License Exam Sites –** Passing a qualifying license exam is a prerequisite for obtaining an insurance agent, broker, adjuster, or bail agent license. Providing convenient exam locations throughout California is critical to facilitate expedient licensing for applicants. During 2016, to improve the efficiency and effectiveness of the exam process and to improve customer service, some changes were made to the exam locations. The exam site located at CDI's San Francisco office was closed due to declining enrollment while expanded seating was made available at the licensing exam contractor's (PSI Services) San Francisco location. Additionally, PSI Services' El Monte exam site was relocated to Santa Fe Springs.
- **Implemented Public Adjuster Legislation –** PLB successfully implemented the licensing provisions of SB 488 (Chapter 833, Statutes of 2016), which became law on January 1, 2017. Specifically, PLB implemented changes needed for CDI to conform to the National Association of Insurance Commissioners' public adjuster licensing standards such as a new 20-hour pre-licensing education requirement and changes to the requirements for non-California residents.
- **Implemented License Exam Legislation –** CORB successfully implemented the licensing exam provisions of AB 2884 (Chapter 304, Statutes of 2016), which became law on January 1, 2017. Among the provisions of AB 2884 was an amendment to section 1682 of the California Insurance Code (CIC) setting statutory limits on the number of times individuals are allowed to take an insurance license exam in a 12-month period. Effective January 1, 2017, any insurance license exam candidate that has failed an exam ten times within the previous 12-month period is barred from taking the same exam for a period of 12 months, beginning from the date of the last failed exam.

TABLE E: LICENSE PROCESSING STATISTICS
Calendar Years 2015 and 2016

WORKLOAD	2015	2016	PERCENTAGE CHANGE
Individual License Applications Received	76,611	76,363	0%
License Exams Scheduled	80,287	74,498	-7%
New Licenses Issued	63,611	64,268	+1%
Licenses Renewed	136,054	138,865	+2%
Insurer Appointments/Terminations	823,084	745,210	-9%
Bonds Processed	5,738	5,796	+1%
Licensing Calls Handled	153,061	148,339	-3%
e-mail Inquiries Processed	11,513	7,880	-31%

TABLE F: APPLICATIONS RECEIVED BY LICENSE TYPE
Calendar Years 2015 and 2016

LICENSE TYPE	2015	2016	PERCENTAGE CHANGE
Life and Accident/Health (combined)	32,844	30,649	-7%
Life	15,689	16,426	+5%
Property and Casualty	15,350	16,302	+6%
Accident and Health	6,427	6,700	+4%
Personal Lines	6,137	6,559	+7%
Limited Lines Automobile	428	242	-43%

TABLE G: NEW LICENSES ISSUED BY LICENSE TYPE
Calendar Years 2015 and 2016

LICENSE TYPE	2015	2016	PERCENTAGE CHANGE
Life	41,429	39,954	-4%
Accident and Health	33,511	31,674	-5%
Property and Casualty	13,392	14,285	+7%
Personal Lines	5,813	6,114	+5%
Limited Lines Automobile	419	223	-47%

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

TABLE H: LICENSE BACKGROUND STATISTICS
Calendar Years 2015 and 2016

WORKLOAD	2015	2016	PERCENTAGE CHANGE
Insurance agent and broker background reviews	4,248	4,138	-3%
Cases referred to Legal Branch for disciplinary action	547	823	+50%
Insurance agent and broker alternative resolution program cases	723	1,014	+40%

TABLE I: LICENSE COMPLIANCE STATISTICS
Calendar Years 2015 and 2016

WORKLOAD	2015	2016	PERCENTAGE CHANGE
Insurance company officer and director background reviews	248	879	+254%
Updates to list of approved surplus line insurers	7	9	+29%
Cases referred to Legal Branch or Investigation Division for disciplinary action or further investigation	5	2	-60%
Orders of Administrative Bar for cheating on examination	11	12	+9%
Commissioner Board and Committees background reviews	38	47	+24%

Producer Licensing Exam First-Time Pass Rates:

For the past several years, the life insurance industry published several studies showing the number of career life agents nationally is declining. Industry representatives believe it is important for the insurance agent licensing process to recognize the changing demographics nationally and be flexible to ensure that qualified life agents serve every community.

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

In proactive response, LSD began partnering in 2011 with its exam contractor, PSI Services, to facilitate periodic exam workshops to review the pool of questions from each exam type. Subject matter experts from the insurance industry review each question to determine whether the questions are current, relevant, and accurate while a PSI Services' psychometrician reviews the questions for the purpose of identifying and removing any cultural or other biases.

In 2016, CORB continued to collect demographic data from license examinees on a voluntary basis. CORB and PSI Services are using the results of the demographic data provided to assist in identifying exam questions that may be changed or removed from the various exam question pools. For each of these exams, examinees must correctly answer at least 60 percent of the questions to receive a passing score.

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

TABLE J: FIRST-TIME EXAM PASS RATES
Calendar Year 2016

Property/ Casualty		Life and Accident/Health		Life		Accident and Health		Personal Lines		Limited Lines Automobile	
Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)
7,777	43%	21,572	63%	16,781	65%	1,588	85%	2,370	63%	245	55%

TABLE K: FIRST-TIME EXAM PASS RATES BY GENDER
Calendar Year 2016

Gender	Property/ Casualty		Life and Accident/Health		Life		Accident and Health		Personal Lines		Limited Lines Automobile	
	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)
Female	4,219	39%	10,061	61%	4,155	68%	695	86%	844	61%	151	49%
Male	3,095	48%	9,984	66%	4,153	72%	642	88%	448	79%	52	62%
Declined to Participate	463	48%	1,527	61%	8,473	60%	251	71%	1,078	58%	42	67%

TABLE L: FIRST-TIME EXAM PASS RATES BY ETHNIC GROUP
Calendar Year 2016

Ethnic Group	Property/ Casualty		Life and Accident/Health		Life		Accident and Health		Personal Lines		Limited Lines Automobile	
	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)
American Indian / Alaskan Native	30	30%	113	62%	42	62%	4	75%	3	67%	0	NA
Asian	986	45%	4,678	60%	1,427	63%	218	86%	63	86%	3	67%
Black	287	36%	1,437	57%	641	66%	113	91%	63	84%	2	50%
Filipino	166	42%	1,582	54%	536	68%	113	86%	9	78%	0	NA
Hispanic	2,164	28%	4,196	50%	2,154	59%	312	80%	625	59%	172	55%
Pacific Islander	51	51%	201	44%	77	64%	6	83%	7	86%	1	100%
White	2,636	55%	5,370	80%	1,634	82%	400	94%	198	88%	10	40%
Declined to Participate	1,457	44%	3,995	64%	10,270	63%	422	77%	1,402	59%	57	54%

TABLE M: FIRST-TIME EXAM PASS RATES BY EDUCATION LEVEL
Calendar Year 2016

Education	Property/ Casualty		Life and Accident/Health		Life		Accident and Health		Personal Lines		Limited Lines Automobile	
	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)	Number of Examinees	Pass Rate (%)
High School / GED	1,085	24%	2,303	40%	1,220	47%	138	71%	357	53%	94	52%
Some College	2,366	35%	5,268	54%	2,313	64%	346	83%	420	70%	71	56%
2-Year College Degree	628	38%	1,997	55%	768	69%	124	92%	89	73%	11	45%
4-Year College Degree	2,096	58%	6,509	75%	1,864	81%	443	93%	163	91%	12	58%
Master's Degree	433	66%	1,884	84%	434	87%	111	96%	19	95%	1	0%
Doctoral Degree	47	79%	318	92%	91	95%	17	100%	3	100%	0	NA
Declined to Participate	1,015	45%	2,897	60%	9,833	62%	370	75%	1,213	56%	50	60%

2016 ANNUAL REPORT

OFFICE *of* CIVIL RIGHTS

Office of Civil Rights

The Office of Civil Rights (OCR) ensures CDI's compliance with state and federal laws relating to discrimination, sexual harassment, and the Americans with Disabilities Act (ADA). Title VII of the 1964 Civil Rights Act and the California Fair Employment and Housing Act (FEHA) prohibits discrimination and harassment of employees, applicants for employment, clients, visitors, and others based on certain enumerated protected characteristics. The OCR updates and issues policy statements relating to discrimination and monitors compliance with all applicable civil rights laws. The OCR also ensures that all CDI staff are trained to comply with these policies and practices in the employment, development, and treatment of its employees and the consumers that we serve. The department's goal is to eliminate the harmful effects of discrimination, harassment, and retaliation so employees can focus on accomplishing CDI's mission.

The OCR continues to implement a proactive program aimed at eliminating discrimination and sexual harassment in CDI by educating managers, supervisors, and non-supervisory staff on departmental policy. The training covers behaviors that are unacceptable or could be construed as being in violation of the department's zero tolerance policy towards discrimination and sexual harassment; reporting incidents as and when they occur; educating and guiding managers and supervisors about their obligations to take immediate and appropriate action when such behaviors occur.

Since the passage of AB 2053 in 2014 (Codified in section 12950.1of the Government Code), "prevention of abusive conduct" requires that the department include, "prevention of abusive conduct" as a component of the discrimination and sexual harassment training conducted in the department. The OCR has incorporated the, "prevention of abusive conduct" training into the mandatory sexual harassment and discrimination prevention training. Every CDI manager and supervisor is required by statute and CDI policy to attend this training within six months of his or her initial appointment to a supervisory or managerial position and every two years thereafter. The sexual harassment prevention training continues to be provided to non-supervisory staff as well, every two years in accordance with departmental policy. Adherence to this timeline is monitored by the CDI Training Office.

Annually, the OCR completes a Workforce Analysis Report that is submitted to CalHR. This workforce analysis is used to gauge the department's representation of employees on the basis of race, gender, and disability across all classifications. On the basis of race and gender, the 2016 Workforce Analysis Report reflected that there were no non-job related barriers to employment at CDI. In regard to the percentage of employees with disabilities, the workforce analysis showed that nearly 16.6% of CDI's employees have a disability, which is within the range of the statewide 'Persons with Disabilities' employment goal of 13.3-16.6%. The findings that there are no non-job related barriers to employment at CDI and that CDI has a very good representation of employees with disabilities within its workforce are a reflection of CDI's commitment to an equal opportunity work place.

The Workforce Analysis Report also includes a section on the Upward Mobility Program. The Upward Mobility Program at CDI assists employees in relatively low-paying, "dead-end" classifications with guidance on how to become eligible for examinations that will allow them to move to higher paying positions with a career ladder. Some of the services provided to employees through the Upward Mobility program include job counseling, career planning, and the encouragement of training and development assignments to positions that offer better

career opportunities. Though the Upward Mobility Program is specifically mandated for employees in low paying positions, the OCR gladly offers guidance to any CDI employee, regardless of position.

The OCR provides staff support and guidance to the statutorily mandated departmental Disabilities Advisory Committee (DAC), which serves in an advisory capacity to the Commissioner. The DAC's purpose is to help identify systemic access issues for employees or applicants with disabilities. CDI's DAC has continued to sponsor brown bag presentations aimed at sensitizing and educating CDI's employees and management on disability related issues. The DAC has worked to bring in subject matter experts in to CDI to speak on topics such as American Heart Association, Canine Companions, and Esophageal Cancer. The events are available department-wide to all employees via video and telephone conference.

2016 ANNUAL REPORT

OFFICE *of* STRATEGIC PLANNING

Office of Strategic Planning

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

- Strategic planning and organizational performance management, including the implementation of action plans (and correlating established objectives) to support the vision, mission values, and goals of the CDI.
- Organizational Performance Management, including identification, development and implementation of methodologies that measure progress toward SMART objectives aligned with the goals of CDI's strategic plan.
- Succession planning and workforce development, including development and implementation of department-wide and program level goals and objectives.

Background: Development of CDI's Strategic Plan

In October 2011, the Commissioner and his executive team crafted a strategic plan that will guide our organization during the Jones administration. The strategic plan is the result of a collaborative effort among the 1,300 employees of the California Department of Insurance and its varied stakeholders. The development of the Strategic Plan included reaching out to multiple internal and external constituents for input, feedback, and ideas to capture diverse perspectives, while identifying common themes for change.

CDI's strategic planning efforts have resulted in an updated vision, mission, values and goals that are the foundation of its strategic plan. This strategic plan focuses on strategies that are seen as key for organizational improvements that will facilitate implementation of Commissioner Jones' priorities. CDI's updated vision, mission, values and goals are the following:

Our Vision

Insurance Protection for all Californians

Our Mission

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

Our Values: CDI FAIR

- **C**onsumer-focused professionals
- **D**edicated to serving with
- **I**ntegrity as a
- **F**air
- **A**ccountable
- **I**nnovative and
- **R**esponsive team

Our Goals

Together, we:

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

2016 Employee Satisfaction Survey

In an effort to make the California Department of Insurance (CDI) an “employer of choice” and “promote innovation and professional growth,” the Office of Strategic Planning deployed, for the third time, CDI’s Employee Satisfaction Survey. On November 8, 2016, all CDI employees were invited to participate in this survey. Employees had a four-week window to complete the survey, which closed on December 6, 2016.

The survey accomplished four important objectives: 1) to capture the current snapshot of employee attitudes towards the workplace; 2) to identify potential areas of strength and those that may need improvement; 3) to provide employees with an opportunity to voice important concerns; and 4) to offer an opportunity to measure progress when compared to our 2012 baseline results. OSP was pleased to achieve a 53.46% employee response rate.

2016 Lunchtime Series

As a result of CDI’s first Employee Satisfaction Survey in 2012, CDI implemented a Lunchtime Series of presentations designed to help employees advance or promote by leveraging internal resources. During the 2016 calendar year, this effort has enjoyed the continued support from the executive staff and much success. A total of eighteen CDI employees, over the past three years, have shared their knowledge with their fellow colleagues, along with outside presenters from various state departments and companies. Below is a list of those presentations offered by both employees and guest speakers during 2016.

- Personal Budgeting and Finance 101, Made Fun - December 8, 2016
- Steps Toward Immediate Success - September 15, 2016
- Steps Toward Career Success - June 9, 2016
- Rise and Move Forward - March 30, 2016

CDI Forward: Strengthening Our Department from Within

In November 2015, Commissioner Jones launched "CDI Forward", a workforce development initiative that focuses on “Strengthening our Department from Within”. OSP, in partnership (committee) with Executive Staff members and the Human Resources Management Division, spearheaded this Strategic Workforce and Development initiative and ensured that all aspects of this effort were in alignment with CDI values and goals.

CDI Forward – 2016 Efforts Completed

The project plan entailed a delivery of quarterly department-wide training, beginning in January 2016, to our workforce spanning three regions. To ensure staff engagement, OSP developed and deployed an assessment tool that offered employees a vehicle to provide input and an opportunity to shape the program design. With a 25% response rate, OSP identified Analytical, Communication, Interpersonal and Collaborative skills as being the top four requested areas of professional development. Based on this analysis, OSP engaged CDI's training vendor in developing four half-day long courses to address these professional development needs. As a result, the following four core skills training courses have been delivered to CDI employees:

- Completed Staff Work (January 2016)
- Communicating Effectively (April 2016)
- Trust in the Workplace (July 2016)
- Collaborative Teams (October 2016)

In addition, the Lunchtime Series, which is now a part of the CDI Forward initiative, has continued its mission to provide both professional and personal growth opportunities that engage all CDI staff.

CDI Forward – Planning for 2017

OSP, in November of 2016, began developing a plan for the 2017 calendar year. These efforts yielded four primary goals for 2017, which are:

1. The introduction of PACE (e-learning)
    a. To be offered on a department-wide level (Roll-out in August of 2017)
2. Deliver two core skills training courses
    a. Negotiations Skills (Projected to be delivered in February 2017)
    b. Microsoft Office Training (Projected to be delivered in October 2017)
3. Continue development of a CDI Forward intranet web page

    Continue to offer opportunities for CDI employees to present at the Lunchtime Series every quarter.

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ORGANIZATIONAL ACCOUNTABILITY OFFICE

Organizational Accountability Office

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

- Audit function
- Ethical compliance
- Incompatible Activity Statement
- Annual risk assessment
- Enterprise risk assessment plan
- State Leadership Accountability Act (SLAA) Report

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

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

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

- Internal Audits Unit
- Ethics Unit

INTERNAL AUDITS UNIT

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

The IAU:

- Assists executive management by conducting independent and objective audits and program effectiveness and efficiency reviews.
- Facilitates development of the annual enterprise risk assessment. Conducts Control Self-Assessments as a means for self-improvement and continuous monitoring. Conducts the annual CDI risk assessment. The auditors use the annual risk assessment as the basis for development of the risk based audit plan.
- Facilitates development of the State Leadership Accountability Act (SLAA) report, to include the risk assessment and ongoing monitoring of internal control, which is reported to the Department of Finance every two years.
- Conducts the CDI internal control monitoring program and track and assist with testing of internal controls.

- Provides management with information about the adequacy and effectiveness of the department's system of internal controls and quality of performance.
- Develops and implements the CDI 2-Year Audit Plan.

ETHICS OFFICE

The Ethics Unit (EU) was created in 2000 to provide private, secure, and confidential communications and investigations. This is an independent unit where CDI employees can confidentially obtain answers to questions regarding proper business conduct and report improper governmental activities by telephone, letter, or e-mail, without fear of retaliation.

The EU:

- Has oversight of the CDI Incompatible Activities Statement.
- Manages the Whistleblower Protection Act at CDI.
- Oversees the Ethics Orientation Training for CDI employees.
- Has complaint reporting responsibility including:
    - Responding to inquiries and investigating complaints regarding employees' possible conflict with CDI's Incompatible Activities Statement, such as misuse of state property, inappropriate acceptance of gifts, and abuse of authority.
    - Responding to inquiries and investigating whistleblower complaints involving fraud, waste, and abuse as required by the Whistleblowers' Protection Act and the State Administrative Manual Section 20080.
    - Reviewing complaints of retaliation for reporting complaints and assisting others to report these types of complaints.

2016 ANNUAL REPORT

CONSERVATION & LIQUIDATION OFFICE

Conservation & Liquidation Office

SECTION 1: CONSERVATION & LIQUIDATION OFFICE

Background

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

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

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

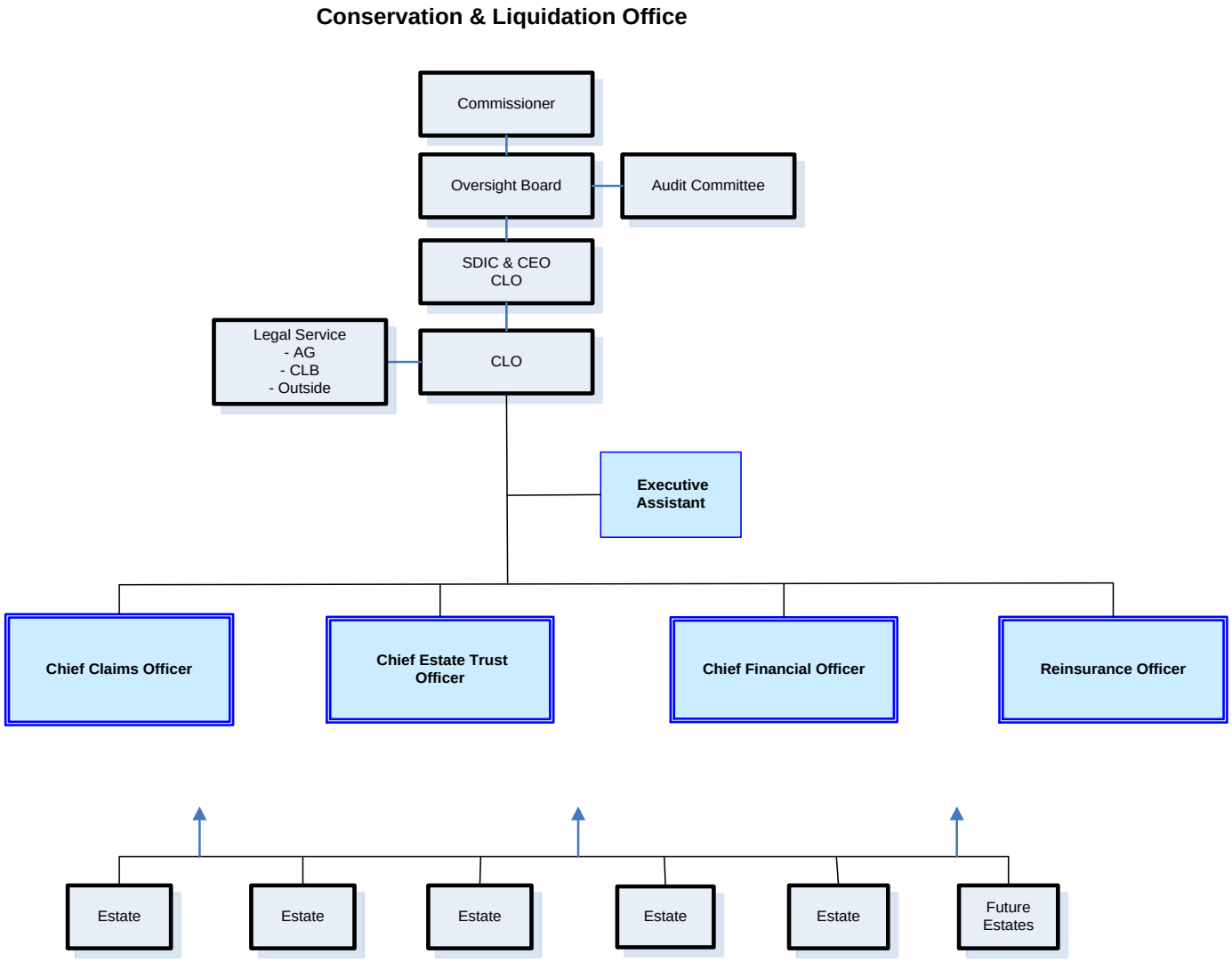
The Conservation & Liquidation Office ("CLO") performs conservation and liquidation services on behalf of the California Insurance Commissioner (Commissioner) with respect to insurance companies domiciled in California.

The CLO was created in 1994 as the successor to the Conservation & Liquidation Division of the Department of Insurance which was managed by State employees. The CLO is based in San Francisco, California. As of December 31, 2016, the CLO is responsible for the administration of 16 insurance estates.

In addition to the role described above, the CLO at times provides special examination services to the Financial Surveillance Branch of the Department of Insurance. The CLO is reimbursed directly by the company being examined. During 2016 the CLO assisted with one such examination.

In 2014, the CLO's Oversight Board authorized the CLO/Regulatory Services Group (RSG) (name used when doing work other than traditional California conservation and liquidations) to enter an engagement with the Nevada Insurance Commissioner to provide receivership management services. In 2016, the Board authorized continued engagements with Insurance Commissioners from the states of Colorado, Hawaii, Oregon, and Wyoming. The purpose of taking such work is to maintain receivership and institutional knowledge in California at a time that receiverships/liquidations are declining materially and to reduce the cost to California estates under the management of the CLO.

Organizational Structure



Oversight Board and Audit Committee Meetings

CLO activities are overseen by an Oversight Board composed of three senior executives of the California Department of Insurance. The current Oversight Board and Audit Committee members are Mr. Joel Laucher, Chief Deputy Commissioner, Mr. John Finston, Deputy Insurance Commissioner – General Counsel, and Ms. Susan Bernard, Deputy Commissioner-Financial Surveillance Branch.

During 2016, the Oversight Board and Audit Committee held three regularly scheduled meetings. There was a 100% attendance by the Committee members for two of the meetings and one member was absent from one meeting due to a work schedule conflict.

Mission Statement and 2016 Organizational Goals and Results

The CLO's Mission Statement is as follows:

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

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

The 2016 Business Plan focused on estate closings and distributions, collecting/converting assets, evaluating claims and enhancing the operating efficiencies of the CLO.

Entering 2016, there were 18 open estates under management. The open estates consist of 14 Property & Casualty Estates and four Life/Health Estates. The CLO goal in 2016 was to close five estates and distribute $192.1 million.

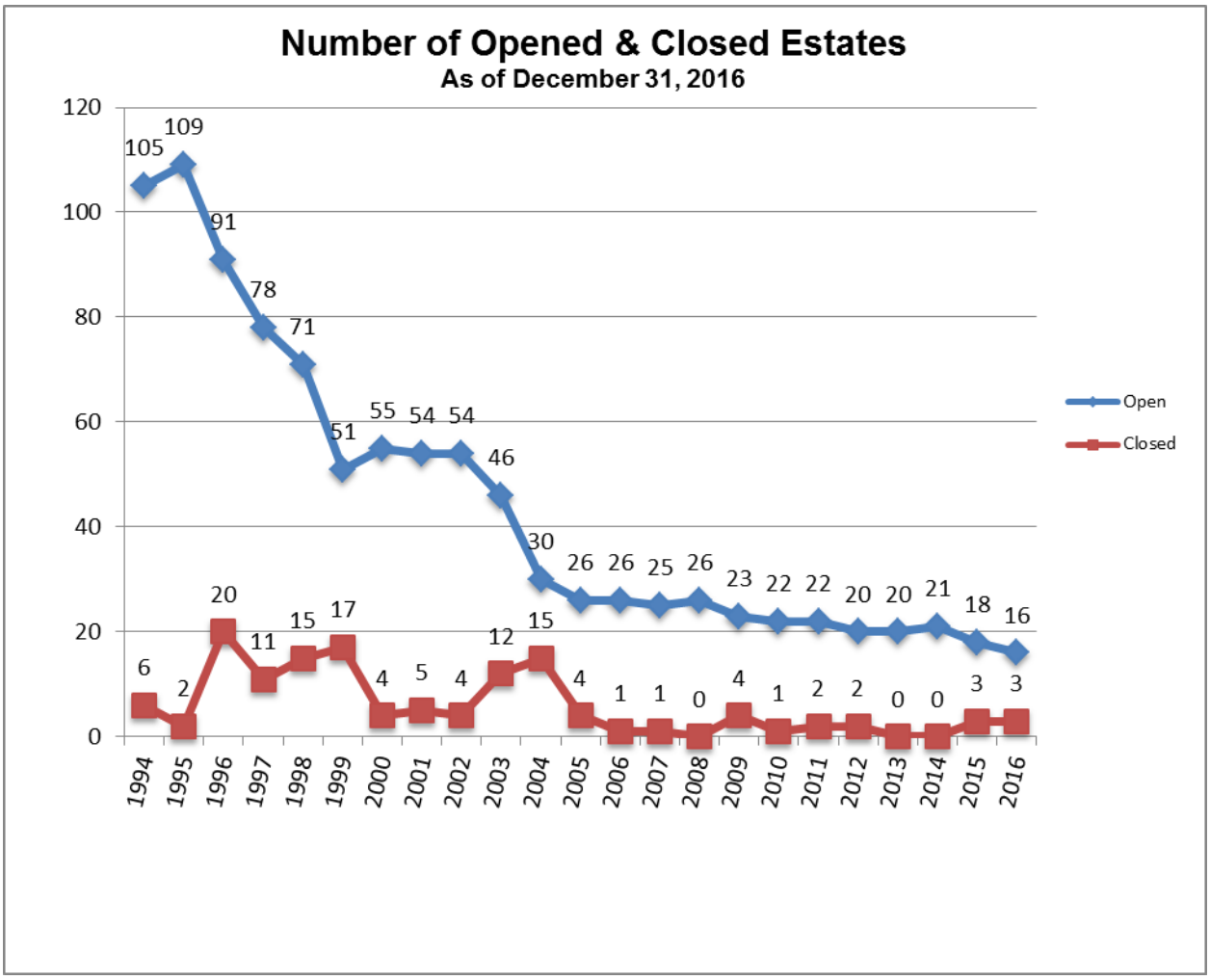
The CLO closed three of the five estates that were planned for closure in 2016. The remaining two were delayed due to legal scheduling complications and will close in 2017.

The CLO reduced its 2016 distribution goal from $192.1 million to $146.3 million for the following reasons. The ELIC distribution was reduced from $140 million to $110.8 million due to uncertainties about the estate's ultimate tax liability. A planned Fremont early access distribution of $12 million was deferred until 2017 for efficiency reasons. A final $6 million distribution for American Sterling and a $1 million for Fremont Life were deferred until 2017 due to legal administrative reasons.

1. Closings

GOAL	RESULTS
Close 5 Estates: 1) American Sterling Ins. Co. 2) Fremont Life Ins. Co. 3) HIH America 4) Golden State Mutual Life Ins. Co. 5) Frontier Pacific Ins. Co.	Due to legal administrative reasons, American Sterling and Fremont Life will not close until 2017.

Number of Opened & Closed Estates as of 12/2016



Since 1994, there have been approximately 130 estates closed. These estates consisted of 55 ancillaries, 22 title companies and 53 regular insurers. Ancillary and title companies typically require only limited work on behalf of the Liquidator.

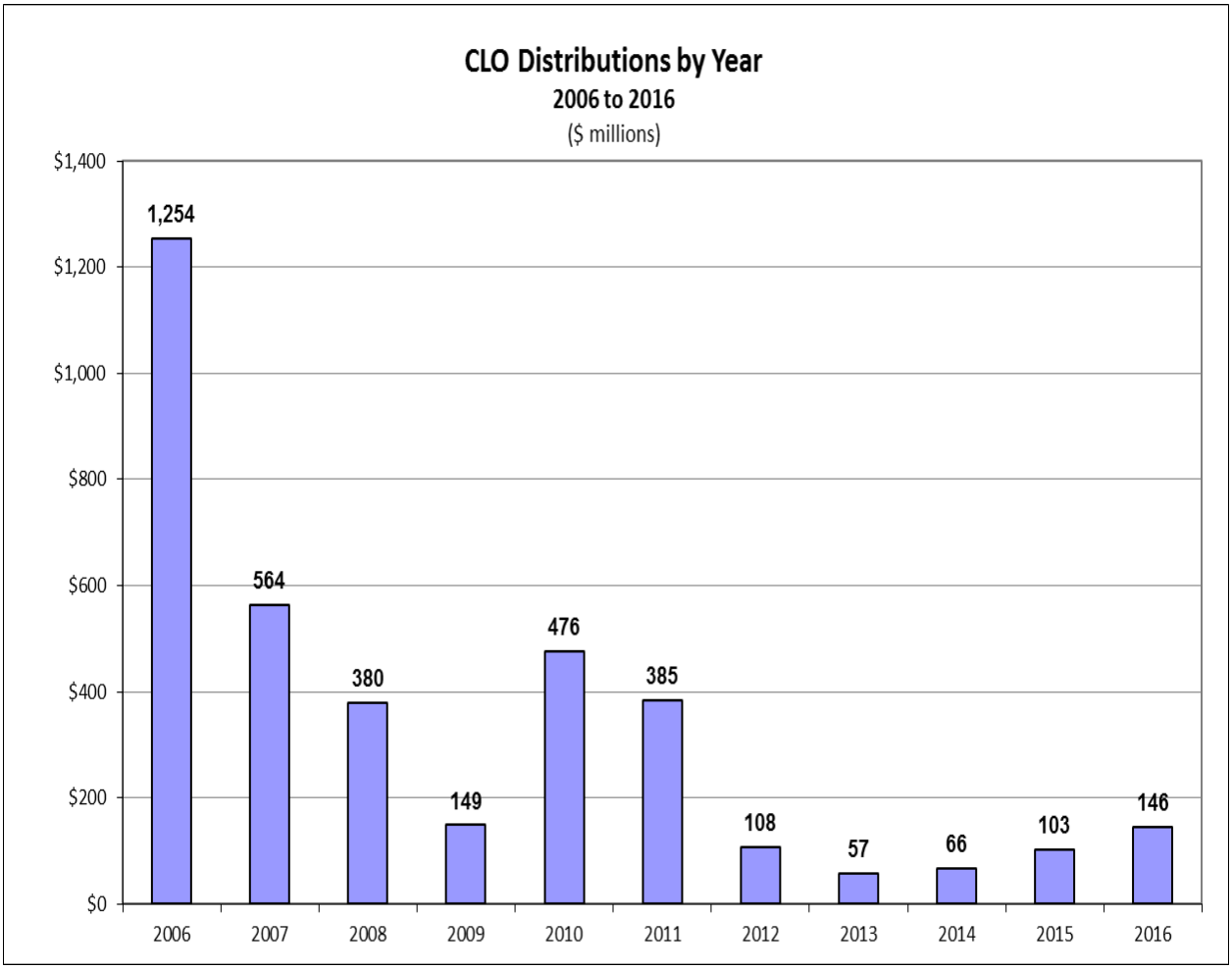
2. Distributions

Early Access and Interim Distributions

Estate	2016 Actual ($ Millions)	2016 Goal ($ Millions)
Superior National Insurance Companies In Liquidation	$17.6	$15
Fremont Indemnity	$0	$12
Executive Life	$110.8	$140
Sub-total:	**$128.4**	**$167**

Final Distributions

Estate	2016 Actual ($ Millions)	2016 Goal ($ Millions)
HIH America	$14.8	$14.8
American Sterling Ins. Co.	$0	$6
Fremont Life Ins. Co.	$0	$1
Closed Estates	$3.1	$3.3
Sub-total:	**$15.9**	**$25**
TOTAL DISTRIBUTIONS:	**$146.3**	**$192.1**



**Since 2005, $3.69 billion has been distributed.*

CLO Investment Policy

The CLO has a formal investment policy, as approved by its Oversight Board, requiring that investments be investment grade fixed income obligations of any type. These investments may be issued or guaranteed by (1) the U.S. and agencies, instrumentalities, and political sub-divisions of the U.S., and/or (2) U.S. corporations, trusts and special purpose entities. Such securities must be traded on exchanges or in over-the-counter markets in the U.S. None of the portfolio will be invested in fixed income securities rated below investment grade quality by Standard & Poor's, Moody's, or by another nationally recognized statistical rating organization. In addition, the duration must be maintained within +/- 12 months of the Barclays Capital U.S. Government/Credit 1-3 Yr. The average duration was approximately 1.5 years at December 31, 2016.

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

At December 31, 2016, the CLO had $500.0 million of estate marketable investment securities under management.

For the year ending December 31, 2016, the average portfolio balance was approximately $513.0 million. The portfolio earned an interest yield of 1.6% and a net yield after security gains/losses and mark-to-market adjustments of 1.3%.

Administrative Expenses

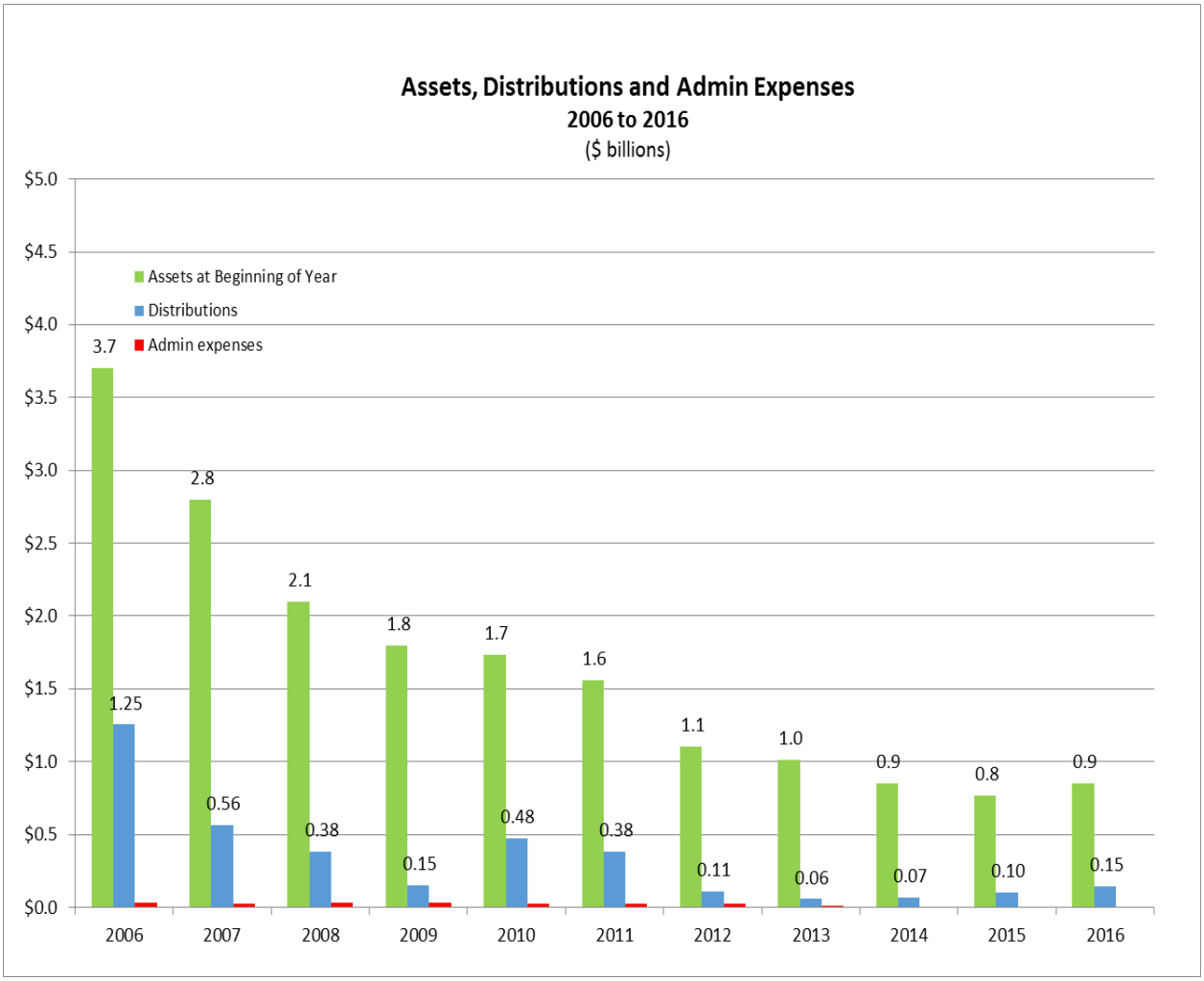
Administrative expenses consist of both direct and indirect expenses. [1]

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

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

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

[1] *See "CLO Financial Results" section of this report on the budget and actual expenditures for 2016 for direct and indirect expenses.*



The chart above displays the aggregated estate assets at beginning of year, distributions and administrative expenses from the year 2006 to 2016. The table below lists these figures.

Year	Assets ($ billions)	Distributions ($ millions)	Administrative Expenses ($ millions)
2006	$3.7	$1,254	$32
2007	$2.8	$564	$24
2008	$2.1	$380	$29
2009	$1.8	$149	$29
2010	$1.7	$476	$22
2011	$1.6	$385	$21
2012	$1.1	$108	$25
2013	$1.0	$57	$14
2014	$0.9	$66	$15
2015	$0.8	$103	$16
2016	$0.9	$146	$15

CLO Compensation

The CLO is not part of the State's civil service system. All employees are at-will. The CLO does not have a bonus plan or pay incentive compensation. To that end, the CLO has established policies and procedures that are more akin to the private marketplace.

Compensation Methodology

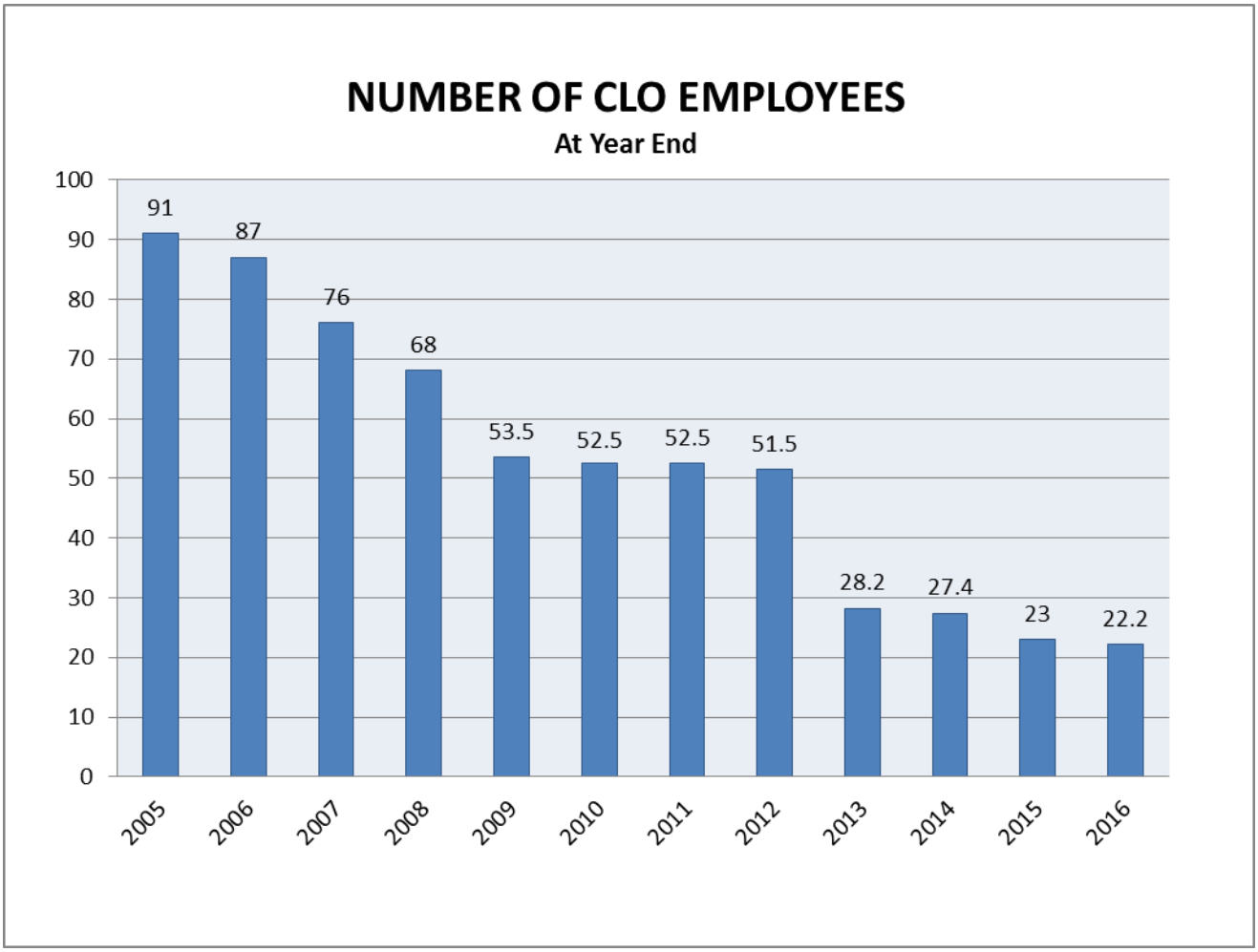
The CLO engages an outside consultant to assist in establishing compensation ranges. In developing this report for the CLO, the primary survey source used was the Comp Analyst which is a large survey representing thousands of companies across the U.S. which include hundreds of jobs. This subscription survey collects marketplace compensation data from many sources, and uses mathematical algorithms to predict the pay level of any of its survey jobs in major industries and geographical locations. The data used in this study was the nonprofit industry segment located in San Francisco.

A summary of the compensation procedures follows:

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

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

	2016	2017 (Budget)
Number of CLO full time equivalent employees at beginning of year	23.0	22.2
Total compensation and benefits for CLO employees	$4,734,089	$4,219,533



The chart above shows the number of CLO full-time employee equivalent from 2005 to 2016.

As estates have closed resulting in reduced workloads and as a result of internal operating efficiencies the number of full-time employees decreased by 75% compared to December 31, 2005.

CLO Financial Results

For Years Ended December 31, 2016 and December 31, 2015

Cash Received	December 31, 2016		December 31, 2015
	Actual	Budget	
Litigation, reinsurance recoveries, and miscellaneous income	$64,444,900	N/A[2]	$197,512,200
Investment income, net of expenses[3]	7,156,700	N/A	4,817,300
Total:	**$71,601,600**		**$202,329,500**

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

[3] Investment income is not budgeted due to the large changes in investment balances that occur throughout the year (due to distributions), as well as changes in investment return rates. The improved results in 2016 are the result of a raise in interest rates in 2016.

	December 31, 2016		December 31, 2015
	Actual	Budget	
Distributions	**$146,318,500**	**$192,100,000**	**$103,346,200**

Administrative – Estate Direct Expenses

Estate Direct Expenses	December 31, 2016		December 31, 2015
	Actual	Budget	
Legal expenses	$4,456,200	$1,496,900	$1,977,900
Consultants and contractors	2,527,300	1,470,800	2,532,100
Office expenses	1,217,100	1,218,700	4,737,700
Compensation and benefits	163,500	0	0
Total	$8,364,100[4]	$4,186,400	$9,247,700

[4] Estate expense financial results exceeded budget primarily due to expenses incurred by the Executive Life estate in settling litigation and a tax matter. In addition, the legal and consulting expenses incurred approximately $972 thousand in connection with the review, consolidation and conservation of the Tower Companies and $770 thousand in the liquidation of RSG estates. The CLO is reimbursed by Tower and RSG for these amounts which were not included in the 2016 budget.

Administrative – CLO Overhead Expenses

CLO overhead expenses	December 31, 2016		December 31, 2015
	Actual	Budget	
Compensation and benefits	$4,734,100	$4,776,200	$5,267,800
Office expenses	1,646,700	1,598,800	1,618,200
Consultants and contractors	163,400	114,000	123,900
Legal expenses	12,800	28,800	24,800
Total	$6,557,000	$6,517,800	$7,034,700
Administrative Totals	**December 31, 2016**		**December 31, 2015**
	Actual	**Budget**	
Estate Direct Expense Total	$8,364,100	$4,186,400	$9,481,900
CLO Overhead Expense Total	6,557,000	6,517,800	7,034,700
Total:	**$14,921,100**	**$10,704,200**	**$16,516,600**

Estates Open Longer Than Ten Years

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

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

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

Executive Life & ELIC Opt Out Trust:

Continuing asset recovery, via complex litigation, has required the Estate to remain open. The Commissioner's lawsuit against Altus S.A. et al was resolved in the fourth quarter of 2015. The estate completed an interim distribution in spite of uncertainties regarding the federal income tax ramifications of the Altus settlement. The estate also settled a dispute with the now defunct Thelen law firm over a contingent fee matter. The Estate and associated trust will remain open until resolution of a Federal tax matter. Since the Estate was transferred to the CLO in 1997, the Estate has recovered $906 million from litigation and distributed $848 million to claimants. Assets presently in the Estate will fund final distributions and operations.

Fremont Indemnity Company:

The Fremont Estate is in the final stages of completing the run off of its extensive reinsurance program. Once the remaining treaties are commuted or otherwise resolved, the estate will be in position to determine and settle all class 2 (policyholder) liability, the majority of which is comprised of the state guaranty fund claims. Thereafter, the estate will petition the court for

approval of a final distribution and closing orders. The estate has distributed in excess of $1 billion dollars in early access distributions to state guaranty funds since 2003. Other than one pending claim dispute, the estate is not facing any other material litigation or legal impediments.

Golden Eagle:

The Estate is in long-term run off. All policyholder claims have been 100% reinsured and policyholder claims are being paid timely, Golden Eagle remains liable to the policyholders should the reinsurance not suffice to satisfy all claim obligations. The reinsurance program is believed to have sufficient coverage to accommodate all remaining claims exposure. Until all claims are resolved or paid out, the Estate must remain open. The CLO acts in a pure monitoring capacity to ensure that the reinsurance contract continues to pay all claims.

Great States:

The Estate continues to seek a resolution to a dispute regarding the American Home Assurance Surety Bond matters in California and Arizona. The estate continues to work with California Insurance Guarantee Association for certain claim documentation to support ongoing billing of the surety. In an effort to resolve the balance of the surety in California, the parties continue to explore commutation possibilities. In Arizona, the estate is working with the Arizona Insurance Guaranty Fund which had a substantial hiatus in billing the surety, and then, the estate believes, billed the surety for less than they should have. The estate is actively working with Arizona to resolve the matter but has not resolved the issue yet. To date, the Estate has distributed 40.3 percent of the paid losses to the Insurance Guarantee Associations.

Mission/ Mission National:

In 2012, Mission Insurance Company and Mission National Insurance Company each applied to the United States Department of Justice (DOJ) for a release from super-priority claims. Both Mission Insurance Company and Mission National Insurance Company have reached an agreement with the United States Department of Justice and the EPA on a Federal Waiver settlement and release. The pending Federal Waiver documents are in the process of being ratified by the federal government after which counsel for the estate will seek liquidation court approval of the settlement and release in June 2017. To date, all policyholder claims in both estates have been paid 100%.

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

The SNICIL estates have approximately $47 million of collectible reinsurance still on the books. Nearly all of the collectible reinsurance involves long tail Workers Compensation business; thus, the strategy is to attempt to commute the remaining balances. This will continue to require a significant amount of time and effort to commute all of the reinsurance contracts and programs. All of the known liabilities have been determined except the finalization of the Guaranty Association claims. Collectively, the estates have distributed approximately of $1.5 billion dollars in early access distributions to state guaranty funds since 2001.The Estates completed the 13th early access distribution in 2016 for approximately $17.6 million.

Western Employers:

Western Employers underwrote coverages on long-tail exposures (workers compensation, asbestos, pollution etc.) and had been subject to extensive litigation associated with claims that exceed state guaranty fund coverage limits or were altogether not covered by the guaranty funds. The CLO worked to overcome pre-receivership record-keeping issues inherited at the

time of liquidation. Western Employers has several high limit claims that have not reached policy attachment points and as those liabilities are not liquidated, the estate still must obtain a court order before those claims can be determined. Western Employers coverage included many liability policies that had produced toxic tort claims at EPA Super Fund clean-up sites. Under Federal priority statutes, the Federal Government is entitled to verification that all policy liability is extinguished for the clean-ups; otherwise they believe they have a direct right of access to the policy. The estate worked closely with the United States Department of Justice and obtained a Federal Release waiver, meaning that the estate has no residual liability to the United States. The settlement with the United States allowed the estate to distribute $35 million to Guaranty Associations and another $19 million to non-Guaranty Association approved creditors. During the fourth quarter of 2016, legal counsel for the estate filed for and obtained a "tail-cutting" order establishing April 28, 2017 as the deadline date by which all remaining open claims must be liquidated. July 3, 2017 was set as the last date for claimants to file claim update forms substantiating their claims have been liquidated and determined by April 28, 2017. Pending completion of the tail-cutting process and final claims determination the estate will file a final report, and seek authority to distribute its assets in late 2017 or early 2018.

Claims History
Property and Casualty Estates

Estate	Liquidation Date	Proof Of Claims Filed	Proof Of Claims Resolved	Open POCs
American Sterling	10/26/2011	93	93	0
CastlePoint National	TBD	TBD	TBD	TBD
Fremont	7/2/2003	45,669	45,372	297
Golden Eagle [5]	2/18/1998		n/a (see below)	
Great States	5/8/2001	1,169	1,167	2*
Mission (2 estates)	2/24/1987	141,646	141,646	0
SeeChange	1/28/2015	154	0	154
Superior (5 estates)	9/26/2000	13,936	13,893	43
Western Employers	4/19/1991	9,809	9,773	36
	Total:	**212,476**	**211,944**	**532**

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

** Both open claims on the Great States estate relate to the inability to close the Arizona and California surety bond issues.*

Life Insurance Estates

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

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

2017 Business Goals

The 2017 Business Plan is focusing on estate closings and distributions.

Entering 2017 there are 16 open estates under management by the CLO. The open estates consist of 13 Property & Casualty Estates and three Life/Health Estates. Our goal in 2017 is to close two estates and distribute $127 million.

Starting 2017, we have 22.2 full-time employee equivalents. We will re-assess staffing requirements throughout the year and will make any changes deemed necessary.

The 2017 Goals are as follows:

1. Close 2 Estates[6]
   - Fremont Life Ins. Co.
   - American Sterling Ins. Co.

[6]*Closing is defined as fully releasing the Commissioner from all legal responsibilities for an estate.*

2. Early Access, Interim, and Final Distributions

Early Access and Interim Distributions:

Mission/Mission National	$110,000,000
Superior National Estates	10,000,000

Final Distributions:

American Sterling	6,000,000
Fremont Life	1,000,000
Closed Estates	300,000
	$127,300,000

SECTION 2 – ESTATE SPECIFIC INFORMATION

Conservation or Liquidation Estates Opened During the Year 2016
- CastlePoint National Insurance Company

Conservation or Liquidation Estates Closed During the Year 2016
- Golden State Mutual Life Insurance Company
- HIH America Comp. & Liability Ins. Co.
- Frontier Pacific Insurance Company

Conservation & Liquidation Office

Current Year and Cumulative Distributions by Estate [7]

	Year Ended 12/31/2016				Cumulative to 12/31/2016			
		Federal and State				Federal and State		
	Policyholders	Claims	General Creditors	Total	Policyholders	Claims	General Creditors	Total
American Sterling Ins Co	-	-	-	-	205,072	-	-	205,072
*Executive Life Ins Co	115,299,605	-	-	115,299,605	852,575,548	-	-	852,575,548
Fremont Indemnity Co	1,232,469	-	-	1,232,469	1,021,353,450	-	-	1,021,353,450
Frontier Pacific Ins Co	(3,146)	-	-	(3,146)	36,018,300	-	-	36,018,300
Great States Ins Corp	-	-	-	-	10,154,783	-	-	10,154,783
HIH America Ins Co	14,823,408	-	-	14,823,408	341,409,758	-	-	341,409,758
Mission Ins Co	-	-	-	-	846,832,560	111,132	265,664,289	1,112,607,981
Mission National Ins Co	-	-	-	-	499,851,864	-	27,077,326	526,929,190
California Comp Ins Co	5,427,702	-	-	5,427,702	917,960,783	-	-	917,960,783
Combined Benefits Ins Co	1,000,000	-	-	1,000,000	27,078,314	-	-	27,078,314
Superior National Ins Co	5,763,012	-	-	5,763,012	417,917,736	-	-	417,917,736
Superior Pacific Cas Co	5,000,000	-	-	5,000,000	51,969,739	-	-	51,969,739
Commercial Comp Cas Co	445,113	-	-	445,113	98,429,423	-	-	98,429,423
SeeChange Insurance	-	-	-	-	20,806	-	-	20,806
Western Employers Ins Co	46,262	-	-	46,262	122,292,941	59,669	-	122,352,610
	149,034,425.00	-	-	149,034,425.00	5,244,071,077.45	170,801.26	292,741,614.87	5,536,983,493.58

*Since administration was transferred to CLO in 1997. The $115.3 million total distribution amount includes $4.5 million distribution to NOLHGA.

[7] *CastlePoint National, Fremont Life, and Golden Eagle, estates are not included on this schedule as no distributions have occurred.*

Estates in Conservation and/or Liquidation as of December 31, 2016

Estate Name	Date Conserved	Date Liquidated
American Sterling Insurance Company	09/26/11	10/26/11
California Compensation Insurance Company	03/06/00	09/26/00
CastlePoint National Insurance Company	07/28/16	*
Combined Benefits Insurance Company	03/06/00	09/26/00
Commercial Compensation Casualty Company	06/09/00	09/26/00
Executive Life Insurance Company	04/11/91	12/06/91
Fremont Indemnity Company	06/04/03	07/02/03
Fremont Life Insurance Company	06/05/08	*
Golden Eagle Insurance Company	01/31/97	02/18/98
Great States Insurance Company	03/30/01	05/08/01
Mission Insurance Company	10/31/85	02/24/87
Mission National Insurance Company	11/26/85	02/24/87
SeeChange Health Insurance Company	11/19/14	01/28/15
Superior National Insurance Company	03/06/00	09/26/00
Superior Pacific Casualty Company	03/06/00	09/26/00
Western Employers Insurance Company	04/02/91	04/19/91

No Liquidation Order obtained

Report on Individual Estates

Each estate has its own unique set of challenges to monetizing assets, valuing the claims, distributing assets and closing. No two estates are the same. The remaining portion of Section 2 provides a brief summary of the 2016 operating goals and results, the current status of the estate in the conservation or liquidation process, and summarized financial information.[8]

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

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

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

ESTATE SPECIFIC INFORMATION

American Sterling Insurance Company

Conservation Order: **September 26, 2011**
Liquidation Order: **October 26, 2011**

2016 Report

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

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

Due to a lack of adequate cash flow to meet claims and overhead obligations, ASIC and its subsidiaries were placed into conservation on September 26th 2011. No immediate or reliable prospect of new cash materialized through efforts of the shareholder. As a result, the conservator had to seek an insolvency order to trigger the state guaranty funds to timely honor claims payments. ASIC and its subsidiaries were placed into liquidation on October 26, 2011.

As of December 31, 2011 all open policyholder claims had been transferred to the three participating IGAs, 30-day cancellation notices were issued at liquidation to all in force policyholders. All claims have been determined through a formal POC process and payment final distribution is scheduled for the second quarter of 2017, subject to court approval.

The focus of the estate in 2015 was to take possession and monetize the final real estate asset in the liquidation estate. ASIC foreclosed its security interest in a residential property in Orange County that was pledged as collateral for a defaulted loan made by ASIC (Monarch Bay residence). After failing to negotiate a consensual resolution with the long-term occupants of the Monarch Bay residence, the estate was forced to file an unlawful detainer action and pursue a formal eviction process.

In 2015, the estate took full possession of the Monarch Bay residence, cleaned and repaired the property and placed it under an exclusive listing agreement. The Estate placed the Monarch Bay Property on the market in late November 2015 with Hardcourt Prime Properties. After approximately 6 months of listing the estate, the estate received a series of offers and after weeks of active negotiation agreed to a $7.8M contract for sale. The purchase contract was confirmed by the liquidation court in July 2016 and the transaction closed in late August 2016. After receiving the sale proceeds the Estate has sufficient assets to pay all approved creditors together with statutory interest. The surplus assets of approximately $5M will be distributed to the intermediate holding company American Sterling Corp.

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American Sterling Ins Co

ASSETS AND LIABILITIES

As of Decemeber 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$6,222,600	$8,449,900
Other assets	131,600	131,600
Total assets	6,354,200	8,581,500

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	41,200	41,200
Claims against policies, before distributions	2,250,900	2,250,900
Less distributions to policyholders	(205,100)	(205,100)
All other claims	504,600	504,600
Total liabilities	2,591,600	2,591,600
Net assets (deficiency)	$3,762,600	5,989,900

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$6,700	$17,100
Salvage and other recoveries	3,300	900
Total income	10,000	18,000

Expenses	2015	2016
Administrative expenses	698,200	290,800
Total expenses	698,200	290,800
Net income (loss)	($688,200)	($272,800)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$104,500
Recoveries, net of expenses	8,550,500
Distributions	(205,100)
Monetary assets available for distribution	$8,449,900

Executive Life Insurance Company

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

2016 Report

Executive Life Insurance Company (ELIC) was placed in conservation by order of the Los Angeles County Superior Court on April 11, 1991. At the time, ELIC, which had more than 330,000 policyholders, was the largest life insurance insolvency in United States history. In the summer and fall of 1991, the Commissioner conducted an auction seeking bids to acquire the junk bond portfolio and insurance assets of ELIC. In December 1991, the Commissioner's selection of a group of French and European investors (the Altus/MAAF group) as the winning bidder, and the transaction was approved by the Conservation Court.

In March 1992, ELIC's junk bond portfolio was transferred to Altus Finance for a purchase price of approximately $3 billion. In August 1993, the Court approved a final Rehabilitation Plan under which the majority of ELIC's assets and its restructured insurance policies were transferred to a new California insurance company created by the European consortium that had won the 1991 bid. The Rehabilitation Plan became effective in September 1993. Under the terms of the Rehabilitation Plan, former ELIC policyholders were given a choice either to accept new coverage (Opt In) from Aurora National Life Assurance Company (Aurora) or to terminate their ELIC policies (Opt Out) in return for a pro rata share of ELIC's assets. The Rehabilitation Plan also provided for the establishment of various trusts, collectively known as the Enhancement Trusts, to marshal and distribute assets for the benefit of former ELIC policyholders.

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

A trial against the remaining defendant in 2005 resulted in a jury verdict finding Artemis S.A., a two-thirds owner of Aurora, liable for knowing participation in a conspiracy with members of the Altus/MAAF group to defraud the Commissioner, but the Commissioner was not awarded damages. In August 2008, the jury's verdict of liability was upheld on appeal and the case was remanded to the U.S. District Court for a new trial on the issue of damages.

The new trial concluded on October 29, 2012 and the jury rendered a verdict finding no damages. On April 2, 2013, the trial court reinstated the restitution award in favor of the Commissioner and entered judgment against defendant Artemis in the amount of $241,092,020 less a credit of $110,000,000 that the Commissioner received at an earlier date. The Commissioner appealed to the U.S. Court of Appeals for the Ninth Circuit and on April 16, 2013, the U.S. District Court issued an order staying execution of the restitution judgment pending the appeal decision. On April 24, 2013, defendants Artemis S.A. filed its Notice of Cross-Appeal against the restitution judgment.

In accordance with the U.S. Appeals Court Ninth Circuit Briefing schedule, the Commissioner and defendants have completed briefing the court.

Continuing asset recovery, via complex litigation, has required the Estate to remain open. The Commissioner's lawsuit against Altus S.A. et al was resolved in the fourth quarter of 2015. The estate completed an interim distribution of $110.8 million of which Opt in policyholders received $75.9 million in spite of uncertainties regarding the federal income tax ramifications of the Altus

settlement, and settled a dispute with the now defunct Thelen law firm over a contingent fee matter. The Estate and associated trust will be required to complete any escheatment of unclaimed funds post the final distribution. Since the Estate was transferred to the CLO in 1997, the Estate has recovered $906 million from litigation and distributed $848 million to claimants. Assets presently in the Estate will fund final distributions and operations.

ELIC Opt-Out Trust

The Opt-Out Trust receives approximately 33% of ELIC assets which are distributed to approximately 27,300 former ELIC policyholders ("Opt-Outs") who elected to terminate their policies. The Opt-Out Trust received $37.5 million of Altus Settlement Funds. Presently the remaining assets of the Opt-Out Trust consist of distributions allocated to policyholders with whom contact has been lost, in most cases due to bad addresses (such funds will be escheated to the last known state of residence). This trust however, continues to remain open to effect the final distribution to Opt-Out policyholders.

Executive Life Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$108,613,900	$75,895,000
Other assets	89,095,900	590,000
Total assets	197,709,800	76,485,000

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	2,701,100	84,500
Policyholder liability	6,835,111,200	7,005,828,700
Less distributions to policyholders	-	(115,299,600)
All other claims	428,800	428,800
Total liabilities	6,838,241,100	6,891,042,400
Net assets (deficiency)	($6,640,531,300)	(6,814,557,400)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$84,816,300	$2,202,400
Litigation recoveries	90,305,100	-
Miscellanoues income	(2,900)	-
Total income	175,118,500	2,202,400

Expenses	2015	2016
Administrative expenses	1,584,400	5,986,600
Interest on policyholder liability	227,508,600	170,242,000
Total expenses	229,093,000	176,228,600
Net income (loss)	($53,974,500)	($174,026,200)

CHANGE IN MONETARY ASSETS [9]

Beginning monetary assets at takeover	$112,111,400
Recoveries, net of expenses	816,359,100
Distributions	(852,575,500)
Monetary assets available for distribution	$75,895,000

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

ELIC Opt Out Trust

ASSETS AND LIABILITIES

As of December 31, 2012 and December 31, 2013

Assets	12/31/2012	12/31/2013
Cash and investments	$8,534,600	$8,415,800
Total assets	8,534,600	8,415,800

Liabilities	12/31/2012	12/31/2013
Secured claims	6,132,600	6,130,200
Unclaimed funds payable	2,240,200	2,238,500
Payable to Affiliates	571,460	571,500
Reserve for administrative expenses	(409,600)	(524,400)
Total liabilities	8,534,600	8,415,800

INCOME AND EXPENSES

For Year Ended December 31, 2012 and 2013

Income and Expenses	2012	2013
Investment income	$253,900	$53,500
Administrative expenses	194,900	163,200
Net income (loss)	$59,000	($109,700)

ELIC Opt Out Trust

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$7,987,900	$18,082,500
Total assets	7,987,900	18,082,500

Liabilities	12/31/2015	12/31/2016
Secured claims	5,955,600	16,736,200
Unclaimed funds payable	2,236,600	2,236,600
Payable to Affiliates	590,000	590,000
Reserve for administrative expenses	(794,300)	(1,480,300)
Total liabilities	7,987,900	18,082,500

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income and Expenses	2015	2016
Investment income	$75,600	$118,100
Administrative expenses	188,200	804,100
Net income (loss)	($112,600)	($686,000)

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

2016 Report

Fremont was authorized as a multi-line Property & Casualty insurer, but at the time of liquidation operated as a "Monoline" Workers' Compensation insurer writing only Workers' Compensation and Employer Liability coverage in 48 states. Fremont is the successor by merger of six affiliate insurers that were under the common ownership of Fremont Compensation Insurance Group, Inc. ("FCIG"), Fremont's immediate parent company. FCIG was wholly-owned by a publicly traded holding company, Fremont General Corporation ("FGC"). Approximately 65% of Fremont's Workers' Compensation claims are attributable to business written in California. Most of the general liability business was assumed by a group of life insurance companies and administered through a third party administrator named Riverstone. The "Claims Bar Date", or the final date to submit a claim against the insolvent entity, was June 30, 2004.

All legal disputes with the exception of one Order to Show Cause proceeding associated with a toxic tort claim have been resolved. The unresolved matter is proceeding in the liquidation court. Counsel for the Estate and the Insured have negotiated a settlement in principle but are continuing to work on final release language. Once the final document is mutually agreed to the estate will seek court approval of the settlement.

The Estate continues to resolve final billing and collections on the remaining active reinsurance treaties, as well as seeking commutations in an effort to close the reinsurance program.

The estate completed a trustee's sale essentially foreclosing its interests in a residence located in Fullerton, California as part of the final resolution to a Life Estate pledge from a surety obligation due the estate. Due to title issues the estate had to work through a probate proceeding to obtain legal clearance to conduct the non-judicial foreclosure.

Legal Counsel for the Estate has drafted a "tail-cutting" motion to be filed in mid-March for a May 16th hearing. The Estate will seek to obtain authority to establish July 28, 2017 as the date by which all remaining open claims must be liquidated, as well as establish September 29, 2017 as the deadline date by which all claim update forms must be submitted to the Estate substantiating the open claims have been liquidated together with any supporting documentation.

Upon completion of the "tail-cutting" project the estate will be in position to prepare a final report and motion seeking authority to distribute its assets. Absent opposition or unforeseen impediments to the final determination of the estate's policyholder liability the Estate is in position to make a final distribution in late 2017 or early 2018.

Fremont Indemnity Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$58,122,600	$74,653,600
Recoverable from reinsurers	40,017,500	20,025,600
Other assets	18,540,700	7,338,900
Total assets	116,680,800	102,018,100

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	15,631,600	39,500
Claims against policies, before distributions	3,124,572,500	2,786,040,900
Less distributions to policyholders	(1,020,121,000)	(1,021,353,400)
All other claims	321,418,800	308,684,500
Total liabilities	2,441,501,900	2,073,411,500
Net assets (deficiency)	($2,324,821,100)	($1,971,393,400)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$616,600	$748,300
Salvage and other recoveries	11,846,500	11,299,000
Total income	12,463,100	12,047,300

Expenses	2015	2016
Loss and claims expenses	3,235,200	(328,658,300)
Administrative expenses	2,932,500	1,958,700
Total expenses	6,167,700	(326,699,600)
Net income (loss)	$6,295,400	338,746,900

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$434,855,900
Recoveries, net of expenses	661,151,100
Distributions	(1,021,353,400)
Monetary assets available for distribution	$74,653,600

Fremont Life Insurance Company
Conservation Order: June 05, 2008

2016 Report

Fremont Life Insurance Company ("Fremont Life"), a California domiciled life insurance company was located in Costa Mesa, California. Fremont Life was a wholly owned subsidiary of Fremont Compensation Insurance Group Inc., whose ultimate parent was Fremont General Corporation ("FGC"). FGC filed for protection under Chapter 11 of the U.S. Bankruptcy Code in June of 2008. At the time of the parent's bankruptcy filing Fremont Life was unable to maintain the minimum required capital and surplus of $4,500,000. At about the time of the subsequent bankruptcy filing by its parent FGC, the California insurance regulators opted to seek a conservation of Fremont Life.

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

The Estate, working with the California Department of Justice obtained a satisfaction of judgment thereby resolving the outstanding restitution order the conservation estate is subject to.

The Estate is positioned to complete a final assumption transaction for the few policies associated with the restitution case and there after petition the court for authority to make a final distribution and close the conservation estate.

Fremont Life Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$1,503,600	$1,547,100
Other assets	500	500
Total assets	1,504,100	1,547,600

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	10,800	139,900
All other claims	1,609,200	1,609,200
Total liabilities	1,620,000	1,749,100
Net assets (deficiency)	($115,900)	($201,500)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$54,000	$21,000
Salvage and other recoveries	-	50,000
Total income	54,000	71,000

Expenses	2015	2016
Administrative expenses	70,000	156,700
Total expenses	70,000	156,700
Net income (loss)	($16,000)	($85,700)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$1,443,100
Recoveries, net of expenses	104,000
Monetary assets available for distribution	$1,547,100

Golden Eagle Insurance Company
Conservation Order: **January 31, 1997**
Rehab./Liquidation Plan Approved: **August 4, 1997**
Liquidation Order: **February 18, 1998**

2016 Report

Golden Eagle Insurance Company ("Golden Eagle") is the subject of a Plan of Rehabilitation and Liquidation ("Plan") approved by the Superior Court in 1997. Under the Plan, Golden Eagle's insurance operating assets and future business were sold to affiliates of Liberty Mutual Insurance Company. The Plan also provides for an orderly "run-off" of claims under Golden Eagle's pre-1997 insurance policies, a process which is ongoing.

As part of the process to run off the remainder of the Golden Eagle estate, additional reinsurance coverage was purchased from Liberty Mutual affiliates to cover all the remaining covered insurance policy exposures. Because payment in full of Golden Eagle's insurance liabilities is provided for under the Plan, the Liquidation Order does not contain a formal finding of insolvency, and thus the claim payment obligations of the Insurance Guaranty Associations (IGAs) have not been triggered. As a result, no bar date has been set for the filing of insurance claims covered under a Golden Eagle policy. Such claims will continue to be received, adjusted, and paid in the ordinary course of the run-off of Golden Eagle's policyholder liabilities. The IGAs remain as a back-up, in the unlikely event that the claims payment assets available under the Plan are exhausted prior to the final policyholder claim payment. The judicial proceeding (and the liquidation estate) may need to be kept open to allow for IGA coverage to be triggered in the event the existing claims paying capacity provided for under the Rehabilitation Plan is exhausted, although the Commissioner and the Superior Court are exploring options for terminating the legal proceeding while the run-off process continues, while preserving the rights of policyholders to receive payment on their claims.

All remaining policyholder claims are being administered and paid under the Plan's indemnity reinsurance and excess of loss reinsurance agreements with Liberty Mutual affiliates. Policyholder claims continue to run off within the range of expected cost and reinsurance coverage. The Commissioner is seeking an agreement with Liberty wherein Liberty would accept the remaining liability thus enabling the CLO to close the estate. Absent an agreement with Liberty or a court order to the contrary, until the entire remaining exposure is paid, assumed, or novated, the Estate must remain open to monitor the long-term claim run-off and to give policyholders access to appeal rights through the OSC process that is incorporated into the Rehabilitation Plan.

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

Golden Eagle Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$1,730,500	$1,666,700
Total assets	1,730,500	1,666,700

Liabilities	12/31/2015	12/31/2016
Net assets (deficiency)	$1,730,500	$1,666,700

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$16,800	$21,400
Total income	16,800	21,400

Expenses	2015	2016
Administrative expenses	128,100	85,200
Total expenses	128,100	85,200
Net income (loss)	($111,300)	($63,800)

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover [10]	$2,029,000
Recoveries, net of expenses	(362,300)
Monetary assets available for distribution	$1,666,700

[10] *As of December 31, 2006, when Golden Eagle's estate accounting was transferred to the CLO.*

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

2016 Report

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

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

The Estate continues to seek a resolution of the surety bond issues with American Home Assurance for bonds covering California and Arizona losses. In an effort to resolve the balance of the surety in California, the parties continue to explore commutation possibilities but have not reached an agreeable figure for resolution. In Arizona, the estate is working with the Arizona Insurance Guaranty Fund which had a substantial hiatus in billing the surety, and then, the estate believes, billed the surety for less than they should have billed. The estate is actively working with Arizona to resolve the matter but has not resolved the issue yet. The Estate and counsel for the California Department of Insurance are working with Arizona counsel to define the amounts due under the surety arrangement and to lend general assistance to remedy the situation. Recent communications between counsel for the surety issuer and Arizona counsel indicate progress is being made, but the parties have not come to any definitive agreement by which to settle the recoveries. We are hopeful that the matter can be properly addressed and resolved in 2017 which would position the estate for closure in 2018. Only the California and Arizona claims are unresolved, and beyond the surety collections there are no material assets remaining for collection.

To date, the Estate has distributed 40.3 percent of the paid losses to the Insurance Guarantee Associations.

Great States Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$20,612,200	$20,745,800
Recoverable from reinsurers	750,700	715,700
Total assets	21,362,900	21,461,500

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	24,200	14,800
Claims against policies, before distributions	76,051,200	72,407,700
Less distributions to policyholders	(10,154,800)	(10,154,800)
All other claims	11,917,600	11,917,600
Total liabilities	77,838,200	74,185,300
Net assets (deficiency)	($56,475,300)	($52,723,800)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$190,800	$261,300
Salvage and other recoveries	1,707,300	1,340,500
Total income	1,898,100	1,601,800

Expenses	2015	2016
Loss and claims expenses	(1,374,300)	(2,319,000)
Administrative expenses	177,400	169,300
Total expenses	(1,196,900)	(2,149,700)
Net income (loss)	$3,095,000	$3,751,500

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$7,889,700
Recoveries, net of expenses	23,010,900
Distributions	(10,154,800)
Monetary assets available for distribution	$20,745,800

Mission Insurance Company
Conservation Order: October 31, 1985
Liquidation Order: February 24, 1987

Mission National Insurance Company

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

2016 Report

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

In accordance with a court approved closing plan, the Mission estates completed a final policyholder distribution in 2006 whereby all policyholder claimants for Mission, Mission National and Enterprise were paid 100% of their approved claim. As of year-end 2016, the general creditors of the Mission estate have unsatisfied portions remaining on their approved claims.

The Mission estates participate as members of a consolidated tax group (Covanta being the parent) and, as such, are joint and severally liable for the tax exposure of the group. With guidance and advice from tax counsel, the estates have established proper tax reserves for certain open tax years. Covanta has commenced an audit with the Internal Revenue Service (IRS) of the consolidated group returns for tax years 2004-2009. As of year-end 2015, Covanta has resolved the audit with the IRS and resulted with a settlement. The Mission estate has been indemnified from certain tax issues from an approved rehabilitation plan implementation agreement. Thus, the settlement of the tax issues should not affect the Mission estate.

The Mission estates contacted the Department of Justice (DOJ) in late 2011 in an effort to obtain a Federal Claim waiver primarily to avoid any possibility of the Federal Government presenting any late claims for toxic tort clean-ups where a Mission policyholder may have had exposure. Given the Federal priority statute, obtaining a waiver that the companies had considered all the known potential policyholder liabilities prior to closure of the estate was of paramount importance. Legal Counsel for the estate has reached an agreement with the United States Department of Justice and the EPA on a Federal Waiver settlement and release. The pending Federal.

Waiver documents are in the process of being ratified by the federal government after which counsel for the estate will seek liquidation court approval of the settlement and release in June 2017. Absent opposition or a failure to obtain a final fully ratified settlement and release the Estates are positioned to make a final distribution in late 2017 or early 2018.

Mission Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$111,906,300	$113,108,500
Recoverable from reinsurers	20,685,300	20,436,700
Other assets	23,816,400	23,816,400
Total assets	156,408,000	157,361,600

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	78,753,500	24,923,300
Claims against policies, before distributions	846,832,600	846,832,600
Less distributions to policyholders	(846,832,600)	(846,832,600)
All other claims	198,438,500	198,438,500
Total liabilities	277,192,000	223,361,800
Net assets (deficiency)	($120,784,000)	($66,000,200)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$1,025,700	$1,421,000
Salvage and other recoveries	4,000	16,200
Total income	1,029,700	1,437,200

Expenses	2015	2016
Administrative expenses	133,000	(53,346,600)
Total expenses	133,000	(53,346,600)
Net income (loss)	$896,700	$54,783,800

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$133,667,000
Recoveries, net of expenses	1,092,049,500
Distributions	(1,112,608,000)
Monetary assets available for distribution	$113,108,500

Mission National Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$32,500,700	$33,628,900
Recoverable from reinsurers	2,473,200	1,718,900
Other assets	(9,600)	-
Total assets	34,964,300	35,347,800

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	17,753,800	6,736,800
Claims against policies, before distributions	596,098,500	596,098,500
Less distributions to policyholders	(499,851,900)	(499,851,900)
All other claims	16,838,100	16,838,100
Total liabilities	130,838,500	119,821,500
Net assets (deficiency)	($95,874,200)	($84,473,700)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$288,800	$411,300
Salvage and other recoveries	-	67,200
Total income	288,800	478,500

Expenses	2015	2016
Administrative expenses	(1,607,600)	(10,922,000)
Total expenses	(1,607,600)	(10,922,000)
Net income (loss)	$1,896,400	$11,400,500

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$18,289,000
Recoveries, net of expenses	542,269,100
Distributions	(526,929,200)
Monetary assets available for distribution	$33,628,900

SeeChange Health Insurance Company
Conservation Order: November 19, 2014
Liquidation Order: January 28, 2015

2016 Report

On November 19, 2014, the Insurance Commissioner of the State of California (the "Commissioner") was appointed as Conservator of SeeChange Health Insurance Company ("SeeChange") by the Los Angeles County Superior Court pursuant to Section 1011 of the California Insurance Code. The Conservation Order authorizes the Commissioner, through his Conservation & Liquidation Office, as Conservator to conduct the business of SeeChange or so much of the business as he may deem appropriate. All policies terminated on December 31, 2014. Policyholders had 12 months from their termination date to file their claims.

On January 28, 2015, the Insurance Commissioner of the State of California was appointed as Liquidator of SeeChange Health Insurance Company ("SeeChange") by the Los Angeles County Superior Court pursuant to Section 1016 of the California Insurance Code. The Liquidator is directed to liquidate and wind up the business of SeeChange and to act in all ways and exercise all powers necessary for the purpose of the Order and the liquidation provisions of the Insurance Code.

The proof of claim bar date was established as of December 31, 2015. The Receiver mailed 3,113 proofs of claim to policyholders, providers, brokers, employees and other creditors. 154 Creditors executed and returned their proofs of claim and the total stated value of the returned proofs of claim is $28,911,183.42.

SeeChange wrote health insurance policies subject to the Affordable Care Act (“ACA”) and has received a bill from the Centers for Medicare and Medicaid Services (“CMS”) for the Estate’s participation in the 2014 Risk Adjustment program in the amount of $3,160,139. Additionally, the Estate owes CMS $1,988,154 for their Transitional Reinsurance Program. The Estate had established a liability of $2,480,071 for the liability to CMS for the 2014 Risk Adjustment Program and $2,085,353 for the Transitional Reinsurance Program. These claims were adjudicated as a Class 3 obligation under 1033 of the California Insurance Statutes by CLO as part of the proof of claim process. CMS has stipulated to this classification. CLO is requesting a Federal Waiver from the United States Department of Justice to release the Estate from any known federal claims. Without a Federal Waiver, the Estate is unable to make distributions to creditors. Obtaining a Federal Waiver requires substantial effort between CLO and the United States Government and the completion is uncertain, therefore delaying the closure of this Estate.

SeeChange Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$7,194,567	$8,785,400
Other assets	1,260,933	78,300
Total assets	8,455,500	8,863,700

Liabilities	12/31/2015	12/31/2016
Claims against policies, before distributions	24,218,000	19,772,600
Less distributions to policyholders	(20,800)	(20,800)
All other claims	-	4,565,400
Total liabilities	24,197,200	24,317,200
Net assets (deficiency)	($15,741,700)	($15,453,500)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$24,800	$87,000
Salvage and other recoveries	463,500	1,525,700
Total income	488,300	1,612,700

Expenses	2015	2016
Loss and claims expenses	411,400	-
Administrative expenses	1,451,600	294,900
Total expenses	1,863,000	294,900
Net income (loss)	($1,374,700)	$1,317,800

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$6,028,900
Recoveries, net of expenses	2,777,300
Distributions	(20,800)
Monetary assets available for distribution	$8,785,400

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**

2016 Report

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

In September 26, 2000, the Court found that each of the Superior National Estates was insolvent and that it would be futile to proceed as Conservator. The Court terminated the Insurance Commissioner's status as conservator of the five insurers and ordered and appointed the Commissioner to serve as Liquidator of the insurers.

In 2016 the Superior National Estates released its thirteenth early access distribution to guaranty associations. The Estates are planning a fourteenth early access distribution in 2017.

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

The largest remaining asset on the books of the estates are reinsurance recoverables of approximately $47,000,000 (includes IBNR). The Estates' continuing and ultimate goal is to fully resolve its reinsurance recoverables through treaty commutations since Workers Compensation claims are such long tailed claims that conceivably there could be reinsurance billing for the next 50 years. Once reinsurance has been resolved, there are no significant issues remaining and the Liquidator can seek closure.

California Compensation Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$7,602,900	$19,748,100
Recoverable from reinsurers	70,801,400	21,284,500
Total assets	78,404,300	41,032,600

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	232,700	232,700
Claims against policies, before distributions	2,098,770,700	2,098,770,700
Less distributions to policyholders	(912,533,100)	(917,960,800)
All other claims	119,267,700	51,490,300
Total liabilities	1,305,738,000	1,232,532,900
Net assets (deficiency)	($1,227,333,700)	($1,191,500,300)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$186,900	$244,800
Salvage and other recoveries	3,335,000	4,278,200
Total income	3,521,900	4,523,000

Expenses	2015	2016
Loss and claims expenses	20,802,600	(32,131,500)
Administrative expenses	805,900	821,200
Total expenses	21,608,500	(31,310,300)
Net income (loss)	($18,086,600)	$35,833,300

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$165,879,200
Recoveries, net of expenses	771,829,700
Distributions	(917,960,800)
Monetary assets available for distribution	$19,748,100

Combined Benefits Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$8,807,700	$8,218,700
Recoverable from reinsurers	634,600	40,500
Total assets	9,442,300	8,259,200

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	600	600
Claims against policies, before distributions	35,649,400	34,602,700
Less distributions to policyholders	(26,078,300)	(26,078,300)
All other claims	6,254,400	6,246,500
Total liabilities	15,826,100	13,771,500
Net assets (deficiency)	($6,383,800)	($5,512,300)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$80,300	$113,100
Salvage and other recoveries	635,000	105,500
Total income	715,300	218,600

Expenses	2015	2016
Loss and claims expenses	320,900	(742,100)
Administrative expenses	87,200	89,100
Total expenses	408,100	(653,000)
Net income (loss)	$307,200	$871,600

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$11,115,400
Recoveries, net of expenses	23,181,700
Distributions	(26,078,400)
Monetary assets available for distribution	$8,218,700

Superior National Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$18,909,300	$31,014,400
Recoverable from reinsurers	33,688,200	9,478,200
Total assets	52,597,500	40,492,600

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	77,500	77,500
Claims against policies, before distributions	899,165,600	854,313,800
Less distributions to policyholders	(412,154,700)	(417,917,700)
All other claims	28,722,700	28,722,700
Total liabilities	515,811,100	465,196,300
Net assets (deficiency)	($463,213,600)	($424,703,700)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$208,000	$137,500
Salvage and other recoveries	1,752,900	1,394,600
Total income	1,960,900	1,532,100

Expenses	2015	2016
Loss and claims expenses	9,570,400	(37,315,900)
Administrative expenses	353,400	338,100
Total expenses	9,923,800	(36,977,800)
Net income (loss)	($7,962,900)	$38,509,900

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$68,622,300
Recoveries, net of expenses	380,309,800
Distributions	(417,917,700)
Monetary assets available for distribution	$31,014,400

Superior Pacific Casualty Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$10,434,900	$5,768,600
Recoverable from reinsurers	14,552,000	13,623,900
Total assets	24,986,900	19,392,500

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	400	400
Claims against policies, before distributions	226,987,900	216,747,000
Less distributions to policyholders	(46,969,700)	(51,969,700)
All other claims	62,365,700	62,365,700
Total liabilities	242,384,300	227,143,400
Net assets (deficiency)	($217,397,400)	($207,750,900)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$77,800	$137,700
Salvage and other recoveries	425,500	165,300
Total income	503,300	303,000

Expenses	2015	2016
Loss and claims expenses	5,575,000	(9,630,600)
Administrative expenses	267,800	287,200
Total expenses	5,842,800	(9,343,400)
Net income (loss)	($5,339,500)	$9,646,400

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$58,666,300
Recoveries, net of expenses	(928,000)
Distributions	(51,969,700)
Monetary assets available for distribution	$5,768,600

Commercial Compensation Casualty Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$9,973,900	$11,527,800
Recoverable from reinsurers	5,365,200	2,654,000
Total assets	15,339,100	14,181,800

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	682,600	682,600
Claims against policies, before distributions	144,187,600	140,701,000
Less distributions to policyholders	(97,984,300)	(98,429,400)
All other claims	13,754,500	13,754,500
Total liabilities	60,640,400	56,708,700
Net assets (deficiency)	($45,301,300)	($42,526,900)

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$95,100	$124,600
Salvage and other recoveries	182,800	88,300
Total income	277,900	212,900

Expenses	2015	2016
Loss and claims expenses	(79,100)	(2,629,800)
Administrative expenses	69,200	68,400
Total expenses	(9,900)	(2,561,400)
Net income (loss)	$287,800	$2,774,300

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$6,420,700
Recoveries, net of expenses	103,536,500
Distributions	(98,429,400)
Monetary assets available for distribution	$11,527,800

Western Employers Insurance Company

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

2016 Report

Western Employers Insurance Company ("WEIC") began as a New York-domiciled insurer known as Leatherby Insurance Company and was re-domesticated to California in the late 1970's. The company was licensed in 38 states and D.C. and wrote primarily workers' compensation and commercial multi-peril insurance. After four years of attempted self-liquidation, WEIC determined it could no longer continue to liquidate without the assistance of the California Department of Insurance. An order placing WEIC into liquidation was entered on April 19, 1991.

WEIC's primary objective will be to resolve all asset recoveries, principally reinsurance assets at this juncture, determine final estate liability and position the Estate for closure by 2018. A significant requirement to meet that objective is to determine how to quantify the remaining long-tail exposure. All assets, except for some residual reinsurance potentially available on unresolved claims have been marshalled.

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

Final claims determinations remain the sole issue to be resolved. Two distinct problems slow the claims determination process. First, is the fact that claims must be liquidated before they can be approved, and WEIC wrote a significant number of excess and umbrella policies for environmental type exposure, and the losses continue to accumulate but have not reached an attachment point yet.

The estate worked closely with the United States Department of Justice and obtained a Federal Release waiver, meaning that the estate has no residual liability to the United States. The settlement with the United States allowed the estate to distribute $35 million to Guaranty Associations and another $19 million to non-Guaranty Association approved creditors. The estate will concentrate on resolving the remaining creditor claims and getting a final distribution accomplished.

During the fourth quarter of 2016, legal counsel for the estate filed for and obtained a "tail-cutting" order establishing April 28, 2017 as the deadline date by which all remaining open claims must be liquidated. July 3, 2017 was set as the last date for claimants to file claim update forms substantiating their claims have been liquidated and determined by April 28, 2017. Pending completion of the tail-cutting process and final claims determination the estate will file a final report, and seek authority to distribute its assets in late 2017 or early 2018.

Western Employers Ins Co

ASSETS AND LIABILITIES

As of December 31, 2015 and December 31, 2016

Assets	12/31/2015	12/31/2016
Cash and investments	$92,713,400	$93,237,300
Total assets	92,713,400	93,237,300

Liabilities	12/31/2015	12/31/2016
Secured claims and accrued expenses	350,000	350,000
Claims against policies, before distributions	162,689,400	162,229,100
Less distributions to policyholders	(122,246,700)	(122,292,900)
All other claims	3,012,100	3,012,100
Total liabilities	43,804,800	43,298,300
Net assets (deficiency)	$48,908,600	$49,939,000

INCOME AND EXPENSES

For Year Ended December 31, 2015 and 2016

Income	2015	2016
Investment income	$1,438,200	$1,070,000
Salvage and other recoveries	483,800	449,900
Total income	1,922,000	1,519,900

Expenses	2015	2016
Loss and claims expenses	109,100	7,600
Administrative expenses	1,223,200	481,800
Total expenses	1,332,300	489,400
Net income (loss)	$589,700	$1,030,500

CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION

Beginning monetary assets at takeover	$74,867,900
Recoveries, net of expenses	140,662,300
Distributions	(122,292,900)
Monetary assets available for distribution	$93,237,300

SECTION 3 – CROSS REFERENCE TO CALIFORNIA INSURANCE CODE (CIC)

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

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