

California Department of Insurance

# ANNUAL REPORT OF THE COMMISSIONER



# 2021

PROTECT  
PREVENT  
PRESERVE



**RICARDO LARA**  
CALIFORNIA INSURANCE COMMISSIONER

August 1, 2022

The Honorable Gavin Newsom  
Governor, State of California  
1021 O Street, Suite 9000  
Sacramento, CA 95814

Dear Governor Newsom,

The California Department of Insurance (CDI or Department) respectfully submits the *2021 Annual Report of the Insurance Commissioner* as required by California Insurance Code section 12922. As set forth in statute, this report describes the condition of insurance business in California and the vital work we do at CDI regulating one of the largest insurance markets in the world.

Throughout 2021, as Californians continued to navigate the COVID-19 pandemic, the Department continued to uphold its core mission and vision of consumer protection for all Californians. In 2021, the Department continued its rapid response to stabilize California's health insurance market and protect consumers by ensuring access to COVID-19 testing, treatment, and vaccinations, and limiting the effects of the pandemic on the health insurance market and California's most vulnerable communities. I also continued to ensure that California drivers were not overcharged premiums while adhering to public health "stay-at-home" orders during the COVID-19 pandemic by advocating for premium relief totaling nearly \$2.5 billion to date for California drivers and approximately \$3.1 billion for all COVID-impacted lines.

In 2021, the Department continued providing core services to consumers, licensees, insurance companies, and the public at large such as addressing and resolving consumer complaints, assisting disaster survivors, expanding access to health care, investigating and prosecuting insurance fraud, championing consumer protection legislation, licensing agents and brokers, conducting insurance market conduct reviews, stamping out discrimination in the Insurance Code, and supporting the financial health of the insurance market to serve residents and businesses.

Beyond these efforts, I prioritized development of policy initiatives aimed to mitigate climate risks and promote a sustainable insurance market in California. In 2021, my Climate Insurance Working Group released the first-ever California Climate Insurance Report detailing recommendations on how to use insurance to protect Californians from climate change. Recommendations include nature-based solutions such as healthy forests, wetlands, and urban tree canopies, and local policy recommendations focused

on reducing damage and improving recovery following a climate intensified wildfire, extreme heat wave, or flood.

CDI continues to build on these and other consumer protection efforts and looks forward to the work ahead. I am proud of my staff and the hard work they put in every day to help consumers and our businesses. Should you have any questions regarding this report, please do not hesitate to contact me or my staff at (916) 492-3622.

Sincerely,

A handwritten signature in black ink, appearing to read "Ricardo Lara". The signature is fluid and cursive, with a large initial "R" and a long horizontal stroke extending to the right.

**RICARDO LARA**

Insurance Commissioner

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



## 2021 Highlights

### California Department of Insurance

- The Department continued its review and assessment of insurance company premium refund actions in an effort to determine whether or not insurance companies provided consumers and businesses with an appropriate amount of premium relief as a result of the COVID pandemic. To date, **premium relief for California drivers has totaled nearly \$2.5 billion and approximately \$3.1 billion for all COVID-impacted lines.**
- In 2021, the Department's review of all major medical rate increases in the individual and small group markets filed with the Department **resulted in an estimated total savings of \$1.1 million for California consumers.**
- Commissioner Lara launched a **new wildfire mitigation partnership with the emergency and fire protection agencies in Governor Newsom's Administration** to develop a list of proven home and community wildfire mitigation measures that will reduce wildfire risk, protect lives and property, and help make insurance available and affordable to residents and businesses.
- **In response to nine Governor declarations of wildfire emergencies in California,** the Department worked in partnership with the California Department of Forestry and Fire Protection and the California Office of Emergency Services to implement Senate Bill 824, **providing a one-year protection to homes located adjacent to the declaration area.** Since 2019, Commissioner Lara's actions have protected nearly 3.65 million homeowners, including over 618,700 in 2021. To provide consumers more clarity on whether their home was covered by a moratorium, the Department **launched a new ZIP Code lookup tool** in 2021.
- CDI received 102 applications for funding from District Attorneys in 37 counties. CDI **awarded total funding in the amount of \$76,153,355** to District Attorneys. District Attorneys **prosecuted 2,981 cases involving 3,649 defendants resulting in 852 convictions.**
- In 2021, during the ongoing COVID-19 pandemic, **Department detectives submitted 798 cases to the district attorneys for prosecution and arrested 619 suspects.** The detectives continue to use innovative ways to investigate cases and arrest insurance fraud offenders to **reduce insurance fraud incidences and protect Californians.**
- The Department's Legal Branch **recovered approximately \$5,000,000 in monetary penalties, costs recovery, and restitution from negotiated settlements and hearings** and **negotiated more than \$9,000,000 in settlement funds** from Qui Tam matters, **resulting in more than \$1,600,000 back to CDI and General Fund combined.**

- The Department produced a **first-ever commercial insurance data survey and release on wildfire-related nonrenewal of wineries and other agri-businesses**, including cotton gins and outdoor recreation.
- The **Climate Insurance Working Group released the first-ever California Climate Insurance report** titled "[Protecting Communities, Preserving Nature, and Building Resiliency; How First-of-Its-Kind Climate Insurance Will Help Combat the Costs of Wildfires, Extreme Heat, and Floods.](#)" The report makes 40 recommendations to help close growing protection gaps between those who are insured and those who are uninsured or underinsured, including the first ever recommendations dealing with the increasingly dangerous threat of extreme heat waves. These recommendations also strengthen nature-based solutions such as healthy forests, wetlands, and urban tree canopies, and make local policy recommendations focused on reducing damage and improving recovery following a wildfire, extreme heat wave, or flood. While benefiting all consumers, the recommendations also focus on low-income communities, seniors, and those without insurance who are more vulnerable to the impacts of climate change.
- Commissioner Lara led a national effort to **develop recommendations for health insurance regulatory changes that will address health disparities affecting people of color, the LGBTQ+ community, Alaskan native and other indigenous people, and people with disabilities.**
- Commissioner Lara **created CDI's Health Equity and Access Office to further his policy objectives** around universal health care, community health planning, health coverage expansion for historically underrepresented communities, undocumented immigrants, and LGBTQ+ individuals, and the elimination of health disparities for all.
- CDI **sponsored 14 bills** in 2021, **11 of which were signed into law by Governor Gavin Newsom**, and closely monitored, provided technical assistance to, took positions on, and/or **advocated for or against 613 bills** this past legislative calendar.
- In 2021, our efforts to serve consumers culminated in **168,032 telephone calls and in-person assistance with 41,181 complaints closed.**
- The Department **recovered \$166,684,011 for consumers** as a result of direct intervention on consumer complaints and market conduct examinations.
- Despite the pandemic, Consumer Services staff **deployed to 22 Local Assistance Centers and assisted 538 consumers face-to-face** to help them receive additional living expense checks, contents advances, and to answer questions with regards to their rights and responsibilities.

- The COVID-19 pandemic fundamentally changed the way we engage and inform local communities. Evolving to meet changing needs, the Department and Commissioner connected **more than 116,300 consumers** statewide to much-needed resources. This was done by **hosting 275 virtual and in-person events, sharing more than 56,300 informational guides and collaborating with 145 legislative and local government offices and 2,345 community-based organizations.**
- To ensure pediatric accessibility to the COVID-19 vaccine, the Commissioner issued a Notice to health insurance companies **directing them to take necessary steps to process pediatric COVID-19 vaccination claims.**
- The Commissioner-Appointed Curriculum Board approved revisions to the educational objectives and license examinations to incorporate **new wildfire and pet insurance laws impacting the following licenses: Property, Casualty, Personal Lines, Limited Lines Automobile Agent, Commercial Insurance.**
- The Department had an unprecedented **20 percent increase** in license applications and licenses issued in 2021. Of the **107,041 applications** received for individual and business entity licenses, **82,091 licenses were issued** and **166,078 licenses renewed.**
- The Department enhanced its “**Check a License**” page to provide consumers and producers with multiple ways to look up an agent’s license. The **enhanced self-service** page enables users to **verify an agent’s license status,** educational history, associated business entity license records, or listed company profiles, as well as any enforcement actions without having to contact a representative.
- The Department launched the “**Would You Like to Chat**” Licensing Hotline feature and despite the pandemic, CDI’s efforts to serve Licensing Hotline customers in 2021 culminated in **12,787 chats, 37,515 emails, and 114,161 telephone calls with an average of 9,513 hotline calls each month.**

# **2021 Organizational Chart**

## **California Department of Insurance**

### **OFFICE OF THE INSURANCE COMMISSIONER**

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

### **ADMINISTRATION AND LICENSING SERVICES BRANCH**

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

### **CLIMATE AND SUSTAINABILITY BRANCH**

- Climate Risk and Sustainability
- Data Analytics and Reporting

### **COMMUNICATIONS AND PRESS RELATIONS BRANCH**

### **COMMUNITY RELATIONS AND OUTREACH BRANCH**

- Community Relations and Outreach
- Office of the Ombudsman
- California Low Cost Auto

### **CONSUMER SERVICES AND MARKET CONDUCT BRANCH**

- Consumer Services
- Market Conduct
- Administrative Unit
- Consumer Law Unit

### **ENFORCEMENT BRANCH**

- Enforcement Administration Headquarters
- Investigation
- Fraud
- Professional Standards
- Grant Programs/Enforcement Training

### **FINANCIAL SURVEILLANCE BRANCH**

- Field Examinations
- Financial Analysis
- Property Casualty Actuarial Office
- Life Actuarial Office
- Office of Principle Based Reserving

## LEGAL BRANCH

- Regulatory and Legal Services
- Litigation

## POLICY & LEGISLATION BRANCH

- Legislative Office
- Insurance Diversity Initiative
- California Organized Investment Network
- Health Actuarial Office
- Health Equity and Access Office
- Appointments Office

## RATE REGULATION BRANCH

- Rate Regulation
- Rate Actuary Office

## SPECIAL COUNSEL TO THE COMMISSIONER

- Special Counsel's Office



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2021 ANNUAL REPORT  
**ADMINISTRATION** *and*  
**LICENSING SERVICES BRANCH**

## **Administration and Licensing Services Branch**

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

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

### **ADMINISTRATIVE HEARING BUREAU**

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

#### **Evidentiary Hearings**

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

AHB reviews Request for Compensation petitions pursuant to the CIC. AHB also serves as the Commissioner's designee in issuing final decisions in such matters.

In 2021, AHB Judges presided over the following types of evidentiary hearings:

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

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

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

In 2021, AHB opened 25 cases and closed 27 cases in the case types listed in the table below. These figures are far below AHB's normal case trends due entirely to the COVID-19 pandemic. Guidelines and regulations regarding the stay of insurance premiums and the lack of onsite workers directly impacted the number of workers' compensation insurance appeals heard by AHB.

**2021 ADMINISTRATIVE HEARINGS BY CASE TYPE**

<b>CASE TYPE</b>	<b>OPENED</b>	<b>CLOSED</b>
Workers' Compensation Appeals <i>(Including procedures re: rate filings)</i>	14	12
Prohibited Person hearings	2	1
Cease and Desist proceedings	1	0
Non-Compliance hearings	0	0
CAARP	2	1
WCIRB Non-Compliance	1	0
Request for Compensation Petitions	5	12
Order to Show Cause	0	1

**FINANCIAL MANAGEMENT DIVISION**

The Financial Management Division (FMD) is responsible for ensuring the fiscal integrity and accountability of CDI's fiscal condition and administrative oversight over various business services. FMD consists of the following three bureaus:

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



**Tax Collection Program** – ASB oversees the timely processing of premium tax returns filed by insurers and surplus line brokers and the timely collection and reporting of all appropriate taxes. For calendar year 2020, ASB processed 3,431 tax returns. Additionally, CDI collected approximately \$2.96 billion in tax revenue for Fiscal Year (FY) 2020-21 to support the state’s General Fund.

**PROCESSED TAX RETURNS  
CALENDAR YEAR 2020**

<b>INSURANCE TYPE</b>	<b>NUMBER OF ANNUAL TAX RETURNS</b>	<b>TAX RATE</b>	<b>LAW REFERENCE</b>
Surplus Line	1469	3%	*CIC § 1775.5
Property & Casualty	910	2.35%	**RTC § 12202
Ocean Marine	575	5%	RTC § 12101
Life	443	2.35% or 0.5%	RTC § 12202
Title	21	2.35%	RTC § 12202
Home	13	2.35%	RTC § 12202
<b>TOTAL</b>	<b>3431</b>		

\*California Insurance Code (CIC),

\*\*California Revenue and Taxation Code (RTC)

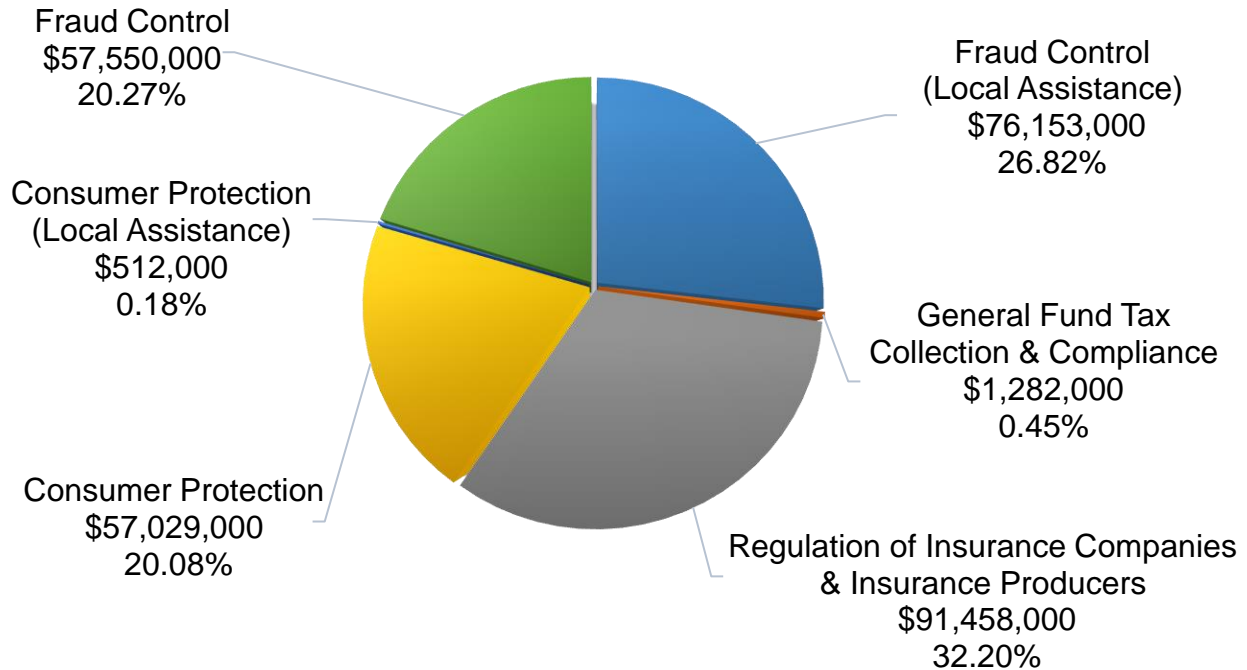
**FIVE-YEAR SUMMARY OF PREMIUM (INCLUDING SURPLUS LINE) TAXES  
COLLECTED BY CDI FOR THE STATE’S GENERAL FUND**

<b>FISCAL YEAR</b>	<b>TAXES COLLECTED</b>
2016-17	\$2,479,205,000
2017-18	\$2,558,066,000
2018-19	\$2,702,402,000
2019-20	\$3,117,483,000
2020-21	\$2,959,124,000

**Expenditures** – CDI’s total expenditures for FY 2020-21 were \$284.0 million.

**TOTAL EXPENDITURES BY PROGRAM  
FISCAL YEAR 2020-21**

**TOTAL: \$283,984,000**



Note: The chart “Total Expenditures by Program, Fiscal Year 2020-21” includes Distributed Administration expenditures of \$34,542,000. (Distributed Administration represents the cost of centralized administrative functions that benefit all CDI programs and include Accounting, Budgeting, Business Services, Human Resources, Information Technology, and other essential administrative functions. The costs of these administrative functions are passed on to all CDI programs as an indirect cost.)

**CDI’s expenditures fall into the following categories:**

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

**EXPENDITURES BY CATEGORY  
FISCAL YEAR 2020-21**

CATEGORY	EXPENDITURES
Personal Services	\$163,778,000
Operating Expenses and Equipment	\$43,541,000
Local Assistance	\$76,665,000
<b>TOTAL</b>	<b>\$283,984,000</b>

**Revenues** – In FY 2020-21, CDI generated \$312.7 million in revenue from fees, licenses, and various assessments paid by insurers, insurance producers, and other licensees. Insurance Fund revenue generally is received from insurance companies and insurance producers that CDI regulates. Both insurers and producers pay license, filing, and other fees.

**REVENUE COLLECTION BY TYPE  
FISCAL YEAR 2020-21**

TYPES OF REVENUE	AMOUNT	% OF TOTAL
Fraud (shown by subset below):	\$137,042,000	43.83%
-Workers' Compensation	(\$78,353,000)	-57.17%
-Auto (\$1.50)	(\$44,057,000)	-32.15%
-Disability and Healthcare	(\$8,579,000)	-6.26%
-General	(\$6,053,000)	-4.42%
Fees and License	\$99,424,000	31.80%
Proposition 103	\$35,622,000	11.39%
Examination Fees	\$25,240,000	8.07%
Auto Consumer Services (\$0.26)	\$8,922,000	2.85%
Principle-Based Reserving (Life/LTC)	\$2,864,000	0.92%

**REVENUE COLLECTION BY TYPE  
FISCAL YEAR 2020-21 (Continued)**

TYPES OF REVENUE	AMOUNT	% OF TOTAL
Seismic Safety	\$1,521,000	0.49%
Independent Medical Review	\$1,056,000	0.34%
Life and Annuity	\$979,000	0.31%
<b>TOTAL</b>	<b>\$312,670,000</b>	<b>100.00%</b>

The revenue reflected in the table “Revenue by Collection Type, Fiscal Year 2020-21” was generated from the following assessments:

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

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

## HUMAN RESOURCES MANAGEMENT DIVISION

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

- Administers employee pay and benefits
- Determines appropriate position classification, gathers and evaluates pay data, and manages the examination and recruitment programs
- Facilitates cooperative and productive labor relations among CDI employees and respective labor organizations

- Oversees the Employee Assistance Program, Reasonable Accommodation Program, Employee Recognition Program, Safety Program, Wellness Program, and Return to Work Program
- Develops, delivers, and coordinates in-house instructor-led and web-based training
- Provides ongoing management advice and consultation concerning human resource issues
- Administers career development, recruitment and outreach, and employee engagement services and programs

## INFORMATION TECHNOLOGY DIVISION

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

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

## LICENSING SERVICES DIVISION

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



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

**LICENSE PROCESSING STATISTICS  
CALENDAR YEARS 2020 AND 2021**

WORKLOAD	2020	2021	PERCENTAGE CHANGE
Individual License Applications Received	90,252	107,041	19%
License Examinations Scheduled	56,654	61,869	9%
New Licenses Issued	67,624	82,091	21%
Licenses Renewed	157,590	166,078	5%
Insurer Appointments/Terminations	778,368	883,232	13%
Bonds Processed	2,427	3,403	40%
Licensing Calls	110,317	114,161	3%
Licensing Chats	14,424	12,787	-11%
Email Inquiries	30,763	37,515	22%

**APPLICATIONS RECEIVED BY LICENSE TYPE  
CALENDAR YEARS 2020 AND 2021**

LICENSE TYPE	2020	2021	PERCENTAGE CHANGE
Life and Accident/Health (combined)	34,176	36,462	7%
Life	16,313	18,335	12%
Property and Casualty	14,033	17,369	24%
Accident and Health	15,487	19,023	23%
Personal Lines	7,984	16,043	101%
Limited Lines Automobile	236	477	102%

**NEW LICENSES ISSUED BY LICENSE TYPE  
CALENDAR YEARS 2020 AND 2021**

LICENSE TYPE	2020	2021	PERCENTAGE CHANGE
Life	40,841	44,960	10%
Accident and Health	39,464	45,007	14%
Property and Casualty	11,930	11,526	-3%
Personal Lines	6,903	14,651	112%
Limited Lines Automobile	204	428	110%

**LICENSE BACKGROUND STATISTICS  
CALENDAR YEARS 2020 AND 2021**

<b>WORKLOAD</b>	<b>2020</b>	<b>2021</b>	<b>PERCENTAGE CHANGE</b>
Insurance agent and broker background reviews	3,965	4,840	22%
Cases referred to Legal Branch for disciplinary action	546	526	-4%
Insurance agent and broker alternative resolution program cases	642	667	4%

**OFFICER BACKGROUND SECTION STATISTICS  
CALENDAR YEARS 2020 AND 2021**

<b>WORKLOAD</b>	<b>2020</b>	<b>2021</b>	<b>PERCENTAGE CHANGE</b>
Insurance company officer and director background reviews	491	481	-2%
Updates to List of Approved Surplus Line Insurers	5	2	-60%
Cases referred to Legal Branch or Investigations Division for disciplinary action or further investigation	0	0	0%
Orders of Administrative Bar for cheating on examinations	2	18	800%
Commissioner Board and Committees background reviews	37	23	-38%

**LSD Licensing Examination First-Time Pass Rates:**

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

**FIRST-TIME EXAMINATION PASS RATES  
CALENDAR YEAR 2021**

<b>LICENSE TYPE</b>	<b>EXAMINEES</b>	<b>PASS RATE</b>
Property / Casualty	5,751	40%
Life and Accident / Health	16,410	67%
Life	12,780	64%
Accident and Health	1,920	82%
Personal Lines	2,609	66%
Limited-Lines Automobile	479	56%

**FIRST-TIME EXAMINATION PASS RATES BY GENDER  
CALENDAR YEAR 2021**

LICENSE TYPE	EXAMINEES	PASS RATE
<b>Property / Casualty -</b>		
Female	3,045	36%
Male	2,428	45%
Declined to Participate	278	49%
<b>Life and Accident / Health -</b>		
Female	7,931	64%
Male	7,130	69%
Declined to Participate	1,349	71%
<b>Life -</b>		
Female	3,784	69%
Male	3,042	75%
Declined to Participate	5,954	55%
<b>Accident / Health -</b>		
Female	790	82%
Male	680	86%
Declined to Participate	450	78%
<b>Personal Lines -</b>		
Female	1,186	57%
Male	792	71%
Declined to Participate	631	77%
<b>Limited Lines Automobile -</b>		
Female	301	52%
Male	84	58%
Declined to Participate	94	65%

**FIRST-TIME EXAMINATION PASS RATES BY ETHNIC GROUP  
CALENDAR YEAR 2021**

<b>LICENSE TYPE</b>	<b>EXAMINEES</b>	<b>PASS RATE</b>
<b>Property / Casualty -</b>		
American Indian / Alaskan Native	28	43%
Asian	611	41%
Black	256	36%
Filipino	92	39%
Hispanic	1,827	28%
Pacific Islander	43	21%
White	1,950	51%
Declined to Participate	944	45%
<b>Life and Accident / Health -</b>		
American Indian / Alaskan Native	92	60%
Asian	2,692	71%
Black	1,740	57%
Filipino	759	62%
Hispanic	3,584	55%
Pacific Islander	166	64%
White	4,345	78%
Declined to Participate	3,032	69%
<b>Life -</b>		
American Indian / Alaskan Native	29	59%
Asian	1,267	73%
Black	816	69%
Filipino	488	75%
Hispanic	2,045	65%
Pacific Islander	123	62%
White	1,067	86%
Declined to Participate	6,945	57%



**FIRST-TIME EXAMINATION PASS RATES BY ETHNIC GROUP  
CALENDAR YEAR 2021 (Continued)**

<b>LICENSE TYPE</b>	<b>EXAMINEES</b>	<b>PASS RATE</b>
<b>Accident / Health -</b>		
American Indian / Alaskan Native	6	67%
Asian	212	86%
Black	167	79%
Filipino	53	91%
Hispanic	386	78%
Pacific Islander	17	71%
White	430	90%
Declined to Participate	649	80%
<b>Personal Lines -</b>		
American Indian / Alaskan Native	12	58%
Asian	90	72%
Black	127	63%
Filipino	16	88%
Hispanic	1,013	57%
Pacific Islander	11	91%
White	327	80%
Declined to Participate	1,013	70%
<b>Limited Lines Automobile -</b>		
American Indian / Alaskan Native	3	33%
Asian	8	25%
Black	3	67%
Filipino	0	NA
Hispanic	339	55%
Pacific Islander	0	NA
White	8	50%
Declined to Participate	118	63%

**FIRST-TIME EXAMINATION PASS RATES BY EDUCATION LEVEL  
CALENDAR YEAR 2021**

<b>LICENSE TYPE</b>	<b>EXAMINEES</b>	<b>PASS RATE</b>
<b>Property / Casualty -</b>		
High School/ GED	928	25%
Some College	1,682	34%
2-Year College Degree	532	36%
4-Year College Degree	1,678	52%
Master's Degree	298	61%
Doctoral Degree	32	81%
Declined to Participate	554	42%
<b>Life and Accident / Health -</b>		
High School/ GED	1,948	49%
Some College	4,110	59%
2-Year College Degree	1,485	59%
4-Year College Degree	4,940	77%
Master's Degree	1,430	82%
Doctoral Degree	247	87%
Declined to Participate	2,124	67%
<b>Life -</b>		
High School/ GED	1,330	57%
Some College	1,906	71%
2-Year College Degree	692	72%
4-Year College Degree	1,557	83%
Master's Degree	456	88%
Doctoral Degree	68	94%
Declined to Participate	6,557	55%

**FIRST-TIME EXAMINATION PASS RATES BY EDUCATION LEVEL  
CALENDAR YEAR 2021 (Continued)**

<b>LICENSE TYPE</b>	<b>EXAMINEES</b>	<b>PASS RATE</b>
<b>Accident / Health -</b>		
High School/ GED	190	68%
Some College	420	81%
2-Year College Degree	164	81%
4-Year College Degree	434	91%
Master's Degree	146	93%
Doctoral Degree	17	82%
Declined to Participate	537	79%
<b>Personal Lines -</b>		
High School/ GED	524	54%
Some College	670	62%
2-Year College Degree	190	67%
4-Year College Degree	264	81%
Master's Degree	33	79%
Doctoral Degree	3	100%
Declined to Participate	909	71%
<b>Limited Lines Automobile -</b>		
High School/ GED	194	47%
Some College	122	62%
2-Year College Degree	27	63%
4-Year College Degree	27	70%
Master's Degree	0	NA
Doctoral Degree	0	NA
Declined to Participate	106	3%

2021 ANNUAL REPORT  
**CONSERVATION *and* LIQUIDATION  
OFFICE**

## Conservation and Liquidation Office

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## **SECTION ONE – THE CONSERVATION AND LIQUIDATION OFFICE**

### **Background**

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

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

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

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

The CLO was created in 1994 as the successor to the Conservation & Liquidation Division of the Department of Insurance which was managed by State employees. The CLO is based in San Francisco, California. As of December 31, 2021, 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 California Department of Insurance. The CLO is reimbursed directly by the company being examined. During 2021, the CLO assisted with three such examinations.

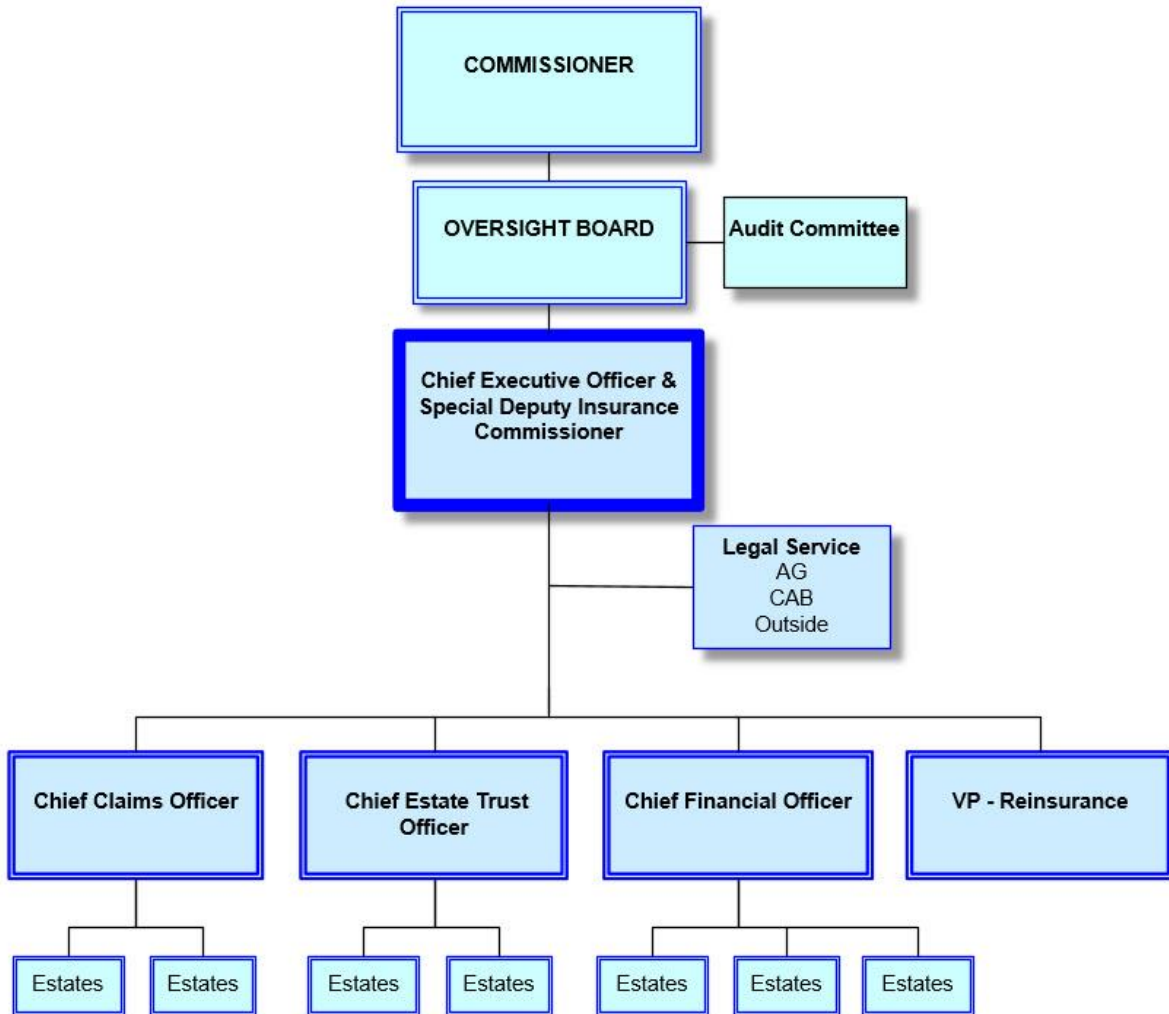
In 2014, the CLO's Oversight Board authorized the CLO/Regulatory Services Group (RSG) (name used when doing work other than traditional California conservation and liquidations) to enter an engagement with the Nevada Insurance Commissioner to provide receivership management services. In 2016, the Board authorized engagements with Insurance Commissioners from the states of Colorado, Hawaii,



Oregon, and Wyoming. In 2017, the Board authorized an engagement with the State of Arizona to assist in the Meritas insolvency. In 2020, the Board again authorized an engagement with the State of Nevada to assist in the Physicians Indemnity Risk Retention Group Insolvency. By providing professional receivership services to other states, the CLO and RSG are able to maintain proven receivership skills and institutional knowledge in California at a time that receiverships/liquidations are declining. These engagements further help to reduce the overall cost to California estates under the management of the CLO.

**Organizational Structure**

**Conservation & Liquidation Office  
Executive/Board**



## Oversight Board and Audit Committee Meetings

CLO activities are overseen by an Oversight Board composed of three senior executives of the California Department of Insurance. The Board also serves as the Audit Committee members. During 2021 the Oversight Board and Audit Committee members are the Chief Deputy Commissioner, Deputy Insurance Commissioner – General Counsel, and Deputy Commissioner – Financial Surveillance Branch.

During 2021 the Oversight Board and Audit Committee held three regularly scheduled meetings.

## Mission Statement and 2021 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.

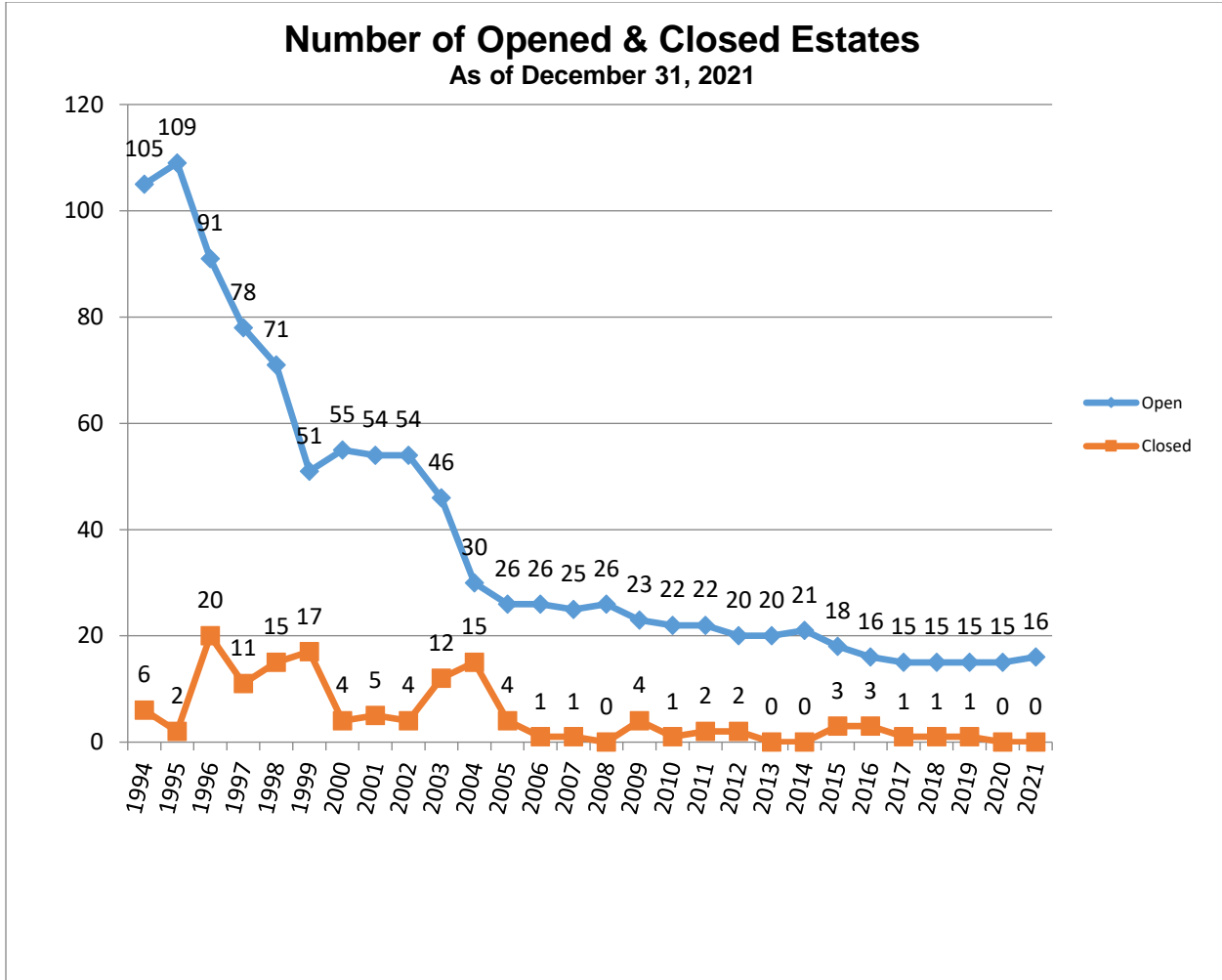
The 2021 Business Plan focused on estate closings and distributions, collecting/converting assets, evaluating claims, and enhancing the operating efficiencies of the CLO.

Entering 2021, there were 15 open estates under management. The open estates consist of 14 Property & Casualty Estates and one Life/Health Estate. The CLO goal in 2021 was to close one estate and distribute \$180 million.

The final distribution and closing of an estate is one of the more challenging milestones to achieve in the liquidation process. The Great States estate is awaiting a final federal tax refund to complete a final supplemental distribution and estate closure has been moved to 2022.

## Closings

GOAL	RESULTS
Close 1 Estate:  1) Great States Ins. Co.	Due to the delay of federal tax refund, Great States will not close until 2022.

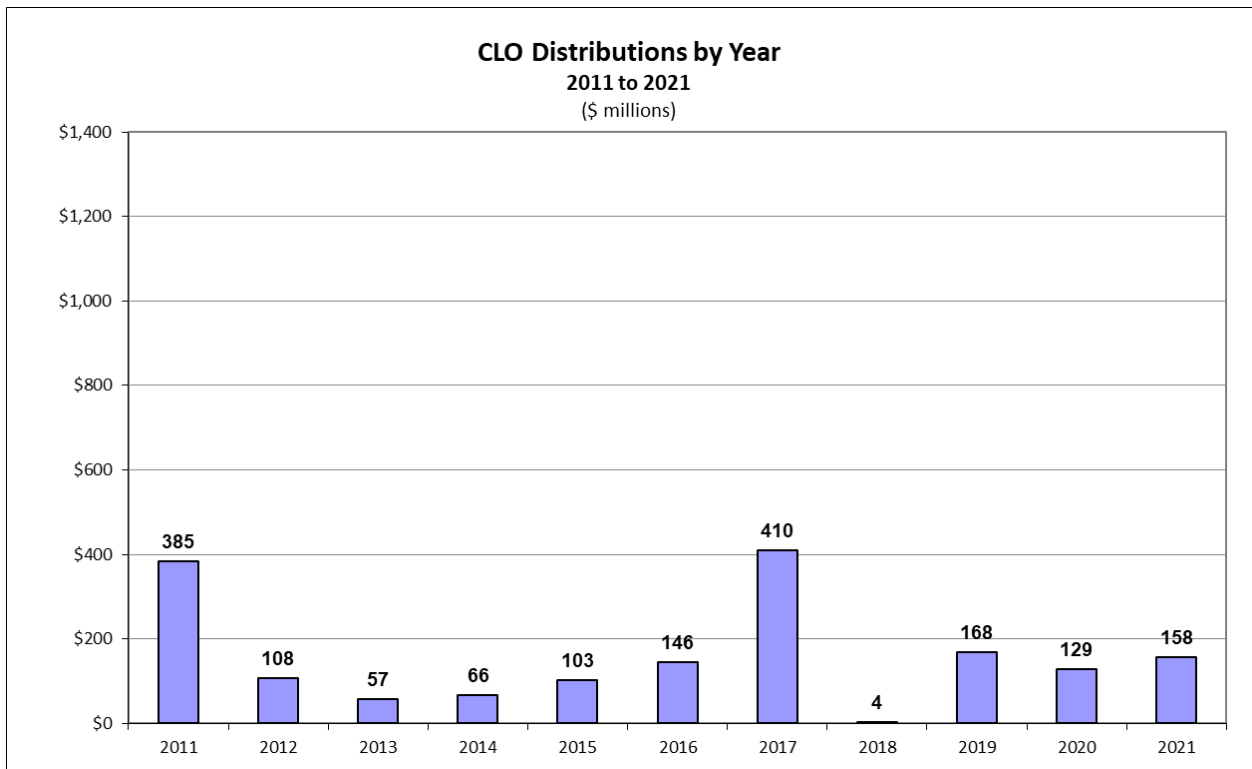


Since 1994, there have been approximately 133 estates closed. These estates consisted of 55 ancillaries, 22 title companies and 56 regular insurers. Ancillary and title companies typically require only limited work on behalf of the Liquidator.

**Distributions**

**FINAL DISTRIBUTIONS**

<b>ESTATE</b>	<b>2021 ACTUAL (\$ MILLIONS)</b>	<b>2021 GOAL (\$ MILLIONS)</b>
Western Employers Ins. Co.	\$41.3	\$40.0
SNICIL Estates	\$92.5	\$80.0
CastlePoint National	\$0	\$60.0
Merced Property & Casualty	\$23.8	\$0
<b>TOTAL DISTRIBUTIONS:</b>	<b>\$157.6</b>	<b>\$180.0</b>



## **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 2 years at December 31, 2021.

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, 2021, the CLO had \$286.7 million of estate marketable investment securities under management.

For the year ending December 31, 2021, the average portfolio balance was approximately \$376.9 million. The portfolio earned an interest yield of 1.6% and a net yield after security gains/losses and mark-to-market adjustments of -.5%.

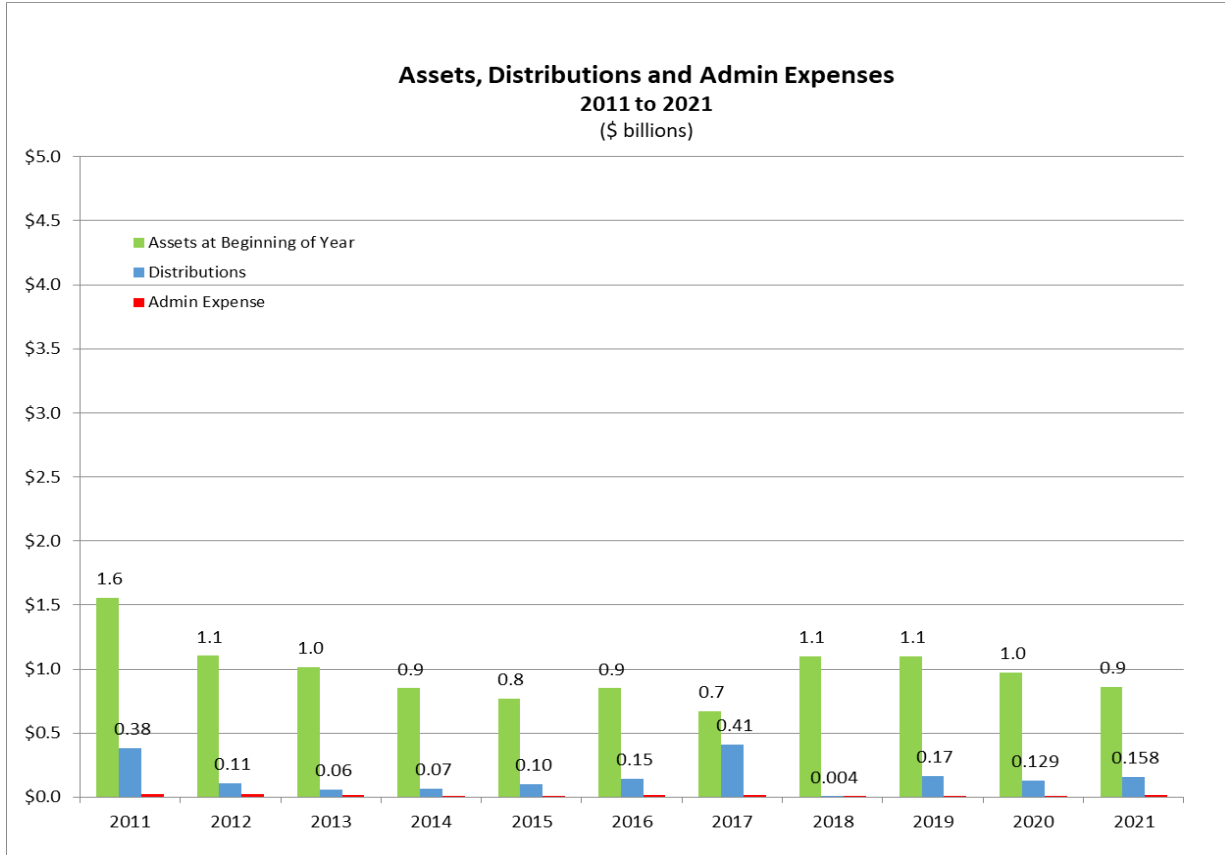
## **Administrative Expenses**

Administrative expenses consist of both direct and indirect expenses. See "CLO Financial Results" section of this report on the budget and actual expenditures for 2021 for direct and indirect expenses.

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

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

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



The chart above displays the aggregated estate assets at beginning of year, distributions and administrative expenses from the year 2011 to 2021. The table below lists these figures.

Year	Assets (\$ billions)	Distributions (\$ millions)	Administrative Expenses (\$ millions)
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

Year	Assets (\$ billions)	Distributions (\$ millions)	Administrative Expenses (\$ millions)
2017	\$0.7	\$410	\$11
2018	\$1.1	\$4	\$9
2019	\$1.1	\$168	\$13
2020	\$1.0	\$129	\$11
2021	\$0.9	\$158	\$15

### Compensation Methodology

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

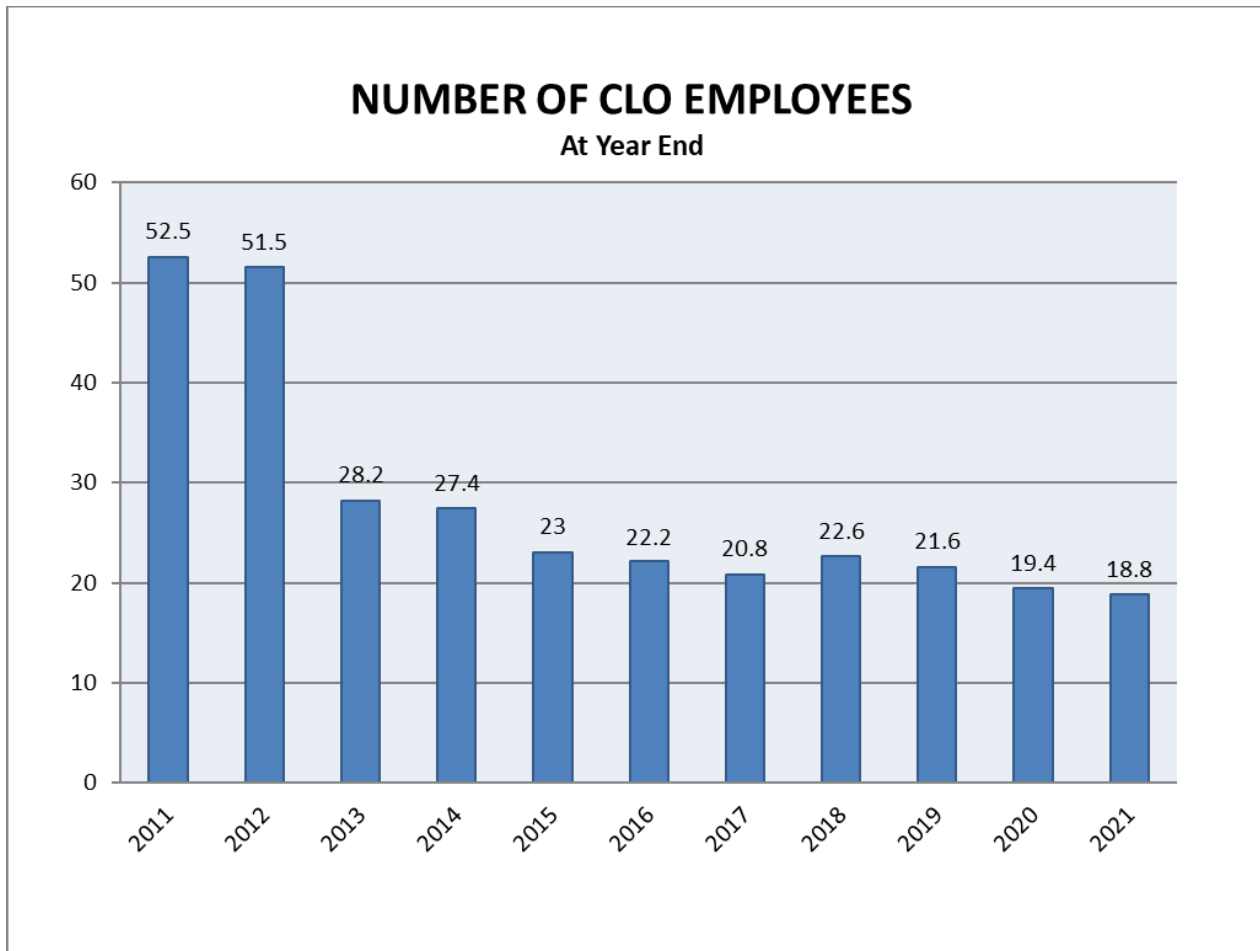
A summary of the compensation procedures follows:

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

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

**EMPLOYEE COMPENSATION**

	<b>2021</b>	<b>2022 (Budget)</b>
Number of CLO full-time equivalent employees at beginning of year	19.4	18.8
Total compensation and benefits for CLO employees	\$4,360,500	\$4,483,200



The chart above shows the number of CLO full-time employee equivalent from 2011 to 2021. As estates have closed resulting in reduced workloads and as a result of internal operating efficiencies the number of full-time employees decreased by 64% compared to December 31, 2011.



**CLO FINANCIAL RESULTS**

For Years Ended December 31, 2021 and December 31, 2020

Cash received	December 31, 2021	December 31, 2021	December 31, 2020
	Actual	Budget	
Reinsurance recoveries, and miscellaneous income	\$13,549,700	Reinsurance recoveries and miscellaneous income are not amendable to budgeting due to the irregular timing of their occurrence.	\$12,698,500
Investment income, net of expenses	-1,414,200	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.	19,963,500
<b>Total:</b>	<b>12,135,500</b>		<b>\$32,662,000</b>

	December 31, 2021	December 31, 2021	December 31, 2020
	Actual	Budget	
<b>Distributions</b>	<b>\$157,514,000</b>	<b>\$</b>	<b>\$128,865,300</b>

**ADMINISTRATIVE – ESTATE DIRECT EXPENSES**

Estate Direct Expenses	December 31, 2021	December 31, 2021	December 31, 2020
	Actual	Budget	
Legal expenses	\$5,825,200	\$1,196,700	\$2,283,000
Consultants and contractors	1,311,400	1,304,300	1,587,900
Office expenses	1,618,300	708,900	686,400
Compensation and benefits			0
<b>Total:</b>	<b>\$8,754,900</b>	<b>\$3,209,900</b>	<b>\$4,557,300</b>

\*\$2,864,900 of the total \$5,825,200 Actual 2021 Legal expenses is attributed to ongoing litigation related to the California Ins. Co. estate. The CLO is reimbursed 100% of its legal expenses by California Ins. Co.

**ADMINISTRATIVE – CLO OVERHEAD EXPENSES**

CLO overhead expenses	December 31, 2021	December 31, 2021	December 31, 2020
	Actual	Budget	
Compensation and benefits	\$4,360,500	\$4,501,100	\$4,794,500
Office expenses	1,445,000	1,509,500	1,452,100
Consultants and contractors	91,800	101,000	101,500
Legal expenses	4,600	5,000	2,100
<b>Total:</b>	5,901,900	\$6,116,600	\$6,350,200
Administrative Totals	December 31, 2021	December 31, 2021	December 31, 2020
	Actual	Budget	
<b>Estate Direct Expense Total</b>	8,754,900	\$3,209,900	\$4,557,300
<b>CLO Overhead Expense Total</b>	5,901,900	6,116,600	6,350,200
<b>Total:</b>	<b>14,656,800</b>	<b>\$9,326,600</b>	<b>\$10,907,500</b>

**Estates Open Longer Than Ten Years**

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

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

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

***Executive Life & ELIC Opt-Out Trust:***

The Estate has remained open until the full resolution of any remaining contingencies. Since the Estate was transferred to the CLO in 1997, the Estate has recovered \$906 million from litigation and distributed \$932 million to claimants. The ELIC Estate completed a final distribution on July 1, 2020. The Estate will work on a host of post distribution closing requirements (creditor outreach, escheatment, etc.) in 2022.

***Fremont Indemnity Company:***

Fremont released a \$83.4 million final distribution to approved Class 2 creditors on September 26, 2019, the distribution paid 43.25% of approved policyholder claims. The Estate completed most all post distribution and closing activities in 2020 including the sale of a subsidiary entity to a third party. The Fremont Estate negotiated the sale of its wholly owned subsidiary stock and charter for Fremont Life Insurance Company (FLIC). The Estate received court approval of the FLIC sale as part of its comprehensive closing order and closed the transaction in January 2021. In addition, the Estate continues to hold certain non-transferrable annuity assets that will generate material payments to the estate over the next number of years. Together with the FLIC sale proceeds, the liquidation court has authorized the estate to retain the non-transferrable assets to be collected, and to distribute those funds when collections reach a \$5 million threshold.

***Golden Eagle:***

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

***Great States:***

With the resolution of all material estate affairs Great States completed a final distribution in 2019 and was positioned for closure. The Estate is still due a material tax refund from the Federal government and received a supplemental distribution from the Reliance liquidation and will immediately seek to distribute the tax and distribution collections upon receipt of the refund and thereafter seek a final closure order. Significant delays in collecting the final tax recovery have been slowed by the recent civil restrictions and their impact on the IRS, but the estate has been advised the IRS has assigned an agent to address the refund payment due. The Estate is estimated to collect its final recovery and distribute the funds and close in 2022.

***Mission/Mission National:***

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

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

After obtaining a Court sanctioned final claims cut-off date of June 30, 2019, the SNICIL Estates (5 related estates managed and referred to as a single estate internally) have addressed and finalized all claims from the Guaranty Funds with properly submitted POCs. The SNICIL estates completed a final distribution in October 2021. Collectively, the five estates have already distributed approximately \$1.5 billion dollars in early access distributions to state Guaranty Funds since 2001. The estates will be in a position to close in 2022 upon the completion of escheating unclaimed funds to their respective states.

***Western Employers:***

After receiving a court sanctioned final claims cut-off date in 2017, the estate resolved all outstanding claims and released a final distribution in October, 2019 paying 100% of the estate's approved claims plus interest on that claim from the date of its approval until the date of the distribution. Subsequently, the Federal Government submitted a late claim after the claims cut-off date, arguing a super priority status and that the state court does not have the authority to bar the claim. In 2021, Counsel for the Estate completed a settlement of the late filed Federal claim and released its final distribution. The estate will perform all remaining post-distribution closing requirements as well as seek approval to release a final distribution of any residual estate assets to the equity holder.

**Claims History**

**PROPERTY AND CASUALTY ESTATES**

<b>Estate</b>	<b>Liquidation Date</b>	<b>Proof of Claims Filed</b>	<b>Proof of Claims Resolved</b>	<b>Open Proof of Claims</b>
California Ins Co	N/A	TBD	TBD	TBD
CastlePoint National	4/1/2017	1,893	694	1,199
Fremont	7/2/2003	45,673	45,673	0
Golden Eagle	2/18/1998		n/a (see below)	
Great States	5/8/2001	1,169	1,169	0
Merced	12/3/2018	450	339	111
Mission (2 estates)	2/24/1987	141,646	141,646	0
Superior (5 estates)	9/26/2000	13,951	13,951	0
Western Employers	4/19/1991	9,792	9,792	0
*Western General	08/05/2021	619	0	619
	<b>Total:</b>	<b>215,193</b>	<b>213,264</b>	<b>1,929</b>

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

*\*Western General figures above are as of 12/31/2021. The estate's claim bar date was 02/28/2022, therefore the total Proof of Claims Filed and Open will increase in subsequent reporting.*

**Life and Health Insurance Estates**

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

## 2022 Business Goals

The 2022 Business Plan is focusing on estate closings and distributions.

Entering 2022 there are 16 open estates under management by the CLO. The open estates consist of 15 Property & Casualty Estates and one Life/Health Estate. Our goal in 2022 is to distribute \$63.1 million.

Starting 2022, we have 18.8 full-time employee equivalents. We will re-assess staffing requirements throughout the year and will make any changes deemed necessary.

The 2022 Goals are as follows:

1. Close 8 Estates

Great States Ins. Co.  
Western Employers Ins. Co.  
Superior National's Five Estate  
Executive Life

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

2. Early Access and Final Distributions

Early Access Distribution:

CastlePoint National Ins. Co. ....60,000,000

Final Distributions:

Great States Ins. Co. ....500,000

HIH America (supplemental) .....1,500,000

Sable Ins. Co. (supplemental). ..... 1,100,000

**\$63,100,000**

**SECTION TWO – ESTATE SPECIFIC INFORMATION**

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**Conservation or Liquidation Estates Opened During the Year 2021**

Western General Conserved on May 26, 2021

Western General Liquidated on August 5, 2021

**Conservation or Liquidation Estates Closed During the Year 2021**

None

**CURRENT YEAR AND CUMULATIVE DISTRIBUTIONS BY ESTATE**

	Year Ended 12/31/2021				Cumulative to 12/31/2021			
	Policyholders	Federal & State Claims	General Creditors	***Total	Policyholders	Federal & State Claims	General Creditors	Total
**Castlepoint National Ins Co	-	-	-	-	251,520,019	-	-	251,520,019
*Executive Life Ins Co	-	-	-	-	931,667,566	-	-	931,667,566
Fremont Indemnity Co	-	-	-	-	1,106,139,443	-	-	1,106,139,443
Great States Ins Corp	-	-	-	-	61,818,395	-	-	61,818,395
Merced Property Cas Co	23,784,075	-	-	23,784,075	23,784,075	-	-	23,784,075
Mission Ins Co	-	-	-	-	846,832,560	23,861,132	390,041,525	1,260,735,218
Mission National Ins Co	7,484,651	-	-	7,484,651	536,482,595	4,850,000	27,077,326	568,409,921
California Comp Ins Co	16,987,459	-	-	16,987,459	929,798,934	-	-	929,798,934
Combined Benefits Ins Co	3,651,580	-	4,098,462	7,750,042	30,102,418	-	4,098,462	34,200,880
Superior National Ins Co	39,937,676	-	-	39,937,676	388,485,720	-	-	388,485,720
Superior Pacific Cas Co	16,192,814	-	-	16,192,814	71,094,230	-	-	71,094,230
Commercial Comp Cas Co	14,175,751	-	-	14,175,751	114,016,964	-	-	114,016,964



Conservation and Liquidation Office

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Western Employers Ins Co	1,278,707	-	40,000,000	41,278,707	175,312,810	59,669	48,974,372	224,346,851
	116,008,062	-	44,098,462	160,106,524	5,467,055,730	28,770,801	470,191,685	5,966,018,216

\*Since administration was transferred to CLO in 1997.

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

\*\*\*2021 Total Distribution amount of \$160.1 million is net of distribution credits from several Insurance Guaranty Associations. Actual estate distributions total \$157.5 million.

*Note: Golden Eagle, California Ins. Co., and Western General estates are not included as no distributions have occurred.*

**ESTATES IN CONSERVATION AND/OR LIQUIDATION AS OF DECEMBER 31, 2021**

<b>Estate Name</b>	<b>Date Conserved</b>	<b>Date Liquidated</b>
California Ins. Company	11/04/19	*
California Compensation Insurance Company	03/06/00	09/26/00
CastlePoint National Insurance Company	07/28/16	04/01/17
Combined Benefits Insurance Company	03/06/00	09/26/00
Commercial Compensation Casualty Company	06/09/00	09/26/00
Executive Life Insurance Company	04/11/91	12/06/91
Fremont Indemnity Company	06/04/03	07/02/03
Golden Eagle Insurance Company	01/31/97	02/18/98
Great States Insurance Company	03/30/01	05/08/01
Merced Property and Casualty Company	**	12/03/18
Mission Insurance Company	10/31/85	02/24/87
Mission National Insurance Company	11/26/85	02/24/87
Superior National Insurance Company	03/06/00	09/26/00
Superior Pacific Casualty Company	03/06/00	09/26/00
Western Employers Insurance Company	04/02/91	04/19/91
Western General Insurance Company	05/26/2021	08/05/2021

**\*No Liquidation Order obtained**

**\*\*No Conservation Order obtained**

## Report on Individual Estates

Each estate has its own unique set of challenges to monetizing assets, valuing the claims, distributing assets and closing. No two estates are the same. The remaining portion of Section 2 provides a brief summary of the 2021 operating goals and results, the current status of the estate in the conservation or liquidation process, and summarized financial information. (*See note below*)

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

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

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

## **ESTATE SPECIFIC INFORMATION**

### **California Insurance Company**

Conservation Order: November 4, 2019

#### **2021 Report**

California Insurance Company ("CIC") was placed into Conservation on November 4, 2019 by the California Superior Court for the County of San Mateo. The Conservator was appointed to address and resolve certain regulatory concerns related to CIC's recent attempt to exit the California market without the necessary prior approval to do so. The Conservator developed and seeks court approval of a comprehensive rehabilitation plan to address the issues with CIC and their desire to re-domesticate outside California. The Conservator expects his rehabilitation plan to be heard by the court during the summer of 2022.

California Ins Co

**ASSETS AND LIABILITIES**

As of December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$1,019,322,004	\$1,062,454,467
Other assets	86,356,365	153,080,558
<b>Total assets</b>	<b>\$1,105,678,369</b>	<b>\$1,215,535,025</b>
<b>Liabilities</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Claims against policies	\$426,733,877	\$399,821,911
All other claims	85,275,968	171,127,487
<b>Total liabilities</b>	<b>512,009,845</b>	<b>570,949,398</b>
<b>Net assets (deficiency)</b>	<b>\$593,668,524</b>	<b>\$644,585,627</b>

**INCOME AND EXPENSES**

For Year Ended December 31, 2021

<b>Income</b>	<b>2020</b>	<b>2021</b>
Net premium income	\$162,031,160	\$254,817,452
Investment income	16,387,861	5,257,025
Other income	304,111	1,627
<b>Total income</b>	<b>\$178,723,132</b>	<b>\$260,076,104</b>
<b>Expenses</b>	<b>2020</b>	<b>2021</b>
Loss and claims expense	\$175,040,286	\$207,651,816
Federal Income Tax expense	2,347,632	13,347,075
<b>Total expenses</b>	<b>177,387,918</b>	<b>220,998,891</b>
<b>Net income (loss)</b>	<b>\$1,335,214</b>	<b>\$39,077,213</b>

## **CastlePoint National Insurance Company**

Conservation Order: July 28, 2016

Liquidation Order: April 1, 2017

### **2021 Report**

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

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

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

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

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

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

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

CastlePoint National Ins Co

**ASSETS AND LIABILITIES**

As of Decemeber 31, 2020 and December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$342,566,500	\$341,767,200
Recoverable from reinsurers	245,276,100	238,247,700
Other assets	17,572,200	17,534,200
<b>Total assets</b>	<b>605,414,800</b>	<b>597,549,100</b>
<b>Liabilities</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Secured claims and accrued expenses	7,135,200	7,135,200
Claims against policies, before distributions	1,056,396,200	1,056,396,200
Less distributions to policyholders	(251,520,000)	(251,520,000)
All other claims	67,796,900	64,952,200
<b>Total liabilities</b>	<b>879,808,300</b>	<b>876,963,600</b>
<b>Net assets (deficiency)</b>	<b>(274,393,500)</b>	<b>(279,414,500)</b>

**INCOME AND EXPENSES**

For Year Ended December 31, 2020 and 2021

<b>Income</b>	<b>2020</b>	<b>2021</b>
Investment income	\$9,367,300	(\$893,700)
Salvage and other recoveries	1,101,200	903,100
<b>Total income</b>	<b>10,468,500</b>	<b>9,400</b>
<b>Expenses</b>	<b>2020</b>	<b>2021</b>
Loss and claims expenses	5,666,300	1,220,900
Other underwriting expenses incurred	-	-
Administrative expenses	4,152,600	3,809,300
<b>Total expenses</b>	<b>9,818,900</b>	<b>5,030,200</b>
<b>Net income (loss)</b>	<b>\$649,600</b>	<b>(5,020,800)</b>

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$519,264,000
Recoveries, net of expenses .....	74,023,200
Distributions .....	(251,520,000)
<b>Monetary assets available for distribution .....</b>	<b>\$341,767,200</b>

## **Executive Life Insurance Company**

Conservation Order: April 11, 1991

Liquidation Order: December 6, 1991

### **2021 Report**

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

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

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

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

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



### **ELIC Opt-Out Trust**

The Opt-Out Trust receives approximately 33% of ELIC assets which are distributed to approximately 27,300 former ELIC policyholders (Opt-Outs) who elected to terminate their policies. On July 1, 2020, the remaining assets of the Opt-Out Trust were distributed and the Opt-Out Trust will be closed in 2022 after the final escheatment is completed.

Executive Life Ins Co

**ASSETS AND LIABILITIES**

As of Decemeber 31, 2020 and December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$2,657,700	\$1,853,400
Total assets	2,657,700	1,853,400
<b>Liabilities</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Secured claims and accrued expenses	-	97,900
Total liabilities	-	97,900
Net assets (deficiency)	2,657,700	1,755,500

**INCOME AND EXPENSES**

For Year Ended December 31, 2020 and 2021

<b>Income</b>	<b>2020</b>	<b>2021</b>
Investment income	\$2,148,500	(\$11,000)
Total income	2,148,500	(11,000)
<b>Expenses</b>	<b>2020</b>	<b>2021</b>
Post-liquidation Federal income tax	632,000	5,000
Administrative expenses	668,000	570,000
Loss and claims expenses	40,300	-
Total expenses	1,340,300	575,000
Net income (loss)	808,200	(586,000)

**CHANGE IN MONETARY ASSETS\***

Beginning monetary assets at takeover .....	\$112,111,400
Recoveries, net of expenses .....	821,409,500
Distributions .....	(931,667,500)
Monetary assets available for distribution .....	\$1,853,400

*\*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, 2020 and December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$11,594,400	\$41,800
Total assets	<u>11,594,400</u>	<u>41,800</u>

<b>Liabilities</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Secured claims	9,646,400	3,400
Unclaimed funds payable	1,704,200	-
Reserve for administrative expenses	243,800	38,400
Total liabilities	<u>11,594,400</u>	<u>41,800</u>

**INCOME AND EXPENSES**

For Year Ended December 31, 2020 and 2021

<b>Income and Expenses</b>	<b>2020</b>	<b>2021</b>
Investment income	\$534,000	(\$26,100)
Administrative expenses	1,351,700	497,000
Net income (loss)	<u>(\$817,700)</u>	<u>(\$523,100)</u>

## **Fremont Indemnity Company**

Conservation Order: June 04, 2003

Liquidation Order: July 02, 2003

### **2021 Report**

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

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

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

The Fremont estate negotiated and closed the sale of the charter and stock of Fremont Life Insurance Company, a wholly owned subsidiary of the Fremont Estate.

Fremont Indemnity Co

**ASSETS AND LIABILITIES**

As of December 31, 2020 and December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$3,667,500	\$4,887,400
Recoverable from reinsurers	1,425,000	978,300
Other assets	67,200	67,200
<b>Total assets</b>	<b>5,159,700</b>	<b>5,932,900</b>
<b>Liabilities</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Secured claims and accrued expenses	32,300	33,100
Claims against policies, before distributions	2,532,388,200	2,532,388,200
Less distributions to policyholders	(1,106,139,400)	(1,106,139,400)
All other claims	221,395,500	221,395,500
<b>Total liabilities</b>	<b>1,647,676,600</b>	<b>1,647,677,400</b>
<b>Net assets (deficiency)</b>	<b>(\$1,642,516,900)</b>	<b>(\$1,641,744,500)</b>

**INCOME AND EXPENSES**

For Year Ended December 31, 2020 and 2021

<b>Income</b>	<b>2020</b>	<b>2021</b>
Investment income	\$102,700	(\$26,600)
Salvage and other recoveries	625,800	819,200
<b>Total income</b>	<b>728,500</b>	<b>792,600</b>
<b>Expenses</b>	<b>2020</b>	<b>2021</b>
Federal Income Tax Expense	35,000	(69,000)
Administrative expenses	180,600	89,200
<b>Total expenses</b>	<b>215,600</b>	<b>20,200</b>
<b>Net income (loss)</b>	<b>\$512,900</b>	<b>772,400</b>

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$434,855,900
Recoveries, net of expenses .....	676,170,900
Distributions .....	(1,106,139,400)
<b>Monetary assets available for distribution .....</b>	<b>\$4,887,400</b>

## **Golden Eagle Insurance Company**

Conservation Order: January 31, 1997

Rehab/Liquidation Plan Approved: August 4, 1997

Liquidation Order: February 18, 1998

### **2021 Report**

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

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

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

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

Golden Eagle Ins Co

**ASSETS AND LIABILITIES**

As of December 31, 2020 and December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$1,340,000	\$1,308,900
Total assets	1,340,000	1,308,900
<b>Liabilities</b>		
Total liabilities	-	-
Net assets (deficiency)	\$1,340,000	\$1,308,900

**INCOME AND EXPENSES**

For Year Ended December 31, 2020 and 2021

<b>Income</b>	<b>2020</b>	<b>2021</b>
Investment income	\$49,300	(\$7,900)
Total income	49,300	(7,900)
<b>Expenses</b>		
Administrative expenses	99,300	23,200
Total expenses	99,300	23,200
Net income (loss)	(\$50,000)	(\$31,100)

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover* .....	\$2,029,000
Recoveries, net of expenses .....	(720,100)
Monetary assets available for distribution .....	\$1,308,900

\*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

### **2021 Report**

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

The Estate resolved a contentious surety bond matter in Arizona as well as address a legislative change which complicated the process of determining the proper payee for distribution purposes. The Estate released a court approved final distribution in 2019, and subsequently learned of a material federal tax refund due the estate. Upon collection of the final refund asset from the IRS the Estate will release a supplemental final distribution in 2022 and work to close the proceeding by year-end 2022.



Great States Ins Co

**ASSETS AND LIABILITIES**

As of Decemeber 31, 2020 and December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$584,300	\$574,900
Total assets	584,300	574,900
<b>Liabilities</b>		
<b>Liabilities</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Secured claims and accrued expenses	159,200	116,700
Claims against policies, before distributions	70,352,500	70,352,500
Less distributions to policyholders	(61,818,400)	(61,818,400)
All other claims	11,917,600	11,917,600
Total liabilities	20,610,900	20,568,400
Net assets (deficiency)	(20,026,600)	(19,993,500)

**INCOME AND EXPENSES**

For Year Ended December 31, 2020 and 2021

<b>Income</b>	<b>2020</b>	<b>2021</b>
Investment income	\$22,500	(\$3,300)
Salvage and other recoveries	100	39,700
Total income	22,600	36,400
<b>Expenses</b>		
<b>Expenses</b>	<b>2020</b>	<b>2021</b>
Administrative expenses	183,400	94,900
Total expenses	183,400	94,900
Net income (loss)	(\$160,800)	(\$58,500)

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$7,889,700
Recoveries, net of expenses .....	54,503,600
Distributions .....	(61,818,400)
Monetary assets available for distribution .....	\$574,900

## **Merced Property & Casualty Company**

Liquidation Order: December 3, 2018

### **2021 Report**

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

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

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

The liquidation team has completed the transfer of all in-force policy and claim data to the California Insurance Guarantee Association (CIGA). Upon entry of the liquidation order, CIGA’s statutory obligation to adjust and pay Merced claims was triggered. CIGA is projected to ultimately pay \$77.7 million Camp Fire claims but has collected material recoveries from the PG&E Subrogation Trust. Independent of the CLO, CIGA filed a subrogation claim against PGE and to date has collected \$59.2 million in recoveries.

As of December 31, 2021, the Merced Estate, in coordination with the California Insurance Guarantee Association (CIGA), has paid approximately \$77.6 million in loss payments to insureds and loss expenses and currently estimates an additional \$334,000 in expected case reserves to develop over the next couple quarters. In addition CIGA has paid out approximately \$3 million in unearned premium refunds. As of June 30, 2019, all of Merced’s liquidation estate operations are now managed from the CLO’s San Francisco office. The estate has filed a proof of claim in the Pacific Gas & Electric (PGE) bankruptcy proceeding seeking recovery of the estate’s overcap payments to approved claimants. The estate expects to recover a large percentage of the overcap payments similar to the recoveries made by CIGA. The Estate filed its second status report and fee application together with a request for approval to distribute estate assets. Counsel for the estate attended a status conference in October of 2021. The court accepted the status report and approved the liquidation fees and expenses and approved the release of approximately \$24 million in estate assets with approximately \$20 million paid to CIGA as an early access distribution against its claim,

as well as approximately \$3 million paid to overcap claimants. The Atwater home office building and land remain on the market under an exclusive listing with the Merced branch of CB Richard Ellis Real Estate.

The Estate is working to secure and close a pending purchase agreement with a investor local to Merced. Additionally the Estate has lodged it's first claim submission to the PGE BK Administrator and will continue to pursue recovery from the Subrogation Trust in early 2022. Annual status and fee application filings will be submitted to the court during 2022.

Merced Property and Casualty Co

**ASSETS AND LIABILITIES**

As of Decemeber 31, 2020 and December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$31,457,700	\$7,343,700
Other assets	804,800	842,600
<b>Total assets</b>	<b>32,262,500</b>	<b>8,186,300</b>
<b>Liabilities</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Secured claims and accrued expenses	56,100	182,600
Claims against policies, before distributions	33,017,600	30,593,200
Less distributions to policyholders	-	(23,784,100)
All other claims	1,776,900	1,939,100
<b>Total liabilities</b>	<b>34,850,600</b>	<b>8,930,800</b>
<b>Net assets (deficiency)</b>	<b>(2,588,100)</b>	<b>(744,500)</b>

**INCOME AND EXPENSES**

For Year Ended December 31, 2020 and 2021

<b>Income</b>	<b>2020</b>	<b>2021</b>
Investment income	\$1,115,400	(\$198,200)
Salvage and other recoveries	53,865,100	2,933,200
<b>Total income</b>	<b>54,980,500</b>	<b>2,735,000</b>
<b>Expenses</b>	<b>2020</b>	<b>2021</b>
Loss and claims expenses	3,822,800	475,100
Administrative expenses	395,400	454,100
<b>Total expenses</b>	<b>4,218,200</b>	<b>929,200</b>
<b>Net income (loss)</b>	<b>50,762,300</b>	<b>1,805,800</b>

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$23,011,357
Recoveries, net of expenses .....	8,116,443
Distributions .....	(23,784,100)
<b>Monetary assets available for distribution .....</b>	<b>\$7,343,700</b>

### **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

### **2021 Report**

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

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

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

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

Mission Ins Co

**ASSETS AND LIABILITIES**

As of Decemeber 31, 2020 and December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$3,488,300	\$3,519,500
Recoverable from reinsurers	649,700	649,700
Other assets	23,816,400	23,816,400
<b>Total assets</b>	<b>27,954,400</b>	<b>27,985,600</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	1,130,100	1,414,400
Claims against policies, before distributions	846,832,600	846,832,600
Less distributions to policyholders	(846,832,600)	(846,832,600)
All other claims	74,061,200	74,061,200
<b>Total liabilities</b>	<b>75,191,300</b>	<b>75,475,600</b>
<b>Net assets (deficiency)</b>	<b>(47,236,900)</b>	<b>(\$47,490,000)</b>

**INCOME AND EXPENSES**

As of Decemeber 31, 2020 and December 31, 2021

<b>Income</b>	<b>2020</b>	<b>2021</b>
Investment income	\$1,393,200	(\$20,500)
Salvage and other recoveries	735,500	30
<b>Total income</b>	<b>2,128,700</b>	<b>(20,470)</b>
<b>Expenses</b>		
Loss and claims expenses	(1,382,600)	-
Administrative expenses	618,700	232,800
<b>Total expenses</b>	<b>(763,900)</b>	<b>232,800</b>
<b>Net income (loss)</b>	<b>\$2,892,600</b>	<b>(\$253,270)</b>

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$133,667,000
Recoveries, net of expenses .....	1,106,837,700
Distributions .....	(1,236,985,200)
<b>Monetary assets available for distribution .....</b>	<b>\$3,519,500</b>

Mission National Ins Co

**ASSETS AND LIABILITIES**

As of Decemeber 31, 2020 and December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$3,288,200	\$3,276,600
Recoverable from reinsurers	1,793,200	1,793,200
<b>Total assets</b>	<b>5,081,400</b>	<b>5,069,800</b>
<b>Liabilities</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Secured claims and accrued expenses	1,511,400	1,501,700
Claims against policies, before distributions	596,098,500	596,098,500
Less distributions to policyholders	(536,482,600)	(536,482,600)
All other claims	16,838,100	16,838,100
<b>Total liabilities</b>	<b>77,965,400</b>	<b>77,955,700</b>
<b>Net assets (deficiency)</b>	<b>(\$72,884,000)</b>	<b>(\$72,885,900)</b>

**INCOME AND EXPENSES**

For Year Ended December 31, 2020 and 2021

<b>Income</b>	<b>2020</b>	<b>2021</b>
Investment income	\$281,200	(\$19,100)
Salvage and other recoveries	89,800	78,200
<b>Total income</b>	<b>371,000</b>	<b>59,100</b>
<b>Expenses</b>	<b>2020</b>	<b>2021</b>
Loss and claims expenses	(2,214,200)	-
Administrative expenses	190,500	61,000
<b>Total expenses</b>	<b>(2,023,700)</b>	<b>61,000</b>
<b>Net income (loss)</b>	<b>\$2,394,700</b>	<b>(1,900)</b>

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$18,289,000
Recoveries, net of expenses .....	548,547,500
Distributions .....	(563,559,900)
<b>Monetary assets available for distribution .....</b>	<b>\$3,276,600</b>

## **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

### **2021 Report**

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

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

The estate obtained a Court sanctioned final claims cut-off date as of June 30, 2019, and has been actively addressing various closure activities throughout 2021. The estate finalized all claims from the Guaranty Funds and released its final distribution of approximately \$92 million in October 2021. Collectively, the five estates have already distributed approximately \$1.5 billion dollars in early access distributions to state Guaranty Funds since 2001. The Estate will work on a host of post distribution requirements (creditor outreach, escheatment, etc.) to position the estate for closure in 2022.



California Compensation Ins Co

**ASSETS AND LIABILITIES**

As of Decemeber 31, 2020 and December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$16,167,700	\$525,200
Recoverable from reinsurers	619,400	-
Other assets	1,973,400	-
<b>Total assets</b>	<b>18,760,500</b>	<b>525,200</b>
<hr/>		
<b>Liabilities</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Secured claims and accrued expenses	231,200	463,300
Claims against policies, before distributions	1,723,180,600	1,723,079,900
Less distributions to policyholders	(912,811,500)	(929,798,900)
All other claims	119,107,300	99,828,400
<b>Total liabilities</b>	<b>929,707,600</b>	<b>893,572,700</b>
<b>Net assets (deficiency)</b>	<b>(\$910,947,100)</b>	<b>(\$893,047,500)</b>

**INCOME AND EXPENSES**

For Year Ended December 31, 2020 and 2021

<b>Income</b>	<b>2020</b>	<b>2021</b>
Investment income	\$574,100	(\$26,100)
Salvage and other recoveries	435,900	700
<b>Total income</b>	<b>1,010,000</b>	<b>(25,400)</b>
<hr/>		
<b>Expenses</b>	<b>2020</b>	<b>2021</b>
Loss and claims expenses	(220,578,500)	(18,766,200)
Administrative expenses	517,300	840,500
<b>Total expenses</b>	<b>(220,061,200)</b>	<b>(17,925,700)</b>
<b>Net income (loss)</b>	<b>\$221,071,200</b>	<b>\$17,900,300</b>

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$165,879,200
Recoveries, net of expenses .....	764,444,900
Distributions .....	(929,798,900)
<b>Monetary assets available for distribution .....</b>	<b>\$525,200</b>

Combined Benefits Ins Co

**ASSETS AND LIABILITIES**

As of Decemeber 31, 2020 and December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$7,837,100	\$29,000
<b>Total assets</b>	<b>7,837,100</b>	<b>29,000</b>
<b>Liabilities</b>		
Secured claims and accrued expenses	600	16,900
Claims against policies, before distributions	26,428,500	30,102,400
Less distributions to policyholders	(26,450,800)	(30,102,400)
All other claims	3,917,200	-
<b>Total liabilities</b>	<b>3,895,500</b>	<b>16,900</b>
<b>Net assets (deficiency)</b>	<b>\$3,941,600</b>	<b>12,100</b>

**INCOME AND EXPENSES**

For Year Ended December 31, 2020 and 2021

<b>Income</b>	<b>2020</b>	<b>2021</b>
Investment income	\$258,200	(\$9,600)
Salvage and other recoveries	24,700	-
<b>Total income</b>	<b>282,900</b>	<b>(9,600)</b>
<b>Expenses</b>		
Loss and claims expenses	(6,688,700)	3,855,200
Administrative expenses	80,100	64,700
<b>Total expenses</b>	<b>(6,608,600)</b>	<b>3,919,900</b>
<b>Net income (loss)</b>	<b>\$6,891,500</b>	<b>(\$3,929,500)</b>

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$11,115,400
Recoveries, net of expenses .....	23,114,500
Distributions .....	(34,200,900)
<b>Monetary assets available for distribution .....</b>	<b>\$29,000</b>

Superior National Ins Co

**ASSETS AND LIABILITIES**

As of Decemeber 31, 2020 and December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$36,557,600	\$300,200
Recoverable from reinsurers	326,700	-
Total assets	36,884,300	300,200
<b>Liabilities</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Secured claims and accrued expenses	77,500	218,800
Claims against policies, before distributions	738,270,300	760,704,200
Less distributions to policyholders	(348,548,000)	(388,485,700)
All other claims	28,803,000	13,754,300
Total liabilities	418,602,800	386,191,600
Net assets (deficiency)	(\$381,718,500)	(\$385,891,400)

**INCOME AND EXPENSES**

For Year Ended December 31, 2020 and 2021

<b>Income</b>	<b>2020</b>	<b>2021</b>
Investment income	\$1,433,400	(\$44,000)
Salvage and other recoveries	1,131,000	12,100
Total income	2,564,400	(31,900)
<b>Expenses</b>	<b>2020</b>	<b>2021</b>
Loss and claims expenses	(67,987,600)	7,320,300
Administrative expenses	223,200	366,900
Total expenses	(67,764,400)	7,687,200
Net income (loss)	\$70,328,800	(\$7,719,100)

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$68,622,300
Recoveries, net of expenses .....	320,163,600
Distributions .....	(388,485,700)
Monetary assets available for distribution .....	\$300,200

Superior Pacific Casualty Co

**ASSETS AND LIABILITIES**

As of Decemeber 31, 2020 and December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$14,759,800	\$128,300
Recoverable from reinsurers	2,072,000	-
<b>Total assets</b>	<b>16,831,800</b>	<b>128,300</b>
<b>Liabilities</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Secured claims and accrued expenses	400	78,300
Claims against policies, before distributions	155,041,300	159,831,700
Less distributions to policyholders	(54,901,400)	(71,094,200)
All other claims	62,365,700	62,430,800
<b>Total liabilities</b>	<b>162,506,000</b>	<b>151,246,600</b>
<b>Net assets (deficiency)</b>	<b>(\$145,674,200)</b>	<b>(\$151,118,300)</b>

**INCOME AND EXPENSES**

For Year Ended December 31, 2020 and 2021

<b>Income</b>	<b>2020</b>	<b>2021</b>
Investment income	\$521,700	(\$13,500)
Salvage and other recoveries	5,700	100
<b>Total income</b>	<b>527,400</b>	<b>(13,400)</b>
<b>Expenses</b>	<b>2020</b>	<b>2021</b>
Loss and claims expenses	(39,476,500)	5,423,800
Administrative expenses	147,000	240,800
<b>Total expenses</b>	<b>(39,329,500)</b>	<b>5,664,600</b>
<b>Net income (loss)</b>	<b>\$39,856,900</b>	<b>(5,678,000)</b>

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$58,666,300
Recoveries, net of expenses .....	12,556,200
Distributions .....	(71,094,200)
<b>Monetary assets available for distribution .....</b>	<b>\$128,300</b>

Commercial Compensation Casualty Co

**ASSETS AND LIABILITIES**

As of Decemeber 31, 2020 and December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$13,163,500	\$306,400
Other assets	866,000	-
Total assets	14,029,500	306,400
<b>Liabilities</b>		
Secured claims and accrued expenses	682,600	288,400
Claims against policies, before distributions	130,948,800	130,923,200
Less distributions to policyholders	(99,841,200)	(114,017,000)
All other claims	13,918,500	13,064,400
Total liabilities	45,708,700	30,259,000
Net assets (deficiency)	(\$31,679,200)	(\$29,952,600)

**INCOME AND EXPENSES**

For Year Ended December 31, 2020 and 2021

<b>Income</b>	<b>2020</b>	<b>2021</b>
Investment income	\$428,500	(\$18,100)
Salvage and other recoveries	12,100	-
Total income	440,600	(18,100)
<b>Expenses</b>		
Loss and claims expenses	(12,793,100)	(879,800)
Administrative expenses	100,300	61,800
Total expenses	(12,692,800)	(818,000)
Net income (loss)	\$13,133,400	\$799,900

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$6,420,700
Recoveries, net of expenses .....	107,902,700
Distributions .....	(114,017,000)
Monetary assets available for distribution .....	\$306,400

## **Western Employers Insurance Company**

Conservation Order: April 2, 1991

Liquidation Order: April 19, 1991

### **2021 Report**

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

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

By obtaining a court-sanctioned final claims cut-off date in 2017, the estate was able to resolve all outstanding claims existing as of that time. All approved claims were paid at 100% of their approved claim amount plus interest paid through the final distribution date in October, 2019. Complicating and extending matters the Federal Government submitted a late claim well after the Superior Court claims cut-off date, arguing that the state court does not have the authority to bar the claim. Counsel for the Estate negotiated the settlement of the Federal Government claim in 2021 and both Federal and State courts/regulators approved the final settlement. A distribution was released in the amount of \$1.28 million in June 2021. In October 2021, the estate released a final distribution of \$40 million to Level 3, LLC, its successor-in-interest and sole shareholder. The Estate will work on a host of post distribution requirements (creditor outreach, escheatment, etc.) to position the estate for closure in 2022 and will remit any remaining estate assets to the Level 3, LLC.

Western Employers Ins Co

**ASSETS AND LIABILITIES**

As of December 31, 2020 and December 31, 2021

<b>Assets</b>	<b>12/31/2020</b>	<b>12/31/2021</b>
Cash and investments	\$42,503,000	\$860,900
Total assets	42,503,000	860,900
<b>Liabilities</b>		
Secured claims and accrued expenses	195,300	270,300
Claims against policies, before distributions	176,034,100	175,312,800
Less distributions to policyholders	(174,034,100)	(175,312,800)
All other claims	-	-
Total liabilities	2,195,300	270,300
Net assets (deficiency)	40,307,700	590,600

**INCOME AND EXPENSES**

For Year Ended December 31, 2020 and 2021

<b>Income</b>	<b>2020</b>	<b>2021</b>
Investment income	\$1,508,700	(\$55,200)
Salvage and other recoveries	86,500	-
Total income	1,595,200	(55,200)
<b>Expenses</b>		
Loss and claims expenses	-	(721,300)
Federal Income Tax Expense	236,000	-
Administrative expenses	294,500	383,100
Total expenses	530,500	(338,200)
Net income (loss)	\$1,064,700	\$283,000

**CHANGE IN ASSETS AVAILABLE FOR DISTRIBUTION**

Beginning monetary assets at takeover .....	\$74,867,900
Recoveries, net of expenses .....	150,339,900
Distributions .....	(224,346,900)
Monetary assets available for distribution .....	\$860,900

## **Western General Insurance Company**

Conservation Order: May 26, 2021

Liquidation Order: August 5, 2021

### **2021 Report**

Western General is a corporation duly organized and existing under and by virtue of the laws of the State of California, with its principal place of business located at 5230 Las Virgenes Road, Calabasas, CA. Western General is a property and casualty insurance company licensed to transact specialty dealer-originated and agent/broker produced non-standard private passenger automobile insurance. Most of Western General's business was written primarily through its affiliated agency All Motorists Insurance Agency (AMIA). Western General was licensed to transact insurance in 39 states and the District of Columbia, however most of the direct premiums written were concentrated in California with over 80% of the premiums written in the state. Western General is 91.8 percent owned by Western General Holding Company (WGHC), a California Corporation, which is in turn 51.1 percent owned by Robert M. Ehrlich and Laurel B. Ehrlich

On May 15, 2021 Western General filed its quarterly financial statements as of March 31, 2021 as required by Insurance Code section 900,1 stating its financial condition and affairs. The March 31, 2021 financial statement showed that Western General had admitted assets of \$44,901,649 and liabilities of \$40,941,737, resulting in policy holder surplus of \$3,959,912. Western General had a net loss of \$2,923,573 for the three months ending March 31, 2021, and this was after suffering a net loss of \$4,669,557 in the previous year of 2020. Western General continued to experience additional net losses of approximately \$500,000 a month thereafter. Based on the foregoing and continuing losses, and considering Western General's limited surplus, Western General was deemed to be operating in a hazardous financial condition within the meaning of section 1011, subdivision (d).

Pursuant to sections 700.01, 700.02 and 700.25, Western General was required to maintain minimum paid-in capital and surplus in the aggregate amount of \$2,500,000. The Commissioner estimated, based upon recent performance, that Western General would have less than the minimum capital and surplus by the end of the second quarter of 2021.



Based on Western General's quarterly statement of March 31, 2021 coupled with the continuing losses thereafter, the Commissioner determined, and Western General's management and majority shareholder agreed, that Western General was in such an impaired financial condition that the further transaction of business by it will be, and is, hazardous to its policyholders, creditors and the public, and such condition was the grounds for the entry of an order of conservation under section 1011, subdivisions (d) and (h). On May 26, 2021, upon application to this Court, the Commissioner was appointed Conservator of Western General by the Court.

Upon entry of the conservation order the Commissioner through his Conservation and Liquidation Office (CLO) took immediate daily control of Western General and secured control of the company's assets and operations as well as issued all required legal notifications to the various constituents of Western General.

The cash inflows to Western General for the month of June 2021 totaled \$3,511,845 and the cash outflows totaled \$5,396,706. Thus by the end of June 2021 Western General had less than \$95,000 in unrestricted cash and current outstanding liabilities of approximately \$1.9 million (not including any claim expense). Based upon the foregoing facts, and as contemplated by section 1016, the Commissioner determined he could not effect the rehabilitation of Western General; that it would be futile to continue to proceed as Conservator with conducting the business of Western General; that Western General is insolvent within the meaning of section 985, subdivision (a)(2), in that Western General is unable to meet its financial obligations as they become due; and that such conditions are grounds for liquidation under section 1016, an order of liquidation (with a finding of insolvency) was entered by the Court on August 5, 2021. Additionally, the Court appointed a Deputy Liquidator and a Liquidation Manager to oversee and conduct Western General's insolvency proceeding to conclusion.

Furthermore, pursuant to sections 1063.1, subdivision (b) and (c), and 1063.2, the entry of the liquidation order containing an express finding of insolvency triggers the state-based insurance guaranty statutes, specifically the obligation of the respective state guaranty entities in states where Western General wrote policies to pay the open claims and claim expenses which Western General is no longer able to pay.

As of December 31, 2021, the Western General Estate, in coordination with the participating Insurance Guarantee Associations, has paid approximately \$3.2 million in loss payments to insureds and estimates an additional \$19 million in reserves.

Western General Ins Co

**ASSETS AND LIABILITIES**

As of Decemeber 31, 2021

<b>Assets</b>	<b>12/31/2021</b>
Cash and investments	\$23,923,825
Other assets	2,131,860
Total assets	26,055,685
<b>Liabilities</b>	<b>12/31/2021</b>
Claims against policies, before distributions	22,130,547
All other claims	4,511,832
Total liabilities	26,642,379
Net assets (deficiency)	(\$586,694)

**INCOME AND EXPENSES**

For Year Ended December 31, 2021

<b>Income</b>	<b>2021</b>
Net premium income	\$20,309,556
Investment income	599,964
Other income	89,194
Total income	20,998,714
<b>Expenses</b>	<b>2021</b>
Loss and claims expense	\$16,156,879
Other underwriting expense	13,197,165
Total expenses	29,354,044
Net income (loss)	(\$8,355,330)

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

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

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

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

	Page
(a) The names of the persons proceeded against under this article. ....	40
(b) Whether such persons have resumed business or have been liquidated or have been mutualized.....	40
(c) Such other facts on the operations of the Conservation & Liquidation Office as will acquaint the Governor, the policyholders, creditors, shareholders and the public with his or her proceedings under this article, including, but not limited to:	
(1) An itemization of the number of staff, total salaries of staff, a description of the compensation methodology, and an organizational flowchart. ....	23, 29-30
(2) Annual operating goals and results. ....	24

(3) A summary of all Conservation and Liquidation Office costs, including an itemization of internal and external costs, and a description of the methodology used to allocate those costs among insurer estates. ....	27-32
(4) A list of all current insolvencies not closed within ten years of a court ordered liquidation, and a narrative explaining why each insolvency remains open. ....	32-34
(5) An accounting of total claims by estate. ....	42-72
(6) A list of current year and cumulative distributions by class of creditor for each estate ...	38-39
(7) For each proceeding, the net value of the estate at the time of conservation or liquidation and the net value at the end of the preceding calendar year.....	37-72
(d) Other facts on the operations of the individual estates as will acquaint the Governor, Legislature, policyholders, creditors, shareholders, and the public with his or her proceedings under this article, including, but not limited to:	
(1) The annual operating goals and results. ....	24
(2) The status of the conservation and liquidation process. ....	37-72
(3) Financial statements, including current and cumulative distributions, comparing current calendar year to prior year.....	37-72

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**COMMUNICATIONS *and* PRESS  
RELATIONS BRANCH**

## Communications and Press Relations Branch

The Communications and Press Relations Branch (CPRB) coordinates communication within the California Department of Insurance (CDI) and disseminates CDI's work on behalf of the public to consumers, media, CDI staff, and other stakeholders.

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

During 2021, major initiatives included:

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

the first-ever “climate insurance” strategies report detailing 40 recommendations focusing on preparing and assisting vulnerable communities, in addition to the continued work of the Climate Insurance Working Group.

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

2021 ANNUAL REPORT  
**COMMUNITY RELATIONS** *and*  
**OUTREACH BRANCH**



## Community Relations and Outreach Branch

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

### CONSUMER EDUCATION AND OUTREACH

A dedicated team of outreach professionals collaborates with local community service organizations and federal, state, county, and local elected officials' district offices to inform various groups on timely and important insurance topics. In addition to providing speakers at regularly scheduled events, staff works collaboratively with these partners to organize workshops, health forums, town hall meetings, seminars, roundtables, and educational panels to promote and deliver comprehensive consumer education.

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

In 2021, CROB communicated with every federal, state, county, and local elected official district office to expand CDI's efforts to inform consumers about the services available through the Department. Actions included:

- Collaborated with 145 legislative offices, including 1 Congressional, 10 Senate, 20 Assembly, 37 counties, and 77 cities.
- Partnered with 2,345 local community-based organizations, including chambers of commerce, national, state-wide, and local social service organizations.
- Conducted more than 300 legislative meetings to inform staff about CDI programs that led to partnerships that reached local communities.
- The CROB Outreach Team distributed more than 56,430 informational guides and reached 166,368 consumers through 275 virtual and in-person informational events focusing on resources for homeowners, renters, wildfire survivors, drivers, seniors, those seeking to purchase annuities along with fraud/scam awareness. Events included Town Halls, Briefings, Roundtables, Exhibits, Clinics, Forums,

and Virtual Zoom and Facebook Live events that informed consumers on actions taken by the Commissioner to assist consumers.

## **OFFICE OF THE OMBUDSMAN**

The Office of Ombudsman (Ombudsman) 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 CDI staff or actions receive a full and impartial review. The Ombudsman also serves as the primary contact for constituent cases referred by legislative offices.

During 2021, Ombudsman staff facilitated and closed 1,276 cases. This included responding to 713 consumer requests for assistance, 344 legislative inquiries, 110 agent and applicant inquiries, 20 insurance industry inquiries, and 17 general requests from other divisions within the Department or other state agencies.

## **LIFE AND ANNUITY CONSUMER PROTECTION PROGRAM (LACPP)**

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

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

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

CROB continues to host the [Senior Gateway](#), an inter-agency website designed to provide meaningful resources to seniors and their families, to inform them about health care and insurance options, and empower them to protect themselves against financial fraud, abuse, and neglect. To date, Senior Gateway has received more than 300,000 page views, with 47,335 in 2021 alone, and continues to be a source of valuable information to consumers.

To further educate seniors about life insurance and annuity products, CROB participated in 32 senior events in 2021. The senior events provided information regarding scams committed against seniors, purchase and use of insurance and annuity products, claim filings, and dispute resolution.

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

The following educational materials were distributed during 2021:

- Annuities-What Seniors Need to Know English
- Informing Seniors-Senior Insurance Bill of Rights - English & Spanish
- Driving for Senior-English
- Personal Planning Guide
- Annuities-What Seniors Need to know-Spanish
- Driving for Seniors-Spanish

## **PATIENT AND PROVIDER PROTECTION ACT (PPPA)**

CIC Section 10133.661 requires CDI to “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.”

Announcements have been made throughout the year at every public event CROB staff has been involved in, whether in-person or through social media and virtual platforms. The announcements have emphasized CDI's ability to help consumers and providers resolve disputes with insurers through the toll-free telephone number. In addition, consumers and providers are informed of the availability of the Provider Complaint Center located at CDI's website [www.insurance.ca.gov](http://www.insurance.ca.gov) under [Resolve Disputes or File A Complaint](#).

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

The California Low Cost Automobile Insurance Program (CLCA) was established by the Legislature in 1999 and exists pursuant to CIC Section 11629.7. The program is designed to provide income-eligible persons with liability insurance protection at affordable rates as a way for them to meet California's financial responsibility laws. Since its inception, 186,908 Californians have acquired insurance through the program. At the end of 2021, there were 17,908 active policies, with 13,093 canceled policies and 8,029 renewed policies. Statistics from the California Automobile Assigned Risk Plan (CAARP) indicate approximately 89% of applications assigned were from uninsured motorists at the time of their CLCA policy application.

During 2021, CDI and CAARP made several changes to enhance or improve the program.

CDI and CAARP:

- Updated and simplified the CLCA website with security protocols in August 2021; the website had not been updated since 2019.
- Developed a shorter and simpler eligibility questionnaire.
- Defined “business driving” exclusion – allowing more occupations to be accepted, including housekeeping, home health care, and temporary workers.
- Simplified “household” rule – all vehicles in the household do not need to be enrolled in CLCA – just all cars registered to the applicant.

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

- Changes the method of payment to the producer of record for commercial risks to be based on premium received by a company for policies effective March 1, 2023, and later.
- The Annual Meeting Quorum has been revised to only include insurers present and represented by proxy.
- Housekeeping amendments adopted for low-cost were also approved for private passengers.
- Commission changes were adopted to streamline the way commission is paid by all insurers.

In response to reduced losses during the COVID-19 pandemic and at Commissioner Ricardo Lara’s request, the CAARP Advisory Committee issued a 10% premium refund/credit resulting in \$703,398.32 for the months of January to September 2021, affecting 31,675 policies. The combined consumer pandemic premium refund/credit total was \$1,785,583.77 for 2020 and 2021.

Consumers can learn more by visiting the [California Low Cost Auto website](#) or CDI’s webpage: [California's Low Cost Auto Insurance Program](#). The [2022 Report to the Legislature & Consumer Education and Outreach Plan](#) can also be accessed.

2021 ANNUAL REPORT  
**CLIMATE *and* SUSTAINABILITY  
BRANCH**

## Climate and Sustainability Branch

The Climate and Sustainability Branch (C&SB) was established in January 2019 to develop and oversee policy initiatives related to understanding and reducing climate risk and promoting a sustainable insurance market in California. The climate and sustainability portfolio includes contributing to wildfire resilience policy development, expanding the existing Climate Risk Carbon Initiative, exploring new scenario analyses of physical and transition risks, leading new initiatives through the National Association of Insurance Commissioners (NAIC) Climate Risk and Resilience Executive Task Force, and implementing recent legislation. The following five paragraphs describe some of the highlights from 2021, all aligning with the California Department of Insurance's (CDI) focus on Disaster Recovery and Climate Change.

### **Released the first-ever California Climate Insurance Report by the Climate Insurance Working Group**

The Climate Insurance Working Group implementing Senate Bill 30 (Chapter 614, Statutes of 2018) finalized and released the first-ever California Climate Insurance report titled "[Protecting Communities, Preserving Nature, and Building Resiliency: How First-of-Its-Kind Climate Insurance Will Help Combat the Costs of Wildfires, Extreme Heat, and Floods.](#)" This report is the result of C&SB's work to implement SB 30, the nation's first-ever law to study how to use insurance to protect Californians from climate change. While benefiting all consumers, the recommendations also focus on low-income communities, seniors, and those without insurance who are more vulnerable to the impacts of climate change.

The report makes 40 recommendations to the California Insurance Commissioner (Commissioner), the Governor's Administration, the State Legislature, local governments, businesses, and communities across the state to help close growing protection gaps between those who are insured and those who are uninsured or underinsured, including the first-ever recommendations dealing with the increasingly dangerous threat of extreme heat waves. These recommendations also strengthen nature-based solutions such as healthy forests, wetlands, and urban tree canopies, and make local policy recommendations focused on reducing damage and improving recovery following a wildfire, extreme heat wave, or flood.

### **Launched Wildfire Mitigation Partnership with emergency management agencies**

Commissioner Ricardo Lara announced a new Wildfire Mitigation Partnership between CDI and Governor Gavin Newsom's Administration, including the Governor's Office of Emergency Services (CalOES), the California Department of Forestry and Fire Protection (CAL FIRE), the Governor's Office of Planning and Research, and the California Public Utilities Commission to establish consistent statewide home and community hardening measures that will reduce wildfire risks, protect lives and property, and help make insurance available and affordable to residents and businesses. The

Wildfire Mitigation Partnership aligns with the existing priorities of C&SB to reduce wildfire risks for California consumers:

- Clarify the most meaningful home and community hardening measures
- Encourage incentives for homeowners to take home and community hardening actions
- Advocate for state funding for home and community hardening

### **Expansion of Climate Risk Disclosure Survey to include over 75% of the US Market**

In 2021, C&SB strengthened and expanded participation in the Climate Risk Disclosure Survey. C&SB led the expansion of the multistate coalition that implements the Climate Risk Disclosure Survey, growing from 6 partner states to 15 partner states. Therefore, in 2021, 1,189 insurers representing nearly 80% of the market in 2021 based on direct premium written, responded to the Survey. The Survey is now bipartisan in state representation. In addition, Commissioner Lara and Commissioner Kreidler (Washington) sent a joint letter to all licensed insurers in both states requesting insurance companies report using the international standard, Task Force on Climate-Related Financial Disclosures (TCFD) guidelines. In response, the number of TCFD reports submitted increased from eight in 2020 to 28 individual TCFD reports, representing 230 individual companies in 2021. TCFD has become an international and industry standard for climate-related financial disclosures. In 2021, the Financial Stability Oversight Council included a recommendation to consider enhancing public reporting requirements for climate-related risks.

### **Led NAIC Climate Risk and Resilience Executive Task Force to produce first recommendations and participate in Conference of Parties (COP) 26 Climate Meetings for the first time**

In 2021, C&SB led the NAIC Climate Risk and Resilience Executive Task Force in taking several new steps in policy development by releasing recommendations for climate risk disclosure, technology, and pre-disaster mitigation. These recommendations led to a symposium on existing pre-disaster mitigation programs and opportunities and two recommendations for public comment. As a result of this progress, with C&SB leadership, the NAIC participated in the insurance panels (virtually) hosted by the UN Principles for Sustainable Insurance at COP 26. This was the first time the NAIC had participated in the annual international meetings to address climate impacts. The task force continues to elevate climate and sustainability initiatives at the NAIC and coordinates climate policy among the standing committees. Commissioner Lara and Director Farmer (South Carolina) co-chaired the Task Force in 2021.

## **Wildfire Data Collection, including first-ever Commercial Insurance Data Survey**

C&SB had another substantial year for the use of CDI-collected data on wildfire issues. In response to nine Governor declarations of wildfire emergencies in California, CDI's Data Analytics and Reporting (DAR) Division worked in partnership with CAL FIRE and CalOES to implement SB 824, providing one-year protection to homes located adjacent to the declaration area. To provide consumers more clarity on whether a moratorium covered their homes, DAR launched a new [ZIP Code lookup tool](#) in 2021. Among the many additional reports and information releases in 2021, the DAR Division produced a first-ever data survey and release on wildfire-related nonrenewal of wineries and other agri-businesses, including cotton gins and outdoor recreation.



2021 ANNUAL REPORT  
**CONSUMER SERVICES *and* MARKET  
CONDUCT BRANCH**

## Consumer Services and Market Conduct Branch

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

### Consumer Services Division (CSD)

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

### Market Conduct Division (MCD)

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

### Consumer Law Unit (CLU)

### CSMCB RESULTS FOR CALENDAR YEAR 2021

Result Description	Result
Consumer Telephone Calls and In-Person Assistance	168,032
Complaint Cases Opened	41,297
Complaint Cases Closed	41,181
Total Amount of Consumer Dollars Recovered	\$123,669,419
Number of Market Conduct Exams Adopted by the Commissioner	105
Total Amount of Claims Dollars Recovered or Premium Returned to Consumers from Market Conduct Exams	\$43,014,592
<b>CSMCB Grand Total Amount</b> (Consumer Dollars Recovered, Claims Dollars Recovered or Premium Returned to Consumers)	<b>\$166,684,011</b>

**CONSUMER SERVICES DIVISION**

CSD responds to consumer inquiries and complaints involving insurance companies or agent and broker activities. The CSD is responsible for administering the program described in the California Insurance Code (CIC) Section 12921.1(a) for investigating complaints, responding to consumer inquiries, and bringing enforcement actions against insurers, agents, and brokers.

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

The CCB staff respond to general insurance inquiries and answer questions about insurance claims and underwriting practices; administer the California Department of Insurance (CDI) Residential, Earthquake, and Automobile Mediation Programs; and handle time-sensitive complaints.

The three written case units -- CSB, HCB, and RUSB-- are responsible for investigating, evaluating, and resolving consumer complaints involving claims and rating and underwriting issues for all lines of insurance. In 2021, 122 full-time staff were devoted to the complaint handling operation. This represents almost nine percent of the 1398 total authorized positions in the Department.

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

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

**PERCENTAGE OF COMPLAINTS BY LINES OF COVERAGE**

Coverage Type	2018	2019	2020	2021
Automobile	43.38%	41.61%	38.65%	31.19%
Accident & Health	25.95%	25.25%	21.53%	35.02%

Coverage Type	2018	2019	2020	2021
Homeowners	10.64%	13.50%	15.06%	12.85%
Misc./Other	10.72%	10.50%	14.32%	11.64%
Life & Annuity	5.64%	4.88%	4.91%	4.42%
Fire, Allied Lines & CMP	1.76%	2.32%	3.41%	3.14%
Liability	1.85%	1.80%	2.00%	1.67%
Earthquake	0.12%	0.07%	0.12%	0.07%

**TOP TEN TYPES OF COMPLAINT REASONS**

Number	Types of Complaint Reasons	2018	2019	2020	2021
1	Denial of Claim	26%	26%	28%	27%
2	Claim Handling Delay	19%	18%	18%	22.10%
3	Unsatisfactory Settlement Offer	15%	14%	14%	13.64%
4	Premium & Rating/Misquotes	5%	6%	6%	5.73%
5	Premium Refund	3%	3%	5%	3.80%
6	Cancellation	3%	3%	3%	3.33%
7	Nonrenewal	2%	3%	3%	2.55%
8	Premium Notice/Billing Problem	3%	3%	3%	2.01%
9	Coverage Question	2%	3%	2%	2.22%

Number	Types of Complaint Reasons	2018	2019	2020	2021
10	Agent Handling	2%	2%	2%	1.73%
	All Other Reasons	20%	20%	16%	15.89%

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

**CIC SECTION 1858.35 COMPLAINTS BY TYPE/REASON  
Calendar Year 2021**

Rank	Reason	Number of Complaints
1	Premium & Rating	1287
2	Nonrenewal	724
3	Cancellation	669
4	Premium Refund	660
5	Coverage Question	515
6	Premium Notice/Billing Problem	400
7	Surcharge	387
8	Agent Handling	333
9	Rescission	138
10	All Other Reasons	801
	<b>Total Number Reasons</b>	<b>5914</b>

Rank	Reason	Number of Complaints
	<b>Total Number of Complaints</b>	<b>4824</b>

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

**CIC SECTION 1858.35 COMPLAINTS BY FINAL DISPOSITION  
Calendar Year 2021**

Rank	Final Disposition	Number of Complaints	Recovery Amount
1	Company Position Substantiated	3605	\$100,162.20
2	Compromised Settlement/Resolution	728	\$564,070.01
3	Company Position Overturned	402	\$876,970.19
4	Question of Fact/Contract Provision/Legal Issue	66	\$6,431.76
5	Referred for Possible Disciplinary Action	14	\$11,312.00
	All Other Disposition Codes	46	\$1,705.14
	Total Number of Dispositions	4861	\$1,560,651.30
	Total Number of Complaints	4824	\$1,560,651.30

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

## Disaster Response

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

In 2021, California continued to experience disasters. CSD monitored 56 wildfire events, including deploying 22 CDI staff members to assist survivors throughout the state at various Local Assistance Centers.

## Residential Property, Earthquake, and Automobile Physical Damage Mediation Program

CSD administers CDI's Residential Property, Earthquake Claims, and Automobile Physical Damage Mediation Program. The Program was established in 1995 in response to earthquake claims from the Northridge Earthquake of January 17, 1994. The Legislature has since expanded the program to include automobile physical damage and residential property disputes subject to specific guidelines. Residential property and earthquake mediation are contingent upon a gubernatorial declaration of a state of emergency. Pursuant to CIC Section 10089.83, the results of the Program for calendar year 2021 are contained in the table below titled 'Formal Mediation Program Results for Calendar 2021'.

### FORMAL MEDIATION PROGRAM RESULTS Calendar Year 2021

RESULT DESCRIPTION	Residential	EQ	Auto	Totals
Number of mediation cases eligible	36	0	2	38
Number settled within 28-day settlement period	1	0	0	1
Number sent to mediation	23	0	1	24
Number of cases rejected by insurer	4	0	0	4
Number of cases rejected by consumers	8	0	1	9
Number accepted by insurer	23	0	1	24

RESULT DESCRIPTION	Residential	EQ	Auto	Totals
Number of settlements rejected within 3 day waiting period	0	0	0	0
Number of Cases Closed	22	0	2	24
Number of Cases Pending	1	0	0	1
Amount initially claimed	\$7,017,202.32	\$0	\$0	\$7,017,202.32
Amount of settlements	\$3,331,715.77	\$0	\$4500	\$3,336,215.77

### Independent Medical Review Program

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

### 2021 INDEPENDENT MEDICAL REVIEW SUMMARY REPORT Annual Rate of IMR Cases by Total Insured Population

Plan Type	Covered Lives as of 12/31/2021
Major Medical Plans Non-Grandfathered Large Group	541,996
Major Medical Plans Non-Grandfathered Small Group	104,112
Major Medical Plans Non-Grandfathered Individual	62,651
Major Medical Plans Grandfathered Large Group	12,251



<b>Plan Type</b>		<b>Covered Lives as of 12/31/2021</b>
Major Medical Plans Grandfathered Small Group		953
Major Medical Plans Grandfathered Individual		54,379
Student Health Plans		76,164
Total Insured Population		852,506
Total Number of IMR Cases		191
<b>Annual Rate of IMR Cases by Insured Population</b>		<b>0.0224%</b>

**Annual Rate of IMR Cases by Health Insurer**

<b>Insurance Company</b>	<b>IMR Case Count</b>	<b>Annual Rate</b>
Aetna Life Insurance Company	58	0.0068%
Anthem Blue Cross Life & Health Insurance Company	31	0.0036%
Blue Shield of California Life & Health Insurance Company	8	0.0009%
Cigna Health & Life Insurance Company	40	0.0047%
Health Net Life Insurance Company	27	0.0032%
Nippon Life Insurance Company of America	3	0.0004%
Unitedhealthcare Insurance Company	23	0.0027%
Western Growers Assurance Trust	1	0.001%

### The Number, Type and Resolution of IMR Cases by Health Insurer

Insurance Company	Total IMR Cases	Experimental: Denial Overturned	Experimental: Denial Upheld	Medical Necessity: Denial Overturned	Medical Necessity: Denial Upheld
Aetna Life Insurance Company	58	12	10	26	10
Anthem Blue Cross Life & Health Insurance Company	31	4	4	14	9
Blue Shield of California Life & Health Insurance Company	8	2	0	3	3
Cigna Health & Life Insurance Company	40	7	4	21	8
Health Net Life Insurance Company	27	2	2	16	7
Nippon Life Insurance Company of America	3	0	0	2	1
Unitedhealthcare Insurance Company	23	0	5	12	6
Western Growers Assurance Trust	1	0	0	0	1

### Health Care Provider Bill of Rights Report

No complaints involving CIC Section 10133.65(f) were received for calendar year 2021.

**MARKET CONDUCT DIVISION**

MCD examines admitted insurance companies to evaluate their compliance with legal requirements and to initiate corrective or enforcement actions when necessary. These examinations are generally scheduled at regular fixed intervals. Scheduled re-examinations and targeted examinations supplement the routine examinations when special circumstances, or the results of market analysis of consumer complaints and other data, dictate more in-depth examination. Depending upon their size, complexity, and nature, exams are either conducted in the insurers’ offices located nationwide or in-house at CDI’s offices, with insurers shipping materials and files to CDI staff.

Due to the global COVID-19 pandemic, all market conduct examination work continued to be conducted remotely via telework during 2021.

Within MCD, FCB examines claim handling practices, and FRUB examines rating and underwriting practices. This division of oversight reflects the traditional division of operations in the industry and in the laws regulating them.

MCD also maintains the Market Analysis Unit which evaluates patterns in consumer complaints, enforcement actions, exam activity, and other data on a national basis to identify issues that may be of regulatory concern in California and to assist in the planning and scheduling of examinations.

The following is a summary of MCD’s accomplishments for the year 2021. The table displays exams completed, dollars returned to consumers, and legal actions taken broken out by bureau. The column labeled “Div. Office” reflects multistate examination and enforcement activity done in cooperation with other states. This work is completed directly by MCD Division Office Staff and CDI Legal rather than being assigned to FCB or FRUB.

**MARKET CONDUCT DIVISION RESULTS  
Calendar Year 2021**

<b>EXAMINATION RESULTS CATEGORY</b>	<b>FCB</b>	<b>FRUB</b>	<b>DIV. OFFICE</b>	<b>MCD Totals</b>
Number of Exams Adopted by the Commissioner	85	19	1	105
Amount of Claims Dollars Recovered or Premium Returned to Consumers in Examinations and Enforcement Actions	\$1,495,625	\$40,294,362	\$1,224,605	\$43,014,592

EXAMINATION RESULTS CATEGORY	FCB	FRUB	DIV. OFFICE	MCD Totals
Number of Enforcement Actions Completed on Examinations	0	0	0	0
Penalties Assessed in Enforcement Actions Completed	\$0	\$0	\$0	\$0

### FIELD CLAIMS BUREAU

FCB conducts market conduct examinations of the claims practices of all licensed California insurers. Each exam focuses on compliance with the California Insurance Code (CIC) and the California Fair Claims Settlement Practices regulations. FCB seeks to ensure equitable treatment of policyholders and claimants in accordance with insurance contracts and California law. The CIC sections cited in FCB examinations vary by line of insurance. However, those that are common to both life & disability and property & casualty insurance involve delay, documentation, and improper handling, which may include improper settlement, failure to pursue investigation, and improper denial. FCB obtains remedial claim actions from insurers as a result of the examinations it conducts. Many of the issues which lead to these actions are displayed in its reports which are published on CDI's website. During calendar year 2021, FCB staff examined 3,308 claim files and cited 2,679 violations of law in the reports it filed.

### FIELD RATING AND UNDERWRITING BUREAU

FRUB conducts market conduct examinations of the rating and underwriting practices of all licensed insurers, including reviews of the advertising, marketing, risk selection and declination, underwriting, pricing, and policy termination practices of life, health, property, and casualty insurers. FRUB examinations focus on compliance with rate filing requirements, consistency within the insurer's adopted rating processes, and overall conformity of rating and underwriting with the California law. FRUB obtains remedial actions from the insurers it examines in the form of revisions to incorrect and illegal practices and premium refunds to consumers when errors and violations resulting in premium overcharges are discovered. During the calendar year 2021, FRUB staff examined 1,287 policy files, resulting in the identification of 84 illegal practices for correction in the reports it filed.

**CIC § 12921.4(b)** – In accordance with CIC § 12921.4(b), the Market Analysis Unit reviewed the complaint data of each insurance carrier that was authorized to transact business in California during 2021. The analysis of complaint data focused on the following areas: insurer, insurance line of business, and type of violation. In addition to

raw numbers of complaints, the analysis includes the development of a complaint index for each insurer, calculated as the insurer's complaint share divided by its market share. This allows for the comparison of results among insurers of differing sizes.

Complaint totals are among the primary criteria driving the MCD's examination schedule. The 10 insurers with the largest number of closed complaints in 2021 (ranging from 593 for the tenth-ranked company to 949 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 and four are on the upcoming examination schedule). Two of the 10 companies with the most closed complaints have been the subjects of enforcement action within the last five years or are pending enforcement action.

Complaints by line of business remain an important criterion for focusing on MCD examination resources. The five lines of business generating the highest number of complaints were:

- Private passenger auto - 10,371
- Homeowners - 4,746
- Home warranty - 1,808
- Group accident and health - 1,439
- Individual accident and health - 1,145

These lines were among the most frequently examined by the Division's FCB and FRUB during 2021. Within each line of business, MCD also prioritizes those insurers with the most complaints. All insurers in the top 10 of complaints in each line have been examined in the last three years or are scheduled to be examined in the next two years.

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

A geographic analysis, established by ZIP Code, of consumer complaints was conducted for the year 2021. Complaints within those geographic regions identified as having high concentrations of complaints relative to the region's population will be the subject of further analysis in 2022.

2021 ANNUAL REPORT  
**ENFORCEMENT BRANCH**

## Enforcement Branch

The Enforcement Branch is the investigative body of the California Department of Insurance (CDI). 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 and administers five grants. The grant programs provide funding to county district attorney offices to assist with their efforts to investigate and prosecute insurance fraud.

The Enforcement Branch is composed of two divisions: Fraud Division and Investigation Division. The Fraud Division administers four of the five grant programs: Automobile Insurance Fraud, Organized Automobile Fraud Activity Interdiction, Disability and Healthcare Fraud, and Workers' Compensation Insurance Fraud. The Investigation Division administers the Life and Annuity Consumer Protection Program. Supplemental funding for the purpose of enhanced fraud investigation and prevention was obtained and implemented on July 1, 2018; this is a one-time supplemental funding to be administered over three years (FYs 2018-19 through 2020-21).

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

### BRANCH ORGANIZATION

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

**Branch Headquarters** – The Support and Compliance Chief is responsible for the management of the Branch Headquarters Office that supports the Enforcement Branch Deputy Commissioner and the Fraud and Investigation Divisions' regional offices. This position works closely with other units within the department, most notably the Human Resources Management Division, Budget and Revenue Management Bureau, Accounting Services Bureau, Information Technology Division, and Business Management Bureau. The Support and Compliance Chief reports to the Deputy Commissioner. Six units within Enforcement Branch Headquarters perform the following activities in support of the nine Regional Offices throughout the state:

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

**Professional Standards Unit (PSU)** – The PSU Captain coordinates all investigations and supervises two Detective Sergeants (Supervising Fraud Investigator Is), one Associate Governmental Program Analyst, one Staff Services Analyst, and eight retired annuitants who perform all pre-employment background investigations. The PSU is responsible for conducting complex and sensitive investigations and research related to internal affairs investigations and citizens' complaints on behalf of the Enforcement Branch according to departmental policies, procedures, and applicable laws, rules, and regulations. The Captain reports to the Chief, Fraud Division.

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

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

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

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

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

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

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



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

## **ANTI-FRAUD OUTREACH**

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

The following are examples of outreach activities:

- Internet – The CDI Internet public website addresses several topics including: “What is Insurance Fraud?” and “Reporting Fraud.” The web site provides Insurance Fraud reporting forms, identifies statewide Enforcement Branch Regional Offices, and reports Workers’ Compensation insurance fraud convictions. Relevant press releases are posted as arrests and convictions occur.
- Workers’ Compensation Fraud – In staying consistent with the requirements of California Insurance Code (CIC) §1871.9, CDI posts fraud convictions on its website for five years from the date of conviction or until it is notified in writing that the conviction has been reversed or expunged.
- Community Forums – The Enforcement Branch participates in community-sponsored events, such as town hall meetings, public hearings, and underground economy seminars. These forums give the Branch opportunities to hear directly from consumers regarding their insurance concerns and provide information that communities may find useful to protect themselves from insurance fraud.
- Media/Public Service Announcements – The Enforcement Branch participates with local, state, and national broadcasting outlets to educate the public about insurance fraud in California. The Branch’s accomplishments are highlighted so the public is aware of insurance fraud arrests, prosecutions, and convictions throughout the state. Significant cases are taken to the media to increase public awareness of Branch activities and collaboration with other allied law enforcement agencies to investigate and prosecute insurance fraud, which helps deter fraudulent endeavors.
- Industry Liaison – The Enforcement Branch maintains ongoing liaison with the insurance industry by interacting with a variety of organizations including, but not limited to: The International Association of Special Investigation Units, Workers’ Compensation Advisory Committee, Insurance Fraud Advisory Board, National Insurance Crime Bureau Regional Advisory Committee, Health Fraud Task Force, Underground

Economy Task Forces, California Coalition on Workers' Compensation, California Workers' Compensation Institute, Northern California Fraud Investigators' Association, and the Southern California Fraud Investigators' Association.

- Governmental Liaison – The Enforcement Branch maintains routine liaison with the following state agencies or entities on matters of overlapping jurisdiction or mutual concern: California Peace Officers Association, California Peace Officer Standards and Training, Instructor Standards Counsel, California Highway Patrol, Employment Development Department (EDD), Department of Industrial Relations–Division of Workers' Compensation and Division of Labor Standards Enforcement, Department of Consumer Affairs, Bureau of Automotive Repair, California Contractors State License Board, the Cemetery and Funeral Bureau, Department of Justice, Department of Corporations, Franchise Tax Board, California Board of Chiropractic Examiners, California District Attorneys Association, National Association of Insurance Commissioners, Statewide Vehicle Task Force, Department of Corrections and Rehabilitation, Department of Alcoholic Beverage Control, and Regional Auto Theft Task Forces.
- Grant Workshops for County District Attorney's Offices – Statewide workshops for District Attorney personnel who participate in the Insurance Fraud Grant Programs are provided by the LAU. The workshops are designed for the staff responsible for completing the insurance anti-fraud grant application(s), complying with the Program's data collection and statistical reporting requirements, and overseeing the administrative requirements after funding is awarded. The attendees consist of a mix of deputy district attorneys, investigators, fiscal officers, and grant support staff. Furthermore, the LAU and the Fraud Grant Audit Program reach out to participating district attorneys' offices to provide training to facilitate the success of their anti-fraud program(s) and answer any questions they may have.

## **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 CIC under authority granted by § 12921, and referring crimes to appropriate prosecuting authorities pursuant to Insurance Code § 12928 and § 12930. The Division pursues the prosecution of offenders through both regulatory and criminal justice systems.

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

- Premium theft
- Elder abuse
- Health insurance violations
- Unauthorized insurers
- Deceptive sales and marketing practices
- Title insurance rebates
- Public adjuster violations
- Illegal bail practices
- Unlicensed transactions
- Advanced commission schemes
- Life insurance and annuity fraud schemes

### **Budget and Staffing**

During the fiscal year 2020-21, the Investigation Division’s expenditures totaled \$10,912,274 in support of 110 authorized positions.

### **Investigation Division Administration and Operations**

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

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

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

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

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

**Investigation Division Regional Offices** – Seven regional offices located throughout California are each managed by a Regional Supervising Investigator assisted by first-line supervisors, investigators, and support staff. Each regional office is responsible for investigating suspected violations within its jurisdiction. The investigators are empowered by Penal Code § 830.11 to execute arrest and search warrants, and provide Prop 115 hearsay testimony in court.

**Violations** – Investigation Division pursues investigations of the following violations:

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

misleading marketing practices such as bait and switch schemes, misrepresentation, and the use of misleading titles and designations.

- Unauthorized Insurance Companies – This type of fraud includes everything from unlicensed insurers selling illegal insurance products to fully operational offshore insurance companies issuing policies they have no intention of honoring.
- Public Adjuster Misconduct – Public adjusters represent insurance claimants in the settlement of claims with their insurance companies. Misconduct in this area includes high-pressure sales tactics, overcharging, conflicts of interest with vendors, material misrepresentations, phony claims, unlicensed activity, and failure to account for claims proceeds.
- Title Company Rebates and Kick-Backs – Kick-backs and commercial bribery are among the anti-competitive practices used by Title Marketing representatives to gain business from realtors, mortgage brokers, and others engaged in the business of residential real estate transactions.
- 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 CIC, California Business and Professions Code, California Code of Regulations, California Penal Code, and Title 18 of the United States Code. The Investigation Division uses a case tracking system called Investigation Division Case Management (IDCM). IDCM keeps a record of each case from the receipt of complaint against a suspected violator through investigation and final disposition.

**DIVISION-WIDE INVESTIGATIONS**  
**Fiscal Year 2020-21**

DESCRIPTION	COUNT
Complaints and General Correspondence Received	910
Opened (Includes subjects identified in fiscal year 2020-2021 for cases opened prior to July 1, 2020)	758
Additional Complaints-Consolidated with Existing Cases	273
Completed	721
In Progress as of June 30, 2021:	
Criminal Cases	671
Regulatory /Administrative Cases	550
Total	1221
Reports of Suspected Violation as of June 30, 2021: - (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	55
Regulatory /Administrative Cases	202
Total	257
Chargeable Fraud	\$27,747,452
Ordered Restitution	\$2,059,335
Investigative Cost Recoveries	\$115,774
Fines and Penalties	\$4,609

**CRIMINAL PROSECUTION CASES  
Fiscal Year 2020-21**

<b>DESCRIPTION</b>	<b>COUNT</b>
Referral to Prosecutors	83
Case Filed by Prosecutors	31
Search Warrants Obtained	244
Arrest Warrants Obtained	22
Arrested	15
Convictions	21

**REGULATORY PROSECUTION CASES  
Fiscal Year 2020-21**

<b>DESCRIPTION</b>	<b>COUNT</b>
Cases referred for regulatory prosecution	165

**Investigation Division Funding**

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

**Investigations Related to Automobile Insurance**

CIC § 1872.81 requires each insurer doing business in California to pay CDI 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.

**AUTO INSURANCE INVESTIGATIONS  
Fiscal Year 2020-21**

(Note: This data is included in the overall Division case information shown on the report table titled: Division-wide Investigations).

<b>DESCRIPTION</b>	<b>COUNT</b>
Opened (Includes subjects identified in fiscal year 2020-2021 for cases opened prior to July 1, 2020)	180
Completed	157
In progress as of June 30, 2021	275
Reports of Suspected Violation as of June 30, 2021	48

**Enhanced Fraud Investigations**

CDI successfully litigated anti-fraud cases against Sutter Health and Warner Chilcott, resulting in settlement payments, which statute indicates upon appropriation shall be used by CDI for enhanced fraud investigation and prevention efforts.

The Warner Chilcott General Fund appropriation began with fiscal year 2016-2017 and extends through fiscal year 2020-2021 consistent with CIC § 1871.7 (g)(1)(A)(iv).

**ENHANCED FRAUD INVESTIGATIONS  
Fiscal Year 2020-21**

(Note: This data is included in the overall Division case information shown on the report table titled: Division-wide Investigations)

<b>DESCRIPTION</b>	<b>COUNT</b>
In progress as of June 30, 2021	290
Reports of Suspected Violation as of June 30, 2021	5

**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 fifteenth year of grant funding, the Life and Annuity Consumer Protection Program provided \$512,000 in grant funds to seven counties in 2021. As a result of a collaborative effort with other allied law enforcement agencies, numerous licensed agents were prosecuted and convicted for theft, financial elder abuse, forgery, and identity theft in the transaction of life insurance and annuities with California consumers.

**LIFE INSURANCE AND ANNUITY PRODUCTS INVESTIGATIONS  
Fiscal Year 2020-21**

(Note: This data is included in the overall Division case information shown on the report table titled: Division-wide Investigations)

<b>DESCRIPTION</b>	<b>COUNT</b>
Opened	106
Completed	148
In progress as of June 30, 2021	296
Reports of Suspected Violation as of June 30, 2021	25

**LIFE INSURANCE AND ANNUITY CONSUMER PROTECTION  
PRODUCTS DATA  
Calendar Year 2021**

<b>DESCRIPTION</b>	<b>COUNT</b>
Opened Consumer Complaints Reported by Consumer Services Division	1902
Opened Investigations	33
Investigations referred to/reported by prosecuting agencies	38
Administrative or regulatory cases referred to the Department of Insurance's Legal Division	54
Administrative or regulatory enforcement actions taken by Legal Division	41

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.

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

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

CROB continues to host the [Senior Gateway](#), an inter-agency website designed to provide meaningful resources to seniors and their families, to inform them about health care and insurance options, and empower them to protect themselves against financial fraud, abuse and neglect. To date Senior Gateway has received more than 300,000 page views with 47,335 in 2021 alone, and continues to be a source of valuable information to consumers.

To further educate seniors about life insurance and annuity products, the Consumer Education and Outreach Bureau participated in 32 senior events in 2021. 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 AARP, Contractors State License Board-Senior Scam Stoppers, Department of Consumer Affairs, various legislative offices, senior expos, and health fairs enhance the Department’s ability to get the message out.

The following educational materials were distributed during 2021:

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

### **Efforts to Reduce Producer Fraud**

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

- The continuance of quality control measures at the regional level to ensure compliance with Division policies designed to improve efficiency and increase

productivity.

- Deployed investigators as part of the Disaster Assistance Response Team (DART) to work in conjunction with other CDI divisions and allied agencies to proactively respond to disasters or other emergencies statewide affecting enforcement operations.
- In conjunction with CDI's Legal Enforcement Bureau, continued the Visiting Attorney Program (VAP) to assist in the review of on-going casework, as well as reports of suspected violations, to ensure that the Division is achieving an efficient use of its resources.
- Continued enhancements to the Investigation Division Database to better identify suspects of investigations, economic impact information, and patterns of non-compliance by individuals and entities involved in the transaction of insurance.
- Provided LACPP training to county district attorney prosecutors, local law enforcement agencies, and consumer groups.
- Ongoing development of legislative proposals to strengthen laws governing the transaction of insurance and the enforcement of those laws.
- Ongoing outreach to industry associations, consumer groups, and allied law enforcement agencies.

## 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 CIC, “The Insurance Frauds Prevention Act.” The Division also ensures that Penal Code § 550 is enforced throughout the State of California.

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

### **Fraud Division Administration and Operations**

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

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

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

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

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

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

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

### **Fraud Grant Audit Program (FGAP)**

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

CIC § 1872.8(b)(1)(D) and 1874.8(d) require 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 § 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 § 2698.59(f) and CIC § 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 2020-21, the FGAP completed fiscal audits of 65 grants received by 13 county district attorney's offices. The breakdown of the audits by program is:

**FGAP COMPLETED FISCAL AUDITS  
Fiscal Year 2020-21**

<b>Insurance Fraud Program</b>	<b>Number of Grants</b>
Workers' Compensation	28
Automobile	20
Organized Automobile	6
Disability and Healthcare	5
Disability and Healthcare – Supplemental	4
Life and Annuity	2

The most common findings were:

- Unallowable expenditure charged to program
- Inaccurate annual program statistics
- Check warrants not deposited timely

Once the FGAP completes its analysis, a Preliminary Audit Report is issued to the county district attorney's office. The Preliminary Audit Report identifies the potential audit findings, observations, and recommendations. The county district attorney's office is given 30 calendar days to respond and provide additional documentation. After analyzing any additional information received, a Final Audit Report is issued to the county district attorney, CDI Enforcement Branch Deputy Commissioner, Division Chief, Assistant Chiefs, Regional Office Captain or Regional Supervising Investigator, Enforcement Branch Support and Compliance Chief, Program Manager, and the Legal Division, as appropriate. The Final Audit Report includes the county's response to the Preliminary Audit Report and any corrective actions taken to resolve the finding(s).

In addition to the audit report, the FGAP provides Enforcement Branch Management an annual summary of audit findings, particularly repeat findings and/or unresolved findings, which may be taken into consideration and affect future insurance fraud grant funding for the county district attorney's office.

**AUTOMOBILE INSURANCE FRAUD PROGRAM**

The Fraud Division is the primary law enforcement agency responsible for investigating automobile insurance fraud crimes and it coordinates enforcement operations with municipal, state, and federal enforcement agencies throughout California including the California Department of Motor Vehicles and the California Highway Patrol. 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 § 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 2020-21, the Fraud Division received 15,112 Suspected Fraudulent Claims (SFCs), assigned 532 new cases, made 201 arrests, and referred 317 submissions to prosecuting authorities. The potential loss amounted to \$ \$215,383,939.

### **District Attorneys' Automobile Insurance Fraud Program**

During fiscal year 2020-21, 34 counties received funding totaling \$15,259,000 through CDI's Auto Insurance Grant Program. The financial support provided to each county is based on county population, the number of SFCs reported, and the Commissioner's evaluation of the county's historical performance and plan description.

For fiscal year 2020-21, California district attorneys initiated 2,183 investigations and made 701 arrests. This number includes some of the Fraud Division's enforcement actions and local law enforcement investigations. District attorneys prosecuted 1,378 cases involving 1,538 defendants with chargeable fraud totaling \$19,720,955 which resulted in 452 convictions and \$1,010,164 in restitution ordered by the courts.

### **Organized Automobile Fraud Activity Interdiction Program**

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

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

During fiscal year 2020-21, the Fraud Division assigned 144 new cases and made 149 arrests and 204 referrals to prosecuting authorities. Potential loss amounted to \$3,897,845.

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

During fiscal year 2020-21, 8 counties received funding totaling \$7,192,000. The California district attorneys reported 272 investigations and 182 arrests, including some of the Fraud Division arrests. The district attorneys prosecuted 200 cases involving 448 defendants with chargeable fraud totaling \$24,213,533 which resulted in 70 convictions and \$2,923,254 of restitution ordered.



## **DISABILITY AND HEALTHCARE INSURANCE FRAUD PROGRAM**

Health insurance fraud is a significant problem for health insurance policyholders because it drains resources out of the system causing otherwise unnecessary premium increases. CIC § 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 SFCs involving: claimant disability other than workers' compensation, dental claims, billing fraud schemes, immunization fraud, unlawful solicitation, durable medical equipment, and posing as another to obtain benefits.

During fiscal year 2020-21, the Fraud Division identified and reviewed 759 SFCs, assigned 98 new cases, and made 54 arrests and 36 referrals to prosecuting authorities. Potential loss amounted to \$430,361,371.

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

In fiscal year 2020-21, 10 counties received funding totaling \$5,950,000 through the department's Disability and Healthcare Insurance Fraud Grant Program. The district attorneys reported 292 investigations and 88 arrests, which includes some of the Fraud Division arrests. District attorneys prosecuted 112 cases involving 188 defendants with chargeable fraud totaling \$956,514,131 which resulted in 26 convictions and \$51,348,502 in restitution ordered by the courts.

## **WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM**

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

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

The Workers' Compensation Fraud Program was established in 1991. The legislature made workers' compensation fraud a felony, required insurers to report suspected fraud, and established a mechanism for funding enforcement and prosecution activities. The

legislation established the Fraud Assessment Commission to determine the level of assessments to fund investigation and prosecution of workers' compensation insurance fraud.

Funding for the program comes from California employers who are legally required to be insured or self-insured. The total aggregate assessment for fiscal year 2020-21 was \$77,909,442.

During fiscal year 2020-21, the Fraud Division identified and reported 3,317 suspected fraud cases; (SFCs) assigned 441 new cases, made 170 arrests and referred 198 cases to prosecuting authorities. Potential loss amounted to \$ 161,947,968.

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

In fiscal year 2020-21, 36 counties received funding totaling \$46,252,355. The district attorneys reported 1,899 investigations and 435 arrests, which includes some of the Fraud Division arrests. During the same time frame, district attorneys prosecuted 1,291 cases with 1,475 defendants resulting in 304 convictions. Restitution of \$32,158,754 was ordered in connection with these convictions and \$9,605,218 was collected. The total chargeable fraud was \$2,356,119,815 representing only a small portion of actual fraud since many fraudulent activities remain to be identified or investigated.

### **PROPERTY, LIFE AND CASUALTY FRAUD PROGRAM**

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

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

During fiscal year 2020-21, the Fraud Division identified and reported 4,657 SFCs, assigned 62 new cases, made 15 arrests and referred 28 submissions to prosecuting authorities. Potential loss amounted to \$ \$307,738,239.



**ENHANCED FRAUD INVESTIGATION AND PREVENTION**

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

During fiscal year 2020-21, the Fraud Division identified and reported 1 SFC, assigned 1 new case, made 21 arrests and 20 referrals to prosecuting authorities. Potential loss amounted to \$10,000,000.

**DISTRICT ATTORNEYS’ ENHANCED FRAUD INVESTIGATION AND PREVENTION**

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

In fiscal year 2020-21, seven counties received funding totaling \$1,500,000 to support the prosecution of 14 high impact and/or emerging trend insurance fraud cases which had a total suspected loss of over \$242,254,798.

**Budget and Staffing**

**FRAUD DIVISION BUDGETED/EXPENDITURES BY PROGRAM AND FISCAL YEAR STAFFING LEVEL**  
*(Includes all authorized Program 20 positions)*  
**Fiscal Year 2020-21**

<b>Budgeted/Expenditures</b>	<b>Amount</b>
Fraud Budgeted Levels	\$128,736,000
Fraud Actual Expenditures	\$127,581,000

<b>Program</b>	<b>Amount</b>
Insurance Fraud Assessment, Auto:	\$38,669,000
District Attorneys’ Auto Distribution	\$22,451,000
State Operations Auto Expenditures	\$16,218,000
Insurance Fraud Assessment, Workers’ Compensation:	\$73,457,000
District Attorneys’ Workers’ Compensation Distribution	\$46,252,000
State Operations Workers’ Compensation Expenditures	\$27,205,000
Insurance Fraud Assessment, Disability and Healthcare:	\$8,308,000
District Attorneys’ Disability and Healthcare Distribution	\$5,950,000

<b>Program</b>	<b>Amount</b>
State Operations Disability and Healthcare Expenditures	\$2,358,000
Insurance Fraud Assessment, General:	\$2,409,000
State Operations General Assessment Expenditures	\$2,409,000
General Fund, Enhanced Fraud and Prevention:	\$4,738,000
District Attorney's Enhanced Fraud and Prevention Distribution	\$1,500,000
State Operations, Enhanced Fraud and Prevention Expenditures	\$3,238,000
Fiscal Year 2020-21 Fraud Authorized Positions	350

**SIU COMPLIANCE PROGRAM**

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

**Field Audits and Desk Reviews**

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

Field audits consist of:

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

Once the SIU Compliance Program completes its on-site fieldwork, a Draft Report of Examination is issued to the insurer. This report presents findings of violations and required actions related to the Insurer. Within thirty (30) days of receipt of the Draft Report of Examination the Insurer is required to do one or more of the following for each violation:

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

Common audit findings of Insurers include:

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

**SIU COMPLIANCE PROGRAM  
FIELD AUDIT DETAIL  
Fiscal Year 2020-21**

<b>Final Report Date</b>	<b>Company</b>
7/22/2020	National Indemnity Company
8/14/2020	Markel Insurance Company
8/27/2020	Diamond State Insurance Company
9/8/2020	Allianz Global Risks US Insurance Company
9/9/2020	Employers Mutual Casualty Company
10/21/2020	Aegis Security Insurance Company
11/3/2020	Hudson Insurance Company
11/4/2020	AXIS Reinsurance Company
11/12/2020	Argonaut Insurance Company
11/23/2020	Civil Service Employees Insurance Company
11/24/2020	Hiscox Insurance Company
12/10/2020	United Services Automobile Association
12/10/2020	Sentry Insurance, A Mutual Company

Final Report Date	Company
7/22/2020	National Indemnity Company
1/13/2021	Anchor General Insurance Company
1/20/2021	IDS Property Casualty Insurance Company
1/28/2021	Sutter Insurance Company
2/2/2021	TOPA Insurance Company
2/3/2021	Safeway Insurance Company
2/4/2021	The Cincinnati Insurance Company
2/9/2021	California Capital Insurance Company
2/11/2021	Oregon mutual Insurance Company
2/16/2021	Courtesy Insurance Company
3/11/2021	Great American Insurance Company
5/4/2021	Care West Insurance Company
5/7/2021	Wellfleet Insurance Company
5/10/2021	National Continental Insurance Company
5/12/2021	Financial Pacific Insurance Company
5/14/2021	Independence American Insurance Company
5/14/2021	BCS Insurance Company
5/17/2021	ARAG Insurance Company
6/23/2021	Employers Compensation Insurance Company

## SUSPECTED FRAUDULENT CLAIMS REPORTING

The primary source of leads for investigations initiated by the Fraud Division is the SFCs. 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 CIC 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.

**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.

**ECONOMIC VALUE OF FRAUD REPORTED BY TYPE  
Fiscal Year 2020-21**

<b>Insurance Type</b>	<b>Amount Paid – (Amount paid on claim to date)</b>	<b>Suspected Fraudulent Loss – (Amount paid that is suspected as being fraudulently claimed)</b>	<b>Potential Loss – (Amount of loss or exposure if fraud had gone undiscovered)</b>
Automobile	\$ 59,070,606	\$ 96,019,506	\$ 215,383,939
Organized Automobile Fraud Activity Interdiction	\$ 1,129,509	\$ 2,681,852	\$ 3,897,845
Disability and Healthcare	\$ 184,942,181	\$ 401,038,384	\$ 430,361,371

<b>Insurance Type</b>	<b>Amount Paid – (Amount paid on claim to date)</b>	<b>Suspected Fraudulent Loss – (Amount paid that is suspected as being fraudulently claimed)</b>	<b>Potential Loss – (Amount of loss or exposure if fraud had gone undiscovered)</b>
Enhanced Fraud Investigation and Prevention	\$ 0	\$ 0	\$ 10,000,000
Property Casualty	\$ 118,413,825	\$ 167,792,738	\$ 307,738,239
Workers' Compensation	\$ 342,839,084	\$ 86,446,250	\$ 161,947,968
<b>Totals</b>	<b>\$ 706,395,205</b>	<b>\$ 753,978,730</b>	<b>\$ 1,129,329,362</b>

**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.

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

<b>FRAUD PROGRAM</b>	<b>RESTITUTION ORDERED</b>	<b>RESTITUTION COLLECTED</b>
Automobile	\$1,010,164	\$544,218
Organized Automobile Fraud Activity Interdiction	\$2,923,254	\$981,591
Disability and Healthcare	\$51,348,502	\$3,647,544
Workers' Compensation	\$32,158,754	\$9,605,218

## **WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM**

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

### **Distribution of Workers' Compensation Program Hours**

For fiscal year 2020-21, investigative staff spent 54.46% of program hours on case and direct program support. Time recorded as indirect hours equaled 13.32.86% and time off was recorded as 12.67%.

The Fraud Division spent 52.02% of its time directly on the Workers' Compensation Program, while the remaining 47.98% was distributed throughout the other insurance fraud programs. In addition to investigative activities, the Fraud Division is responsible for the administration and oversight of the program, which includes:

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

### **Maintaining a Balanced Caseload**

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



**WORKERS' COMPENSATION CASELOAD**  
**Fiscal Year 2020-21**

FRAUD TYPE	TOTAL CASELOAD
Claimant Fraud	722
Under-Reported Wages	238
Other Workers' Comp	103
Medical Provider	75
Misclassification	33
Uninsured Employer	30
Legal Provider	16
X-mod Evasion	12
Employer Defrauding Employee	19
Embezzlement	2
Pharmacy	2
Total	1,252

### **Underground Economy**

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

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

Employees of the businesses in the underground economy are also negatively affected. Their working conditions may not meet the legal requirements, which can put them in



danger. Their wage earnings may also be less than required by law, and benefits they are entitled to can be denied or delayed because their wages are not properly reported.

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

### **Joint Enforcement Strike Force**

On October 26, 1993, the Governor signed Executive Order W-66-93, which created the Joint Enforcement Strike Force on the Underground Economy (JESF). The Governor subsequently signed Senate Bill 1490, which placed the provisions of the Executive Order into law as § 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, improve the coordination of enforcement activities, and develop methods to pool, focus, and target enforcement resources. JESF is empowered and authorized to form joint enforcement teams when appropriate to utilize the collective investigative and enforcement capabilities of the JESF members.

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

### **Labor Enforcement Task Force**

The Labor Enforcement Task Force (LETF), under the direction of the Department of Industrial Relations, is a coalition of California State government enforcement agencies that work together and in partnership with local agencies to combat the underground economy. The mission is to combat the underground economy 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 (LETF Report to the California Legislature," Department of Industrial Relations Labor Enforcement Task Force, 2012-2020, [2021 LETF Legislative Report \(ca.gov\)](#)). LETF ensures all businesses are provided equal opportunity to thrive and workers are afforded safe and fair working conditions through a collaboration of state agencies and other partners.

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

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

## **Uninsured Employers Compliance Sweeps**

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

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

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

## **Insurance Premium Fraud**

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

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

**Budget and Staffing**

**WORKERS' COMPENSATION FRAUD  
PROGRAM STAFFING/BUDGET  
Fiscal Year 2020-21  
Personnel Years (PY)**

<b>Staffing</b>	
Workers' Compensation Fraud Program Positions	174.6
Fraud Workers' Compensation Assessment – <i>(Reflects the FY 2019-20 Fraud Assessment Commission adopted Aggregate Assessment amount)</i>	\$77,909,000
<b>Budget</b>	<b>Amount</b>
Total Fraud Assessment Workers' Compensation Budgeted Levels	\$74,058,000
Total Fraud Assessment Workers' Compensation Actual Expenditures	\$73,457,000
Local Assistance – Workers' Compensation Expenditures	
District Attorneys' Workers' Compensation Distribution	\$46,252,000
State Operations – Workers' Compensation Expenditures	\$27,205,000
Personnel Services	\$19,110,000
Operating Expenses & Equipment (OE&E)	\$8,095,000

**Unfunded Contributions**

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

**Program Support**

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

## **WORKERS' COMPENSATION INSURANCE FRAUD PROGRAM APPENDICES**

Appendix One: Workers' Compensation Insurance Fraud Program  
Insurance Commissioner's Grant Funding Recommendations  
Fiscal Year 2020-21

Appendix Two: Workers' Compensation Insurance Fraud Program  
Reported Suspected Fraudulent Claims (SFC's)  
Calendar Years 2019, 2020 and 2021

Appendix Three: Workers' Compensation Insurance Fraud Program  
District Attorney Convictions  
Fiscal Year 2020-21

**Appendix One**  
**Workers' Compensation Insurance Fraud Program**  
**Insurance Commissioner's Grant Funding Recommendations – Fiscal Year 2020-21**

County	Fiscal Year 2019-20 Grant Awarded	Fiscal Year 2020-21 Amount Requested	Fiscal Year 2020-21 Grant Awarded
Alameda	\$1,956,035	\$2,211,435	\$2,142,088
Amador	\$496,201	\$522,608	\$522,608
Butte	\$115,866	\$288,791	\$124,695
Contra Costa	\$1,080,452	\$1,339,488	\$1,177,386
El Dorado	\$411,261	\$464,240	\$451,553
Fresno	\$1,283,754	\$1,394,929	\$1,387,304
Humboldt	\$225,024	\$243,769	\$242,814
Imperial	\$74,400	\$73,000	\$73,000
Kern	\$875,120	\$1,324,393	\$1,061,225
Kings	\$256,784	\$256,784	\$256,784
Los Angeles	\$8,254,043	\$9,595,738	\$9,010,211
Marin	\$304,498	\$387,363	\$330,212
Merced	\$188,885 <sup>1</sup>	\$244,824	\$213,254
Monterey	\$779,601	\$839,118	\$838,098
Napa	\$146,183	\$192,196	\$168,884
Nevada	\$98,395	\$115,906	\$108,614
Orange	\$5,591,252	\$6,755,630	\$6,200,847
Riverside	\$2,698,353	\$2,887,107	\$2,887,107
Sacramento	\$1,122,796	\$2,006,460	\$1,231,640
San Bernardino	\$2,250,295	\$2,563,434	\$2,480,629
San Diego	\$6,246,224	\$6,211,544	\$6,211,544
San Francisco	\$856,147	\$1,258,886	\$938,601
San Joaquin	\$491,381	\$520,000	\$520,000
San Luis Obispo	\$74,452	\$84,224	\$84,224
San Mateo	\$811,164	\$904,009	\$882,060
Santa Barbara	\$289,676	\$379,054	\$308,184
Santa Clara	\$3,155,716	\$3,716,546	\$3,444,817
Santa Cruz	\$176,851	\$326,876	\$204,921
Shasta	\$169,953	\$298,042	\$189,637
Siskiyou	\$86,864	\$154,736	\$108,454
Solano	\$204,150	\$267,966	\$237,169
Sonoma	\$111,585	\$328,796	\$279,870
Tehama	\$188,265	\$198,458	\$198,458
Tulare	\$547,637	\$547,637	\$547,637
Ventura	\$795,571	\$847,817	\$847,817
Yolo	\$309,453	\$407,626	\$340,009
<b>Totals</b>	<b>\$42,725,580</b>	<b>\$50,159,430</b>	<b>\$46,252,355</b>

<sup>1</sup> In FY 2019-20 Merced declined their additional award.

**Appendix Two**  
**Workers' Compensation Insurance Fraud Program**  
**Reported Suspected Fraudulent Claims (SFCs)**  
 Calendar Years 2019, 2020 and 2021

COUNTY	2019 SFC's	2020 SFC's	2021 SFC's
ALAMEDA	133	0	119
AMADOR	5	0	1
BUTTE	7	0	5
CA STATE ATTY GEN	1	0	3
CALAVERAS	2	0	2
COLUSA	3	0	1
CONTRA COSTA	72	58	50
DEL NORTE	2	1	0
EL DORADO	11	8	6
FRESNO	72	71	81
GLENN	1	2	3
HUMBOLDT	8	6	6
IMPERIAL	9	7	15
INYO	0	2	1
KERN	86	53	45

Enforcement Branch

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COUNTY	2019 SFC's	2020 SFC's	2021 SFC's
KINGS	11	10	9
LAKE	2	6	7
LASSEN	3	2	1
LOS ANGELES	1194	1249	1109
MADERA	7	12	9
MARIN	25	20	22
MARIPOSA	1	2	1
MENDOCINO	2	4	2
MERCED	36	34	21
MONO	0	0	0
MONTEREY	39	31	29
NAPA	16	21	24
NEVADA	5	1	1
ORANGE	356	342	345
PLACER	19	22	0
PLUMAS	2	0	0
RIVERSIDE	186	206	168

Enforcement Branch

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COUNTY	2019 SFC's	2020 SFC's	2021 SFC's
SACRAMENTO	110	81	56
SAN BENITO	4	4	3
SAN BERNARDINO	214	201	190
SAN DIEGO	221	191	188
SAN FRANCISCO	87	71	60
SAN JOAQUIN	53	52	31
SAN LUIS OBISPO	13	23	9
SAN MATEO	50	48	40
SANTA BARBARA	34	28	35
SANTA CLARA	100	139	101
SANTA CRUZ	25	12	20
SHASTA	5	16	4
SIERRA	1	0	0
SISKIYOU	4	2	1
SOLANO	35	37	30
SONOMA	34	31	22
STANISLAUS	28	35	23



Enforcement Branch

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COUNTY	2019 SFC's	2020 SFC's	2021 SFC's
SUTTER	5	4	3
TEHAMA	1	2	2
TRINITY	0	0	0
TULARE	24	29	30
TUOLUMNE	2	1	1
US ATTY NORTH CA	0	1	0
VENTURA	87	96	84
YOLO	7	12	10
YUBA	1	2	3
<b>TOTALS</b>	<b>3,461</b>	<b>3405</b>	<b>3032</b>

**Appendix Three  
Workers' Compensation Insurance Fraud Program  
District Attorney Convictions – Fiscal Year 2020-21**

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
20CR004152	Alameda	Bittner, Benjamin	Uninsured Employer	12 month DEOJ (Possible dismissal 2/9/2022)	\$0	\$6,167	\$500
20CR001930	Alameda	Bridges, Robert	Uninsured Employer	40 hour(s) community service; 12 Months DEOJ (Possible dismissal 1/25/2022)	\$0	\$0	\$0
20CR004524	Alameda	Dagan, Eli	Uninsured Employer	6 months Deferred entry of judgment	\$0	\$8,000	\$1,000
19CR018605	Alameda	McCall, Jared	Uninsured Employer	2 years Deferred entry of judgment	\$0	\$55,933	\$0
20CR006680	Alameda	Naranjo, Joe	Uninsured Employer	12 month(s) DEOJ (Possible	\$0	\$1,500	\$500

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
				dismissal 3/8/2022)			
20CR005903	Alameda	Widger, Larry	Uninsured Employer	12 month(s) DEOJ (Possible dismissal 3/14/22)	\$0	\$0	\$0
CR19001437	Amador	Biagi, Michael	Claimant Fraud	12 month(s) probation;	\$0	\$7,500	\$220
CR19009114	Amador	Ricaud, Enrique	Claimant Fraud	12 month(s) probation;	\$0	\$810	\$150
19CR28905	Amador	Rose, Barbara	Claimant Fraud	12 month(s) probation;	\$0	\$12,616	\$220
CR19009046	Amador	Sommerkamp, Patricia	Claimant Fraud	36 month(s) probation;	\$0	\$3,235	\$150
20CM00811	Butte	Caldwell, Cory Lee	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$10,403
20CM01429	Butte	Ignacio, Osegura Lua / Osegura Concrete Services	Uninsured Employer	20 day(s) jail; 24 month(s) probation;	\$0	\$0	\$625

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
130958145	Contra Costa	Asghar, Toheed	Premium Fraud	120 hour(s) community service; Post-plea diversion	\$0	\$94,553	\$10,000
130980730	Contra Costa	Keilan, Matthew	Uninsured Employer	12 month(s) probation; 120 hour(s) community service; Post-plea diversion	\$0	\$0	\$10,000
130953585	Contra Costa	Milhomem, Maurosan	Premium Fraud	364 day(s) jail; 72 month(s) probation;	\$0	\$1,421,603	\$0
130997488	Contra Costa	Sanchez, Jorge	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$2,500
130927300	Contra Costa	Singh, Kabir	Premium Fraud	364 day(s) jail; 72 month(s) probation;	\$0	\$596,144	\$0
130927300	Contra Costa	Singh, Selina	Premium Fraud	364 day(s) jail; 72 month(s) probation;	\$0	\$596,144	\$250,000
130973294	Contra Costa	Tangitau, Oto	Uninsured Employer	10 day(s) jail; 36 month(s) probation;	\$0	\$0	\$700

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
P20CRM0344	El Dorado	An, Chengri / Halo Massage	Uninsured Employer	Sentencing deferred	\$0	\$0	\$0
P20CRF0181	El Dorado	Chaudhry, Imran Ashraf / Royal King USA Tires and Wheel	Uninsured Employer	60 day(s) jail; 24 month(s) probation;	\$0	\$12,564	\$5,000
P19CRM0794	El Dorado	Depaola, Salvatore / K&S Fire	Uninsured Employer	36 month(s) prison;	\$0	\$0	\$300
P20CRM0348	El Dorado	Diaz Lopez, Jose Gustavo / Custom Quality Painting	Uninsured Employer	1 day(s) jail; 12 month(s) probation;	\$0	\$0	\$1,000
P19CRM0229	El Dorado	Flynn, William Guthrie / TDI Inc.	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$1,000
P19CRM0271	El Dorado	Johns, Toddy / Todd Paving	Uninsured Employer	36 month(s) probation;	\$0	\$11,415	\$10,000
P19CRF0163	El Dorado	Kane, Sammy Robert / Classic Coating	Premium Fraud	1 day(s) jail; 36 month(s) probation;	\$0	\$0	\$5,000
P20CRM0585	El Dorado	Nastasiychuk, Oleksandr /	Uninsured Employer	12 month(s) prison;	\$0	\$0	\$250

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
		Nastasiychuk Construction					
P20CRM0533	El Dorado	Sun, Yujie / Orient Massage	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$500
P20CRF0265	El Dorado	Thompson, Karina Faith / Trees Inc	Premium Fraud	120 day(s) jail; 24 month(s) probation;	\$0	\$0	\$5,000
F19904399	Fresno	Arriola, Edward Anthony	Claimant Fraud	240 hour(s) community service; Sent set for 5/26/21.	\$0	\$40,119	\$0
M20912040	Fresno	Bravo, Juan Carlos	Uninsured Employer	Sentencing set for 5/12/2021.	\$0	\$1,500	\$0
F18907573	Fresno	Calderon, Rosa	Claimant Fraud	24 month(s) probation;	\$0	\$6,715	\$0
M13915890	Fresno	Dueck, Michael	Uninsured Employer	24 month(s) probation; 80 hour(s) community service; Sentencing set for 7/16/21.	\$0	\$250	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M20913023	Fresno	Eaton, Patrick	Uninsured Employer	12 month(s) probation; 20 hour(s) community service; Sentencing set for 7/20/2021	\$0	\$1,500	\$0
M20915063	Fresno	Flores Villata, Juan Carlos	Uninsured Employer	Sentencing set for 9/17/2021.	\$0	\$1,000	\$0
M20911421	Fresno	Garcia, Jacinto Mendez	Uninsured Employer	Sentencing set for 9/15/2021	\$0	\$1,000	\$0
M18924640	Fresno	Garcia, Jesse Grego	Uninsured Employer	Sent set for 2/18/22.	\$0	\$1,500	\$0
M16929402	Fresno	Hernandez, Jesse	Uninsured Employer	Sentencing set for 12/21/2021.	\$0	\$1,500	\$0
F19908060	Fresno	Morales, Manuel	Claimant Fraud	24 month(s) probation;	\$0	\$9,113	\$0
M20910474	Fresno	Morelock, Michael William	Uninsured Employer	12 month(s) probation; 40 hour(s)	\$0	\$1,000	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
				community service;			
F20906565	Fresno	Morgutia, Rafael / Rafael's Landscape	Other	12 month(s) probation; 50 hour(s) community service;	\$0	\$4,064	\$0
F17907152	Fresno	Padovich, Shawn / Tri County Painting	Premium Fraud	Sentencing set for 5/13/2021.	\$0	\$46,266	\$0
M20913049	Fresno	Patterson, Brian James	Uninsured Employer	Dismissed on 2/23/21 after compliance.	\$0	\$1,000	\$0
M18921905	Fresno	Peterson, Curtis	Uninsured Employer	Sentence not Documented	\$0	\$1,500	\$0
M20911230	Fresno	Proctor, Chad	Uninsured Employer	Dismissed 3/24/21 after compliance.	\$0	\$1,500	\$0
F19900851	Fresno	Ward, Dennis / D. Ward & Son Masonry	Premium Fraud	Sentencing set for 5/20/2021	\$0	\$91,949	\$0
M21906880	Fresno	Williams, Joshua Travis	Uninsured Employer	Sentence not Documented	\$0	\$0	\$1,000



Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
F17904521	Fresno	Williams, Randall / Randy Williams Property Maintenance	Premium Fraud	4 day(s) jail; 32 month(s) probation;	\$0	\$108,710	\$0
CR1904857A	Humboldt	Fregoso, Robert	Premium Fraud	Sentence not Documented	\$0	\$0	\$630
CR2100099	Humboldt	Yiying, Liu	Uninsured Employer	12 month(s) probation; Per PC417: court addressed book and release Jail term: \$10,000 fine order \$7,000 Stayed if Probation is successfully completed.	\$0	\$0	\$0
BM932673A	Kern	Anderson, Kelli	Uninsured Employer	36 month(s) probation; 150 hour(s) community service;	\$0	\$0	\$480
BM946240A	Kern	Cerna, Daniel	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BM958443A	Kern	Hernandez, Miguel F.	Uninsured Employer	12 month(s) probation; 100 hour(s) community service;	\$0	\$0	\$1,000
BF179521A	Kern	JORGENSEN, DENISE	Claimant Fraud	12 month(s) probation;	\$0	\$8,955	\$570
BM945929A	Kern	Lucero, Ryan	Claimant Fraud	36 month(s) probation; 250 hour(s) community service;	\$0	\$0	\$3,150
BM939049A	Kern	Mejia, CARLOS	Uninsured Employer	36 month(s) probation; 200 hour(s) community service;	\$0	\$0	\$540
BM945924A	Kern	Mejia, Jose	Uninsured Employer	90 day(s) jail; 36 month(s) probation; 720 hour(s) community service;	\$0	\$0	\$0
BF172726A	Kern	Montano, Lamberto	Uninsured Employer	180 day(s) jail;	\$0	\$0	\$45

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BF176337A	Kern	Myrick, Thomas	Claimant Fraud	364 day(s) jail;	\$0	\$23,156	\$0
BM945928A	Kern	Peralta, Eder	Uninsured Employer	Sentence not Documented	\$0	\$0	\$1,000
BF182791A	Kern	Rosette, Luis	Claimant Fraud	24 month(s) prison;	\$0	\$16,087	\$10,000
BM944303A	Kern	SALINAS, David	Uninsured Employer	Sentence not Documented	\$0	\$0	\$1,000
BF179696B	Kern	TORRES, ALEX	Premium Fraud	deferred entry of judgment. 100 hours c/s and full restitution = misd sentencing. Failure = felony sentencing.	\$0	\$7,418	\$570
BF179696A	Kern	TORRES, ISELA	Premium Fraud	12 month(s) probation;	\$0	\$7,418	\$570
132506	Kings	Gastelum, Erika Elizabeth	Claimant Fraud	24 month(s) probation;	\$0	\$10,544	\$420

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BA476844	Los Angeles	AMAR, TAL	Claimant Fraud	259 hour(s) community service;	\$0	\$9,602	\$170
BA489976	Los Angeles	BAEZ-ACOSTA, RUBEN	Claimant Fraud	12 month(s) probation;	\$0	\$5,100	\$220
BA481239	Los Angeles	BRAMBILA GARCIA, MARIA	Claimant Fraud	6 day(s) jail; 36 month(s) probation; 100 hour(s) community service;	\$0	\$23,706	\$0
BA475390	Los Angeles	CHAVARRIA, IVAN FLORES	Claimant Fraud	24 month(s) probation; 40 hour(s) community service;	\$0	\$18,640	\$0
BA476742	Los Angeles	CONE, MICHAEL LEE	Claimant Fraud	24 month(s) probation; 40 hour(s) community service;	\$0	\$12,446	\$0
BA456155	Los Angeles	COOKSON, JOHN CLARK	Premium Fraud	240 hour(s) community service;	\$0	\$35,000	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BA456238	Los Angeles	DANHIEUX, HELIA	Claimant Fraud	36 month(s) probation;	\$0	\$32,314	\$0
BA485667	Los Angeles	DESALES, JUAN MANUEL	Claimant Fraud	12 month(s) probation;	\$0	\$4,444	\$0
BA476560	Los Angeles	DURAN, CARLOS	Claimant Fraud	12 month(s) probation; 300 hour(s) community service;	\$0	\$25,399	\$0
BA484442	Los Angeles	ESHEL, RON	Premium Fraud	12 month(s) probation; 148 hour(s) community service;	\$0	\$233,000	\$0
BA476845	Los Angeles	FARAGE, STEVE	Premium Fraud	24 month(s) probation; 25 hour(s) community service;	\$0	\$100,000	\$0
BA486477	Los Angeles	FISCHER, WILLIAM	Premium Fraud	24 month(s) probation;	\$0	\$0	\$0
BA472693	Los Angeles	FLORES, MIRELLA	Single Entity	24 month(s) probation; 200 hour(s)	\$0	\$7,000	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
			Provider Fraud	community service;			
BA472693	Los Angeles	FRANCO, JR, SALVADOR	Single Entity Provider Fraud	24 month(s) probation; 200 hour(s) community service;	\$0	\$7,000	\$0
BA476479	Los Angeles	GARCIA, YASMIN AQUINO	Claimant Fraud	24 month(s) probation;	\$0	\$0	\$0
BA467018	Los Angeles	GLASGOW, SHARON MARCIA	Claimant Fraud	1 month(s) probation;	\$0	\$2,151	\$0
BA467106	Los Angeles	GRIGORIAN, ARA MARCOSI	Premium Fraud	Sentence not Documented	\$0	\$48,613	\$0
BA469328	Los Angeles	GUERRERO, MARIO	Claimant Fraud	12 month(s) probation;	\$0	\$0	\$150
BA486563	Los Angeles	HANKE, WILLIAM	Claimant Fraud	36 month(s) probation;	\$0	\$51,985	\$0
BA486659	Los Angeles	HENRIQUEZ-HERNANDEZ, ANA VILMA DEZ	Claimant Fraud	36 month(s) probation;	\$0	\$2,525	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BA476559	Los Angeles	JUN, WILLIAM	Premium Fraud	Sentence not Documented	\$0	\$10,000	\$0
BA476864	Los Angeles	LOPEZ, URI	Claimant Fraud	12 month(s) probation; 85 hour(s) community service;	\$0	\$0	\$0
BA444367	Los Angeles	MANNING, LANIKA	Claimant Fraud	1 day(s) jail; 24 month(s) probation; 200 hour(s) community service;	\$0	\$17,828	\$0
BA476761	Los Angeles	MARTINEZ, JESUS	Claimant Fraud	24 month(s) probation; 200 hour(s) community service;	\$0	\$2,976	\$0
BA489816	Los Angeles	MARTINEZ, VENANCIO	Claimant Fraud	12 month(s) probation;	\$0	\$5,696	\$0
BA471023	Los Angeles	MEJIA, JOSE	Claimant Fraud	36 month(s) probation; 300 hour(s) community service;	\$0	\$9,900	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BA490377	Los Angeles	MIRAMONTES, ROSINA	Claimant Fraud	12 month(s) probation;	\$0	\$19,534	\$0
BA482320	Los Angeles	NYIVIH, DEWHANNE	Claimant Fraud	Sentence not Documented	\$0	\$4,000	\$0
BA482152	Los Angeles	ORTIZ, JORGE	Claimant Fraud	Sentence not Documented	\$0	\$2,070	\$0
BA466664	Los Angeles	PENA, MARTIN	Claimant Fraud	24 month(s) probation; 100 hour(s) community service;	\$0	\$7,500	\$0
BA409834	Los Angeles	PEREZ, CRESENCIO	Premium Fraud	Sentence not Documented	\$0	\$326,500	\$0
BA463834	Los Angeles	PEREZ, MEGAN LEIGH	Claimant Fraud	100 hour(s) community service;	\$0	\$9,860	\$0
BA466749	Los Angeles	PEREZ-SANDAVOL, MARGARITA	Claimant Fraud	3 day(s) jail; 36 month(s) probation; 200 hour(s) community service;	\$0	\$15,368	\$0



Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BA487236	Los Angeles	PLENG, RUNNY LINDA	Claimant Fraud	12 month(s) probation;	\$0	\$1,022	\$200
BA471992	Los Angeles	PRECIADO, CLAUDIA	Premium Fraud	Sentence not Documented	\$0	\$0	\$0
BA476787	Los Angeles	PUVVULA, MADHU KUMAR	Single Entity Provider Fraud	18 month(s) probation;	\$0	\$1,590	\$0
BA466934	Los Angeles	REYES, SANDRA	Claimant Fraud	Sentence not Documented	\$0	\$1,500	\$0
BA467102	Los Angeles	RODRIGUEZ, RAFAEL	Claimant Fraud	Sentence not Documented	\$0	\$10,000	\$0
BA433412	Los Angeles	ROOZBETH, ALIREZA	Premium Fraud	200 hour(s) community service;	\$0	\$685,526	\$0
BA485890	Los Angeles	SANCHEZ, GERARDO FIGUEROA	Claimant Fraud	1 day(s) jail; 40 hour(s) community service;	\$0	\$0	\$200
BA474077	Los Angeles	SCHMUEL, SCHLOMO	Other	24 month(s) probation;	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BA481662	Los Angeles	SIMON, MICHAEL	Claimant Fraud	24 month(s) probation;	\$0	\$0	\$0
BA464323	Los Angeles	TOVAR, RUBY	Claimant Fraud	12 month(s) probation; 200 hour(s) community service;	\$0	\$5,726	\$0
BA455469	Los Angeles	TURLEY, MARIA	Multiple Entities Provider Fraud	372 day(s) jail; 24 month(s) probation;	\$0	\$0	\$0
BA467087	Los Angeles	VAKNIN, SHALOM	Claimant Fraud	Sentence not Documented	\$0	\$0	\$0
BA472393	Los Angeles	VASQUEZ, ANGEL	Claimant Fraud	24 month(s) probation;	\$0	\$1,500	\$0
BA463539	Los Angeles	ZARAGOZA, ROBERTO	Claimant Fraud	12 month(s) probation; 200 hour(s) community service;	\$0	\$79,304	\$0
SC215540A	Marin	Alexander, Leah	Claimant Fraud	29 day(s) jail; 12 month(s) probation; 40 hour(s)	\$0	\$6,572	\$200

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
				community service; 17(b) reduction-Theft Awareness Program			
SC211673A	Marin	Cavalcanti, Marlene Garibay	Claimant Fraud	29 day(s) jail; 36 month(s) probation; 100 hour(s) community service; Theft Awareness Program	\$0	\$513	\$2,515
SC211036A	Marin	Mejia, Waymer Israel / J S Landscape	Uninsured Employer	29 day(s) jail; 24 month(s) probation; \$440 in fines and fees; Do not contract or advertise as contractor without a valid license, full search and seizure	\$0	\$34,000	\$440

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
CR211910	Marin	Rodas Mendez, Victor	Uninsured Employer	90 day(s) jail; 12 month(s) probation; Do not contract or advertise as contractor without a license, full search and seizure, Supervised probation for restitution collection	\$0	\$44,500	\$9,285
20CR03803A	Merced	Barocio, Felipe Suarez / Agriculture Services Inc.	Premium Fraud	2190 day(s) jail; 48 month(s) probation; 6 years CJ or monitor	\$0	\$2,582,143	\$0
20CR03803B	Merced	Barocio-Negrete, Angelia / Agriculture Services Inc.	Premium Fraud	2190 day(s) jail; 48 month(s) probation; 6 years CJ or monitor	\$0	\$2,582,143	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
20CR-04352	Merced	Carillo-Tapia, Salvador	Claimant Fraud	36 month(s) probation; 80 hour(s) community service; Restitution reserved	\$0	\$0	\$0
19CR-02383	Merced	Gutierrez, Ruben J	Uninsured Employer	12 month(s) probation; Restitution reserved	\$0	\$0	\$0
19CR-00162	Merced	Larson, Sonny Nicholas	Uninsured Employer	12 month(s) probation;	\$0	\$1,200	\$220
20CR-04076	Merced	Martinez, Meliton Hernandez	Claimant Fraud	365 day(s) jail; Restitution reserved	\$0	\$0	\$670
19CR-03425	Merced	Palomino, Jose Gustavo	Uninsured Employer	Sentence not Documented	\$0	\$0	\$250
19-0049	Monterey	Bresciani, John / Pacific Cost Battery Service	Premium Fraud	1 day(s) jail;	\$0	\$0	\$5,220
18-0054	Monterey	Cruz-Navarro, German /	Claimant Fraud	1 day(s) jail; 36 month(s) probation;	\$0	\$0	\$220

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
		Montejano Roofing					
20-0039	Monterey	Jarquin-Cruz, Elfego Crecencio	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$3,440
21-0032	Monterey	Laine, Larry	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$1,790
19-0041	Monterey	Levi, Cheng	Uninsured Employer	120 day(s) jail; 12 month(s) probation;	\$0	\$0	\$3,020
19-0041	Monterey	Levi, Eesai	Uninsured Employer	120 day(s) jail; 12 month(s) probation;	\$0	\$0	\$3,020
20-0040	Monterey	Luis, Roberto Carlos Morales	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
19-0027	Monterey	Mendez, Erubiel / EM Painting Contractor	Uninsured Employer	25 day(s) jail; 36 month(s) probation;	\$0	\$0	\$4,360
20-0029	Monterey	Sandoval, Gabriel Gonzales	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$720
20CR000254	Napa	De Leon, Luis Lawrence /	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$220

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
		Legacy Limousines					
19CR003691	Napa	Gazanchiyants, Vadim Aramovich / Cardinal Transportation	Premium Fraud	36 month(s) probation;	\$0	\$32,355	\$405
19CR003695	Napa	Malhi, Bikramjit Singh / Best Way Limo	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$220
19CR003689	Napa	Mallory, Mason Richard / Cardinal Transportation	Premium Fraud	36 month(s) probation;	\$0	\$32,355	\$370
19CR003694	Napa	Orellana-Batres, Julio Antonio / Julio's Landscape Construction	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$290
20CR000319	Napa	Su, Stacy Louise / Stacy's Wine Stop	Uninsured Employer	Sentence not Documented	\$0	\$0	\$130
19-01-0490	Nevada	Lisher, Robert	Claimant Fraud	12 month(s) probation;	\$0	\$5,000	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
17CF1372	Orange	Castro, Soraida / USA Photocopy	Single Entity Provider Fraud	180 day(s) jail; 60 month(s) probation; 200 hour(s) community service;	\$0	\$0	\$3,900
19NF2393	Orange	Gamez, Amber Jean Marie	Claimant Fraud	60 day(s) jail; 240 hour(s) community service;	\$0	\$5,107	\$250
18CF3069	Orange	Iglesias, Fermin / Providence Scheduling Inc	Multiple Entities Provider Fraud	365 day(s) jail; 60 month(s) probation; Hearing for restitution sentencing not yet set.	\$0	\$0	\$300
19CF0669	Orange	Kendrick, Jeannie / K-Med Inc	Premium Fraud	120 day(s) jail; 12 month(s) probation; Jail time stayed pending completion of payment of fines.	\$0	\$0	\$3,150



Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
19WM18946	Orange	Martinez, Rufina / Henry's Tires	Uninsured Employer	12 month(s) probation; 30 hour(s) community service;	\$0	\$0	\$150
20CF1619	Orange	Ridge, Jonathan Andrew	Claimant Fraud	180 day(s) jail; 24 month(s) probation;	\$0	\$95,870	\$300
17CF1369	Orange	Slater, Robert / USA Photocopy	Single Entity Provider Fraud	Defendant found guilty by jury. Sentencing continued to 10/08/21.	\$0	\$0	\$0
RIF1670175	Riverside	Abramowitz, Cary David	Multiple Entities Provider Fraud	365 day(s) jail; 60 month(s) probation;	\$0	\$0	\$300
BAF2001015	Riverside	Briones, Juliana	Claimant Fraud	60 day(s) jail;	\$0	\$0	\$0
SWM2000339	Riverside	Camarillo, Maria	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$500

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
RIF2003815	Riverside	Dimas, Manuel Alberto	Single Entity Provider Fraud	120 day(s) jail; 12 month(s) probation;	\$0	\$150	\$0
RIF2000854	Riverside	Fata, Adma	Premium Fraud	120 day(s) jail; 12 month(s) probation;	\$314	\$200	\$150
RIF2003393	Riverside	Gordon, Eric Carter	Claimant Fraud	60 day(s) jail;	\$0	\$0	\$0
RIF2003815	Riverside	Henriquez, Mauricio Giovanni	Single Entity Provider Fraud	90 day(s) jail; 24 month(s) probation;	\$0	\$150	\$0
SWM1605029	Riverside	Lopez, Ignacio	Uninsured Employer	45 day(s) jail; 36 month(s) probation;	\$0	\$0	\$1,650
RIF1903697	Riverside	Lowe, Christopher	Claimant Fraud	120 day(s) jail; 36 month(s) probation;	\$0	\$50,559	\$300
RIF1800580	Riverside	Martin, Keith	Claimant Fraud	12 day(s) jail; 24 month(s) probation; 60 hour(s)	\$0	\$15,000	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
				community service;			
INM2002267	Riverside	Martinez, Julian	Uninsured Employer	365 day(s) jail; 36 month(s) probation;	\$0	\$0	\$0
INM2001788	Riverside	Medina, Exquio	Uninsured Employer	10 day(s) jail; 12 month(s) probation;	\$0	\$0	\$150
RIF1802364	Riverside	Montgomery, Curtis	Single Entity Provider Fraud	sentencing 04/30/2021	\$0	\$0	\$0
RIF1990022	Riverside	Moore Devane, Shannon	Multiple Entities Provider Fraud	sentencing 03/01/2021	\$0	\$0	\$0
BAM2001837	Riverside	Rice, Alan	Uninsured Employer	15 day(s) jail; 12 month(s) probation;	\$0	\$0	\$1,000
RIF1670175	Riverside	Ross, Gladys	Claimant Fraud	12 day(s) jail; 36 month(s) probation;	\$0	\$50,000	\$300

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
RIF2003815	Riverside	Soto, Araceli	Single Entity Provider Fraud	90 day(s) jail; 24 month(s) prison;	\$0	\$0	\$0
RIF2000856	Riverside	Torres, David	Insider Fraud	Sentence not Documented	\$0	\$54,414	\$150
RIF2003843	Riverside	Valadez, Govanny	Claimant Fraud	120 day(s) jail;	\$0	\$0	\$0
19FE003346	Sacramento	Burton, Alan Charles	Other	90 day(s) jail; 12 month(s) probation;	\$0	\$11,000	\$150
17FE022181	Sacramento	Derangi, Iradj	Claimant Fraud	1 day(s) jail; 12 month(s) probation; Restitution to Victim, Security National Insurance Company	\$0	\$29,181	\$150
19FE004861	Sacramento	Hamilton, Justin	Claimant Fraud	45 day(s) jail; 12 month(s) probation;	\$0	\$34,530	\$150

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
19FE011869	Sacramento	Mills, Zachery James	Claimant Fraud	30 day(s) jail; 12 month(s) probation;	\$0	\$13,110	\$150
19FE005808	Sacramento	Mora, Roberto	Claimant Fraud	12 month(s) probation;	\$0	\$2,286	\$150
09F02978	Sacramento	Niccum, Eric Earl	Claimant Fraud	60 day(s) jail; 24 month(s) probation; Court converted 60 days county jail sentence into 360 hours of community service.	\$0	\$25,000	\$300
20FE010810	Sacramento	Nurenberg, Peter	Claimant Fraud	30 day(s) jail; 12 month(s) probation; Paid \$1000 in victim restitution pre-plea as part of disposition	\$0	\$6,232	\$150
20FE020625	Sacramento	Sanders, Anna	Claimant Fraud	1 day(s) jail; 12 month(s) probation; CT	\$0	\$0	\$150

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
				Order: Restitution to victims, Heritage Oaks Hospital, Universal Health Services, and State of CA, To Be Determined (TBD)			
19FE017377	Sacramento	Sarcadi, John	Claimant Fraud	4 day(s) jail; 12 month(s) probation;	\$0	\$15,727	\$150
2019-5973	San Bernardino	Barajas, Eva	Claimant Fraud	1 day(s) jail; 24 month(s) probation;	\$0	\$9,758	\$718
2018-52925	San Bernardino	Gonzalez, Daniel Jesus	Claimant Fraud	180 day(s) jail; 36 month(s) probation;	\$0	\$6,582	\$2,431
2017-59226	San Bernardino	Gonzalez, Jorge	Claimant Fraud	3 day(s) jail; 36 month(s) probation;	\$0	\$25,839	\$4,028
2017-2155	San Bernardino	Perez, Almirante / DBA Southern	Premium Fraud	24 month(s) probation;	\$739,000	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
		Pacific Janitorial Group					
2018-29743	San Bernardino	Portillo, Maria C	Claimant Fraud	90 day(s) jail; 36 month(s) probation;	\$0	\$21,366	\$4,968
2018-52864	San Bernardino	Robles, Eusebio	Claimant Fraud	270 day(s) jail; 60 month(s) probation;	\$0	\$19,759	\$4,116
2017-10890	San Bernardino	Tang, Wai Kit	Claimant Fraud	6 day(s) jail; 24 month(s) probation;	\$0	\$10,035	\$2,052
2014-62349	San Bernardino	Valenzuela, Paul Joseph	Claimant Fraud	Sentence not Documented	\$0	\$1,148	\$207
2018-52751	San Bernardino	Velasquez, Ignacio	Claimant Fraud	180 day(s) jail; 36 month(s) probation;	\$0	\$52,321	\$8,178
M095253	San Diego	BAUMBACH, JAMES	Uninsured Employer	Sentence not Documented	\$0	\$0	\$149
M095306	San Diego	BURFORD, KENNETH	Uninsured Employer	12 hour(s) community service;	\$0	\$1,250	\$0
M095305	San Diego	BURNS, STEPHEN C	Uninsured Employer	ECF joint w/codef	\$0	\$4,500	\$149

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M095249	San Diego	CARRILLO, DAVID	Uninsured Employer	12 month(s) probation;	\$0	\$500	\$0
M095293	San Diego	CARRILLO, YVETTE	Uninsured Employer	Sentence not Documented	\$0	\$0	\$149
M095270	San Diego	CASTANEDA, HUMBERTO	Uninsured Employer	Case pending	\$0	\$0	\$0
M095285	San Diego	CASTILLO, OVIDIO V	Uninsured Employer	reduced @ sent. 2/4/21	\$0	\$0	\$277
M095267	San Diego	CASTRO, FRANCISCO	Uninsured Employer	Sentence not Documented	\$0	\$0	\$149
AEQ275	San Diego	CASTRO, JUAN MARTIN	Premium Fraud	12 month(s) probation; ECF joint w/codef	\$0	\$10,665	\$300
AEO373	San Diego	CHAVEZ, JORGE ADANAY	Uninsured Employer	1 day(s) jail; 12 month(s) probation;	\$0	\$5,000	\$0
AES859	San Diego	CRUZ, DUANE	Premium Fraud	12 month(s) probation; REST. JOINT W/CODEF	\$0	\$0	\$0



Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
AES859	San Diego	CRUZ, TASHA MARIE	Premium Fraud	12 month(s) probation; REST. JOINT W/CODEF	\$0	\$1,000	\$0
AEP455	San Diego	DE OCAMPO, EMIL F	Claimant Fraud	1 day(s) jail; 12 month(s) probation;	\$0	\$4,288	\$400
M095291	San Diego	DELAROSA, MATTHEW	Uninsured Employer	ECF joint. Reduced @ sent 3/22/21	\$0	\$500	\$149
M095265	San Diego	DYER, DOUGLAS R	Uninsured Employer	Inv. for LC3700.5(a)	\$0	\$0	\$107
M095310	San Diego	ESTEBAN-NOLASCO, PEDRO TOMAS	Uninsured Employer	Sentence not Documented	\$0	\$0	\$149
M095302	San Diego	FALCON, PAMELA S	Uninsured Employer	Sentence not Documented	\$0	\$0	\$149
AEM913	San Diego	FRAZIER, JUSTIN	Other	Inv. for LC3700.5	\$0	\$0	\$0
M095309	San Diego	GARCIA, ALBERTO B	Uninsured Employer	Sentence not Documented	\$0	\$0	\$149

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M094935	San Diego	GARCIA, ALBERTO B	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$0
AE0372	San Diego	GEORGE, JIM JAMES	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
M095279	San Diego	GOMEZ-ORTIZ, JOSE	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
M095286	San Diego	GRIPPO, GREGORY G	Uninsured Employer	12 month(s) probation;	\$0	\$250	\$0
M094969	San Diego	HALLOR, RICK	Uninsured Employer	Sentence not Documented	\$0	\$300	\$0
AEQ275	San Diego	JACOBO, JOSE GUILLERMO	Premium Fraud	12 month(s) probation; ECF joint w/codef	\$0	\$6,653	\$300
M095312	San Diego	JONES, DOUGLAS S	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
AEE189	San Diego	KHANBEKYAN, JOHN	Multiple Entities Provider Fraud	4 day(s) jail; 24 month(s) prison; 36 month(s) probation; 300 hour(s) community	\$0	\$0	\$50,300

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
				service; Def Sentenced 1/12/21			
AEE189	San Diego	KHANBEKYAN, ZAVEN	Multiple Entities Provider Fraud	4 day(s) jail; 24 month(s) prison; 36 month(s) probation; Def Sentenced 1/12/21	\$0	\$0	\$50,300
M095284	San Diego	KIM, HONG SOO	Uninsured Employer	Sentence not Documented	\$0	\$6,000	\$149
M095318	San Diego	KLUKAS, LESLIE A	Uninsured Employer	Sentence not Documented	\$0	\$0	\$149
AEP666	San Diego	KOLI, REZA	Premium Fraud	1 day(s) jail; 12 month(s) probation;	\$0	\$17,780	\$500
AES610	San Diego	LANA, SHELLY M	Premium Fraud	ECF joint w/codefs	\$0	\$0	\$0
M095291	San Diego	MACIAS, RAUL	Uninsured Employer	ECF joint w/coddef. Reduced @ sent 3/22/21	\$0	\$500	\$149

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M095283	San Diego	MANRIQUE, BENJAMIN	Uninsured Employer	12 month(s) probation;	\$0	\$1,000	\$0
C397391	San Diego	MANZO, DENNY	Uninsured Employer	reduced @ sent. 10/9/20	\$0	\$0	\$100
M095298	San Diego	MARIN, RAUL TORRES	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
16CR1409H	San Diego	MELAMED, HOOTAN	Multiple Entities Provider Fraud	6 month(s) prison; 36 month(s) probation; sent 3/29/21	\$0	\$0	\$0
AEQ274	San Diego	MONTES, OBDULIA R	Claimant Fraud	180 day(s) jail; 24 month(s) probation;	\$0	\$9,000	\$0
AEI162	San Diego	MOORE, SHANNON D	Multiple Entities Provider Fraud	ECF joint w/codefs	\$0	\$0	\$0
M095213	San Diego	MORALES, CESAR	Uninsured Employer	Sentence not Documented	\$0	\$0	\$149
C397388	San Diego	NAVARETTE, CARNLOS	Uninsured Employer	reduced @ sent 3/11/21	\$0	\$0	\$149

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
M095289	San Diego	OPLUSTIC, WESLEY R	Uninsured Employer	ECF joint w/codef. Reduced @ sent 1/5/21	\$0	\$0	\$149
AES860	San Diego	PABLO, NOE MADRIGAL	Premium Fraud	12 month(s) probation;	\$0	\$0	\$500
M095287	San Diego	PEACOCK, ROBERT A	Uninsured Employer	reduced @ sent 3/9/21	\$0	\$0	\$250
AEM038	San Diego	QUEZADA, JONATHAN	Claimant Fraud	Sentence not Documented	\$0	\$0	\$0
C397385	San Diego	RAMIREZ, JOSE A	Uninsured Employer	Sentence not Documented	\$0	\$0	\$149
M095304	San Diego	REFUERZO, JESSICA	Uninsured Employer	Sentence not Documented	\$0	\$0	\$149
AEP667	San Diego	ROJAS, RAUL	Claimant Fraud	12 month(s) probation;	\$0	\$15,170	\$0
AES926	San Diego	SALINAS, MICHAEL	Claimant Fraud	12 month(s) probation;	\$0	\$0	\$0
AES610	San Diego	SAVAGE, SILVINA ANDREA	Premium Fraud	ECF joint w/codefs	\$0	\$0	\$100

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
ADY535	San Diego	SCHAMES, ERIC	Multiple Entities Provider Fraud	24 month(s) probation;	\$0	\$0	\$50,000
M095289	San Diego	TERRY, BRIAN J	Uninsured Employer	ECF joint w/codef	\$0	\$0	\$149
AEI162	San Diego	TURLEY, PAUL	Multiple Entities Provider Fraud	ECF joint w/codefs	\$0	\$0	\$0
19012393	San Francisco	Betancur, Marta	Claimant Fraud	1 day(s) jail; 24 month(s) probation; 80 hour(s) community service;	\$0	\$0	\$0
2020-8653	San Joaquin	Burkhalter, Eugene	Claimant Fraud	6 month PIA	\$0	\$2,500	\$0
079-638700	San Luis Obispo	yeargan, Richard	Claimant Fraud	12 month(s) probation; Restitution hearing set 5/10/2021	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
17NF002261	San Mateo	Aguilera, Anthony / Comcast	Claimant Fraud	45 day(s) jail; 12 month(s) probation; The court reduced convictions to misdemeanors at sentencing on 1-29-2021 when Def provided cashiers check for full restitution to Liberty Mutual	\$0	\$20,000	\$235
NM406212A	San Mateo	Alonso-Aguirre, Guadencio	Uninsured Employer	12 month(s) probation;	\$0	\$1,000	\$235
19NF014562	San Mateo	Covarrubias, Florentino	Uninsured Employer	10 day(s) jail; 24 month(s) probation;	\$0	\$15,458	\$1,000
19NM003809	San Mateo	Gonzalez, Ricardo Romero	Uninsured Employer	12 month(s) probation; ordered to pay \$4,000 fine to CDI	\$0	\$0	\$4,000

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
21SF000975	San Mateo	Himsl, Alison Laree / RWC Fire Dept	Claimant Fraud	12 month(s) probation; 120 hour(s) community service; paid \$70,000 in Restitution to the City of Redwood City and dismissed WC case against the City	\$0	\$70,000	\$235
21SF000787	San Mateo	Lucas, Rufus / FedEx	Claimant Fraud	45 day(s) jail; 24 month(s) probation; ordered to pay \$313.50 Restitution to GEICO & 3,000 fine to CDI	\$0	\$313	\$3,000
19CR80049	Santa Barbara	Luna, Delia	Claimant Fraud	Sentence not Documented	\$0	\$13,576	\$0
19CR01175	Santa Barbara	Ortiz Flores, Margarito De Jesus	Claimant Fraud	Sentence not Documented	\$0	\$0	\$9,717



Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
C1888684	Santa Clara	Abad, Virgilio / Career Advancement Solutions	Multiple Entities Provider Fraud	1 day(s) jail; 12 month(s) probation;	\$0	\$216,940	\$315
C1918209	Santa Clara	All Seasons Roofing & Weatherproofing	Premium Fraud	24 month(s) probation;	\$0	\$0	\$315
C2000842	Santa Clara	Bhin, Harinder Singh / Banwait Trucking / Harjot Trucking	Premium Fraud	1 day(s) jail; 12 month(s) probation;	\$0	\$0	\$315
C1916561	Santa Clara	Chavez, Alex Javierabadia	Uninsured Employer	1 day(s) jail; 24 month(s) probation;	\$0	\$0	\$315
C1893388	Santa Clara	Couttolenc, Enrique / E C Construction	Uninsured Employer	1 day(s) jail; 24 month(s) probation;	\$0	\$0	\$315
C1914180	Santa Clara	Cruz, Victoria / Security Code 3	Premium Fraud	Sentence not Documented	\$0	\$0	\$0
C2010222	Santa Clara	Cruz, Victoria Lorraine / Atlas Private Security	Premium Fraud	Sentence not Documented	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
C2001223	Santa Clara	GomezPerez, Victor	Uninsured Employer	30 day(s) jail; 12 month(s) probation;	\$0	\$0	\$315
C1888833	Santa Clara	Kadesh, Maoz Yaakovy / America's Most Reliable Movers	Premium Fraud	1 day(s) jail;	\$0	\$0	\$165
C1921512	Santa Clara	Lugo, Ricardo Frank / R&M Concrete Services, LLC	Uninsured Employer	1 day(s) jail; 24 month(s) probation;	\$0	\$0	\$315
C1911218	Santa Clara	Martinez, Gerardo Robles	Uninsured Employer	15 day(s) jail; 36 month(s) probation;	\$0	\$0	\$315
C1910004	Santa Clara	Ninffert, Rafael Gameros / Ruff''''''s Enterprises	Premium Fraud	120 day(s) jail; 12 month(s) probation;	\$0	\$293,476	\$315
C1923535	Santa Clara	Pham, Duoc Phu / Professional Landscaping Construction	Uninsured Employer	1 day(s) jail; 12 month(s) probation;	\$0	\$0	\$315

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
C1910048	Santa Clara	Phan, Tony / H2O Deli, Inc.	Premium Fraud	45 day(s) jail;	\$0	\$0	\$315
C2103752	Santa Clara	Szeto, Man Tat / MT Szeto Construction Co.	Premium Fraud	270 day(s) jail; 60 month(s) probation;	\$0	\$86,652	\$0
C1888684	Santa Clara	Tapper, Ronda / Career Advancement Solutions	Multiple Entities Provider Fraud	1 day(s) jail; 12 month(s) probation;	\$0	\$0	\$0
19CR06417	Santa Cruz	ROBERTS, JEREMY	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$450
FCR336969	Solano	Casson, Paul Gerrard / Casson and Sons Carpet Care	Uninsured Employer	1 day(s) jail; 100 hour(s) community service; Deferred Entry of Judgement plea with terms of 100 CSW and to comply with Workers" Compensation terms for 6 months from agreed plea.	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
FCR336970	Solano	Casson, Tiffany Anne / Casson and Son Carpet Care	Uninsured Employer	1 day(s) jail; 100 hour(s) community service; Deferred Entry of Judgement plea with terms of 100 CSW and to comply with Workers" Compensation terms for 6 months from agreed plea.	\$0	\$0	\$0
FCR349422	Solano	Morales-Sanchez, Juvenito	Uninsured Employer	1 day(s) jail; 100 hour(s) community service; Deferred Entry of Judgement plea with terms of 100 CSW, not to contract without a license, and Workers" Compensation	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
				terms for 12 months from date of plea.			
953754	Sonoma	DeSantos, Gabriel	Claimant Fraud	240 day(s) jail; 36 month(s) probation;	\$0	\$0	\$0
993675	Sonoma	Robleto, Rogelio	Claimant Fraud	60 day(s) jail; 12 month(s) probation;	\$0	\$4,500	\$0
BI20-0607	Tehama	Dolton, Jeremiah	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$0
BI20-0336	Tehama	Eastland, James Troy	Uninsured Employer	18 month(s) probation;	\$0	\$150	\$500
BI20-0179	Tehama	Lince, Cristobal Salomon	Uninsured Employer	Sentence not Documented	\$0	\$0	\$835
BI16--0392	Tehama	Moyer, Maureen Marie / Tehama County Association of Realtors	Claimant Fraud	12 month(s) probation;	\$0	\$0	\$0
BI20-0608	Tehama	Owens, Kenneth John	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
BI20-0258	Tehama	Torres, Ramon Alvarado	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$10,000
BI20-0301	Tehama	Tuttle, Scott Alan	Uninsured Employer	Sentence not Documented	\$0	\$0	\$0
VCF391034	Tulare	APODACA, SANTOS	Claimant Fraud	36 month(s) probation; Dismissed PC550(b)(3)	\$0	\$4,129	\$400
PCM389373	Tulare	ARMAS, VICTOR FARIAS	Uninsured Employer	12 month(s) probation; Dismissed LC3700.5	\$0	\$0	\$1,000
VCM396166	Tulare	DAVENPORT, LUCAS WAYNE	Uninsured Employer	36 month(s) probation; Dismissed LC3700.5 BP7027.1(a) BP7159.59(a)	\$0	\$0	\$1,000
VCM388835	Tulare	DEMACABALIN, CLARK MANUEL	Uninsured Employer	36 month(s) probation;	\$0	\$0	\$5,000
VCF381025	Tulare	FERNANDEZ, ELBIA	Multiple Entities	12 month(s) probation; Reduced to	\$0	\$3,000	\$0

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
			Provider Fraud	Misdemeanor Dismissed Count 2			
VCM329738	Tulare	JACKSON, RICHARD	Claimant Fraud	12 month(s) probation; Dismissed PC550(a)(1) Reduced to Misd.	\$0	\$70,000	\$274
VCM395667	Tulare	LEGARDA, JOHAN	Uninsured Employer	36 month(s) probation; Dismissed BP7027.1(a) LC3700.5	\$0	\$0	\$1,000
VCM395662	Tulare	MARTINEZ, ELIZABETH YANIRA	Uninsured Employer	36 month(s) probation; Dismissed LC3700.5 BP7027.1(a)	\$0	\$0	\$1,000
PCM389367	Tulare	NAGI, NASSIM	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$1,235
VCM377980B	Tulare	NATT, BALBIR	Premium Fraud	12 month(s) probation; Reduced to Misd.	\$0	\$7,677	\$235

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
VCM396167	Tulare	PEREZ, ELIEZER MAZARIEGOS	Uninsured Employer	36 month(s) probation; Dismissed BP7027.1(a) LC3700.5	\$0	\$0	\$1,000
VCF360622	Tulare	PUGH, ROMY	Claimant Fraud	12 month(s) probation; Dismissed IC1871.4 Reduced to Misd.	\$0	\$5,000	\$0
VCM395669	Tulare	RAYA, CLAUDIO R	Claimant Fraud	36 month(s) probation; Dismissed LC3700.5 BP7027.1	\$0	\$0	\$1,000
VCM394908	Tulare	SERRINS, JASON	Uninsured Employer	24 month(s) probation;	\$0	\$0	\$500
VCM397216	Tulare	SUSARREY, CARLOS	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$0
2019022286	Ventura	Alonso, Ruben	Uninsured Employer	36 month(s) probation; \$10,000 fine with \$9,000 stayed	\$0	\$0	\$10,000



Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
				pending successful completion of probation.			
2014007059	Ventura	Arias, Jose	Claimant Fraud	90 day(s) jail; 24 month(s) probation;	\$0	\$5,000	\$935
2014036597	Ventura	Burgmeier, David	Premium Fraud	180 day(s) jail; 24 month(s) probation;	\$0	\$215,785	\$3,548
2019034065	Ventura	Delatorres, Maria	Claimant Fraud	90 day(s) jail; 12 month(s) probation;	\$0	\$6,649	\$255
2019028666	Ventura	Lieber, Perry	Claimant Fraud	90 day(s) jail; 24 month(s) probation; Agreed to liquidation of 186.11 frozen assets immediately in amount of \$130,000; additional liquidation and increased restitution	\$450,000	\$198,025	\$30,000

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
				award was granted at a restitution hearing			
2019010848	Ventura	Ordonez, Sergio	Claimant Fraud	120 day(s) jail; 24 month(s) probation; \$26,597.30 in restitution was paid upfront.	\$0	\$0	\$1,530
2020000323	Ventura	Unified Natural Products	Uninsured Employer	36 month(s) probation; \$10,000 fine + fees & assessments	\$0	\$0	\$10,000
2018040563	Ventura	Velasquez, Jose	Premium Fraud	12 month(s) probation; Court reduced to a misdemeanor	\$0	\$30,483	\$425
2019027819	Ventura	Wood, James	Claimant Fraud	12 month(s) probation; Court reduced at sentencing	\$0	\$151,981	\$675

Enforcement Branch

CASE NUMBER	COUNTY	SUBJECT NAME	ROLE	SENTENCE	ASSETS FROZEN	RESTITUTION	CRIMINAL FINE
262094	Yolo	Arp, James	Claimant Fraud	36 month(s) probation; 50 hour(s) community service;	\$0	\$0	\$2,720
275842	Yolo	Gomez, Brooke Kathleen	Claimant Fraud	12 month(s) probation;	\$0	\$6,000	\$480
275568	Yolo	Hernandez, Victor / Vickerz Construction	Uninsured Employer	12 month(s) probation; 100 hour(s) community service;	\$0	\$0	\$41,000
269313	Yolo	Kelley Jr., Michael	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$41,000
274852	Yolo	Ramirez, Ruben Gonzalez	Uninsured Employer	12 month(s) probation;	\$0	\$23,010	\$0
263097	Yolo	Schmidt, Justin	Uninsured Employer	12 month(s) probation;	\$0	\$0	\$41,000

2021 ANNUAL REPORT

**ENTERPRISE PLANNING, RISK, *and*  
COMPLIANCE**

## **Enterprise Planning, Risk, and Compliance**

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

### **INFORMATION SECURITY OFFICE**

The Information Security Office (ISO) protects the California Department of Insurance's (CDI) information assets from unauthorized disclosure, destruction, or modification. ISO is also responsible for identifying and managing data vulnerabilities, threats, and incidents impacting CDI's information resources.

ISO develops and maintains information security policies, standards, and general guidelines that raise user awareness of the potential risks associated with information and information technology. Employee awareness through dissemination of the policies, procedures, and standards helps reduce the likelihood and thus minimize the cost of security incidents, accelerates the development/deployment of new IT systems, and assures the consistent implementation of controls for information systems throughout the organization.

### **OFFICE OF STRATEGIC PLANNING**

The Office of Strategic Planning (OSP) is responsible for all elements of strategic planning, including developing and implementing CDI's Strategic Plan and initiatives to support the CDI's vision, mission, values, and goals. The OSP also develops CDI's Workforce and Succession Plan and manages the implementation of targeted department-wide and program-level workforce planning and succession planning strategies. The OSP is also responsible for organizational performance management, including survey and data collection, analysis, and the identification, development, and implementation of methodologies that measure progress toward program, department-wide, and mission-critical objectives. The OSP develops reports such as the Annual Report of the Insurance Commissioner and participates in special projects as needed.

### **INTERNAL AUDITS UNIT**

The Internal Audits Unit is responsible for providing CDI's management with independent and objective assurance and consulting services. Internal Audits assists CDI in improving the effectiveness and efficiency of CDI's operations by monitoring internal controls and ensuring compliance with applicable laws and regulations.

Additional responsibilities include whistleblower investigations and coordination of external audits.

### **RISK AND COMPLIANCE UNIT**

The Risk and Compliance (RAC) Unit is responsible for designing, implementing, and maintaining CDI's Enterprise Risk Management structure. RAC develops plans and alternatives for increasing the ongoing efficiency and effectiveness of departmental internal controls as outlined in the State Leadership Accountability Act. Additional responsibilities include compliance with incompatible activities requirements, ethics training, and risk management education.

2021 ANNUAL REPORT  
**FINANCIAL SURVEILLANCE BRANCH**

## Financial Surveillance Branch

Financial Surveillance Branch's (FSB) mission is to assure that all insurers licensed that do business in California (as well as those insurers operating on a non-admitted or surplus line 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 is comprised of the following offices:

- Financial Analysis Division
- Field Examination Division
- Life Actuarial Office
- Property & Casualty Actuarial Office
- Office of Principle-Based Reserving

### Participation with the National Association of Insurance Commissioners

California Insurance Commissioner Ricardo Lara (Commissioner) 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 to provide consistent, uniform, and timely regulation of insurers' financial condition and market conduct. The financial regulation system is risk-based to provide regulatory assets where they are most needed. As part of California's 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 CDI is subject to annual off-site 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 ongoing, risk-focused financial surveillance of California licensed entities (including property and casualty insurers, life & disability insurers, title insurers, fraternal benefit societies, grant and annuity societies, underwritten title companies, home protection companies, motor clubs, and multiple-employer welfare arrangements); and identifies those that may be trending toward hazardous financial condition; and intervenes with preventive and corrective measures, when appropriate. The workload performed by FAD is distributed among three bureaus.

Once a company is identified as financially troubled, FAD makes recommendations to the Early Warning Team (EWT) which includes the FSB Deputy Commissioner, the FAD



Division Chief, the FED Division Chief, and the General Counsel (and/or designee). The EWT has the ultimate responsibility of overseeing the entities determined to be in financial difficulty or under financial distress. All formal regulatory actions require the sign-off by the FSB Deputy Commissioner, the General Counsel, and the Commissioner.

Furthermore, FAD reviews the financial aspects of corporate applications requiring the Commissioner’s prior approval and provides financial recommendations to the Legal Branch, Corporate Affairs Bureaus. Such corporate applications include, but not limited to, certificates of authority, amended certificates of authority, securities permits, variable contract qualifications, underwritten title company licenses, acquisitions, mergers, and other holding company transactions.

FAD also works with other Branches and divisions to develop guidelines and legislative proposals to strengthen insurance solvency regulation. Moreover, FAD provides financial and technical assistance to other branches and divisions relative to the financial oversight of reinsurance practices, surplus line insurers, Lloyd’s of London, captive insurers, and risk retention groups.

Various types of financial reviews performed by FAD in 2021 are presented as follows:

**FINANCIAL ANALYSIS PERFORMED  
CALENDAR YEAR 2021**

<b>TYPE</b>	<b>NUMBER OF ANNUAL STATEMENTS</b>	<b>NUMBER OF QUARTERLY STATEMENTS</b>
Life and Property & Casualty	564	916
Other Entities	586	94

**CORPORATE AFFAIRS APPLICATIONS REVIEWED  
CALENDAR YEAR 2021**

<b>TYPE</b>	<b>NUMBER OF APPLICATIONS</b>
Certificate of Authority	29
Holding Company Matters	302
All Others	238

**FIELD EXAMINATIONS DIVISION**

Under the provisions of Sections 730, 733, 734.1, and 736 of the California Insurance Code (CIC), 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 FED’s responsibility to determine the financial condition of insurance companies in accordance with CIC, 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 2021 are presented as follows:

**FED INITIATED EXAMINATIONS  
CALENDAR YEAR 2021**

<b>TYPE</b>	<b>INITIATED</b>	<b>COMPLETED</b>
Domestic Companies	25	24
Underwritten Title Companies	4	10
Foreign Companies	2	1
Qualifying Exams	6	6
Statutory Exams	2	1
<b>Total</b>	<b>39</b>	<b>42</b>

**PREMIUM TAX AUDIT BUREAU**

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

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

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

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

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

**FED-PREMIUM TAX AUDIT UNIT INITIATED EXAMINATIONS  
CALENDAR YEAR 2021**

TYPE	INITIATED	COMPLETED
Domestic Companies	2	4
Foreign Companies	15	13
Surplus Line Brokers	7	3
<b>Total</b>	24	20

**TAXES LEVIED AND COLLECTED  
FISCAL YEAR 2020-21**

TYPE	AMOUNT COLLECTED
Insurance premium taxes, Ocean Marine taxes, and Retaliatory taxes	\$2,772,808,919
Premium tax refunds	\$42,117,192

TYPE	AMOUNT COLLECTED
Surplus line taxes	\$369,325,455
Surplus line taxes refunds	\$935,865

### LIFE ACTUARIAL OFFICE

The Life Actuarial Office (LAO) provides technical assistance within FSB. The LAO monitors reserves established by life and health insurance companies; drafts new legislation, regulations, and bulletins regarding actuarial matters; reviews selected portions of life insurance and annuity policy forms; and ensures compliance regarding Appointed Actuary changes, long-term care loss ratios, and illustration certifications. The LAO also provides technical assistance to FSB in its work with the NAIC.

### PROPERTY & CASUALTY ACTUARIAL OFFICE

Like the LAO, the Property & Casualty Actuarial Office (PCAO) provides technical assistance within FSB. The PCAO provides reserve analysis on financial examinations and provides technical assistance to FSB on projects and the work of FSB with the NAIC.

Listed below are workload statistics of the LAO and PCAO for the year 2021:

#### LAO AND PCAO WORKLOAD STATISTICS CALENDAR YEAR 2021

ACTUARIAL REVIEWS	NUMBER REVIEWED
Actuarial Memorandum for Statement Reserves	124
Regulatory Asset Adequacy Issues Summaries	416
Illustration Certifications	239
Life Insurance and Annuity Policy and Rider Submissions	694
Grant and Annuity Submissions	8
Disability Income Rate Filings	30

ACTUARIAL REVIEWS	NUMBER REVIEWED
Long Term Care Rate Filings	94
Credit Insurance Rate Deviation Filings	9
Schedule P Loss Review Compilations	200
Assisted FED on Financial Examinations	27

### OFFICE OF PRINCIPLE-BASED RESERVING

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

PBR has introduced increased complexity into reserve calculations and has increased flexibility on the part of each company in the selection of reserving systems, models, methodologies, and assumptions. PBR became effective in 2017, although there was a three-year transition period whereby companies were allowed to defer implementation of PBR for one, two, or three years at their option. For the first valuation date of 12/31/2017, there were 20 companies that performed PBR. By the end of the transition period in 2021, around 170 companies were performing PBR. Some of these companies are reviewed by other states or by the NAIC, but the vast majority of PBR reviews (around 125 of them) are performed by OPBR, over 90 of those in a primary reviewer capacity and the rest as a secondary reviewer.

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

2021 ANNUAL REPORT  
**LEGAL BRANCH**

## Legal Branch

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

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

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

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

### **AUTO ENFORCEMENT BUREAU**

The Auto Enforcement Bureau (AEB) litigates enforcement actions against insurance companies and 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.

AEB is also responsible for Vehicle Service Contracts (VSC), including the review of contracts and forms, and evaluation of VSC Provider license applications, and related license disciplinary matters.

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

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

**AUTO ENFORCEMENT BUREAU STATISTICS  
CALENDAR YEAR 2021**

MATTER TYPE	MATTERS OPENED	MATTERS CLOSED
Disciplinary	254	231
Vehicle Service Contract	966	977
Unfair Practices Act	0	0
Legal Opinion	0	0
Regulation	0	0
Cease & Desist	2	3
Litigation/Defense	0	5
Legislation (bill analysis)	2	3
Miscellaneous	1	0
Human Resources	0	0
Order to Show Cause	0	3
Public Records Act Request	0	0
Oversight	14	13
<b>Total</b>	<b>1,239</b>	<b>1,235</b>



**CORPORATE AFFAIRS BUREAU I**

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

**CORPORATE AFFAIRS BUREAU II**

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

**CORPORATE AFFAIRS BUREAUS STATISTICS  
CALENDAR YEAR 2021**

<b>TYPE</b>	<b>BEGIN # ASSIGNED CASES</b>	<b>ASSIGNED</b>	<b>CLOSED</b>	<b>END # ASSIGNED CASES</b>
Accredited Reinsurer	0	4	3	1
Accredited Reinsurer Renewal	8	29	36	1
Advisory Organization License	1	2	1	2
Amended Deed of Trust	0	0	0	0
C/A Amend-Add Line	10	14	14	10
C/A Amend-Delete Line	1	3	3	1

Legal Branch

TYPE	BEGIN # ASSIGNED CASES	ASSIGNED	CLOSED	END # ASSIGNED CASES
C/A Amend-Domestic Change 709.5	1	2	2	1
C/A Amend-Name	4	22	15	11
C/A Amend-Non-Domestic Re-domicile	4	6	8	2
Certificate of Authority	11	25	27	9
Certificate of Authority Status - 700C	4	7	2	9
Certified Reinsurer	1	6	6	1
Certified Reinsurer Renewal	10	17	23	4
Custodian Qualification	0	0	0	0
Custody Agreement	0	2	2	0
Exemption – Certificate of	0	0	0	0
Failure to Make Required Filing	0	0	0	0
Grants/Annuities - C/A	4	4	4	4
Grants/Annuities-Amended C/A	3	3	4	2
HC Disclaimer of Affiliation .4l	8	44	12	40
HC Exempt - Comm. Domiciled Status .14b	0	1	1	0
HC Exempt – Form A .2g	2	9	10	1
HC Extraordinary Dividend .5g	3	11	13	1

Legal Branch

TYPE	BEGIN # ASSIGNED CASES	ASSIGNED	CLOSED	END # ASSIGNED CASES
HC Investments .5b7	0	0	0	0
HC Guarantees .5b5	0	0	0	0
HC Mgt. Serv./Cost Share Agmt .5b4	29	139	136	32
HC Misc.	0	2	0	2
HC Reinsurance .5b3	19	35	43	11
HC Sales Purchases Loans .5b1	7	6	12	1
Holding Companies Acquisition	12	12	18	6
Home Protection	0	2	2	0
Letter of Credit	2	3	5	0
Life Settlement Provider	2	1	3	0
Merger	1	10	9	2
Miscellaneous	12	19	21	10
Motor Club License	0	0	0	0
Motor Club Service Contract	23	38	55	6
Name Approval Reservation	25	113	120	18
Organizational Permit	2	2	3	1
Purchasing Alliance Registration	0	0	0	0
Reciprocal Reinsurer	0	7	2	5

Legal Branch

TYPE	BEGIN # ASSIGNED CASES	ASSIGNED	CLOSED	END # ASSIGNED CASES
Rein/Sale- Purchase/Transfer- Assumption	6	14	15	5
Risk Purchasing Group	2	9	6	5
Risk Purchasing Group Renewal	37	306	304	39
Risk Retention Group	2	16	15	3
Risk Retention Group Renewal	50	144	132	62
S810	0	0	0	0
Stock Permit	0	2	1	1
Stock Permit – Amend	1	0	0	1
Surplus Line Filing	6	9	6	9
US Trust	0	0	0	0
US Trust Amendment	0	0	0	0
US Trust Renewal	8	16	18	6
UTC-Amend License	2	5	4	3
UTC-License	1	6	5	2
UTC-Organizational Permit	4	5	6	3
UTC-Permit	0	0	0	0
UTC-Transfer of Shares	1	8	6	3
Variable Annuity	1	1	1	1
Variable Annuity – Amend	32	79	92	19
Variable Life	0	0	0	0

TYPE	BEGIN # ASSIGNED CASES	ASSIGNED	CLOSED	END # ASSIGNED CASES
Variable Life – Amend	14	52	55	11
WC Deposit Agreement	4	23	27	0
Withdrawal	2	12	12	2
<b>Total</b>	<b>382</b>	<b>1,307</b>	<b>1,320</b>	<b>369</b>

## ENFORCEMENT BUREAU OAKLAND

The Enforcement Bureau-Oakland (EB-OAK) litigates enforcement actions against insurance companies, insurance producers and other licensees. EB-OAK protects policyholders, prospective policyholders, consumers, and the California insurance marketplace by ensuring that insurance producers, other licensees, and insurers comply with the Insurance Code and other laws and regulations that apply to the business of insurance. EB-OAK specializes in complex cases referred by the Department’s Investigation Division, including cases involving annuities. EB-OAK prosecutes cease and desist orders against unlicensed insurance producers and against organizations that are illegally operating as insurance companies. EB-OAK brings administrative actions to enforce Insurance Code provisions regarding unfair insurance practices. EB-OAK advises the Insurance Commissioner as to matters involving the California FAIR Plan and the California Automobile Assigned Risk Plan.

In addition to its core enforcement functions, EB-OAK provides legal opinions to the Insurance Commissioner and to the various divisions of the Department; provides support for investigations of producers and examinations of insurers; assists with the development of regulations; analyzes legislation; and represents the Department in adverse action matters involving employees as needed.

### Enforcement Bureau Oakland Statistics

- During the year, 323 cases were received and action was completed on 325
- In 2021, EB-OAK concluded 25 administrative hearings
- Monetary penalties, cost reimbursement, and restitution assessed through negotiated settlements and/or hearings amounted to \$3,293,333

**ENFORCEMENT BUREAU OAKLAND STATISTICS  
CALENDAR YEAR 2021**

<b>RESOLUTION OF ENFORCEMENT CASES</b>	<b>MATTERS CLOSED</b>
Order of Revocation	25
Order of Revocation/Issuance of Restricted License	9
Order of Revocation/Issuance of Restricted License with fines	4
Order of Denial	10
Order of Denial/Issuance of Restricted License	36
Order of Denial/Issuance of Restricted License with fines	2
Order of Suspension	3
Order for Monetary Penalty and/or Reimbursement	14
Order for Monetary Penalty in lieu of Suspension	1
Order of Dismissal	2
Cease and Desist	2
Order Removing Restrictions Granted	9
Order Removing Restrictions Denied	1
Rewritten Decision	4
Miscellaneous	11
No Disciplinary Action Warranted	38
Warning Letter	17
Lapsed License	2
Surrender License	4
License Application Granted	5
License Application Withdrawn	14

**ENFORCEMENT BUREAU SACRAMENTO**

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

**Enforcement Bureau Sacramento Statistics**

- During the 2021 year, 1,280 cases were received and action was completed on 1,209.
- In 2021, EB-SAC concluded 67 administrative hearings.
- Monetary penalties, cost reimbursement, and restitution assessed through negotiated settlements and/or hearings amounted to over \$1,800,435.63.

**ENFORCEMENT BUREAU SACRAMENTO STATISTICS  
CALENDAR YEAR 2021**

<b>RESOLUTION OF ENFORCEMENT CASES</b>	<b>MATTERS CLOSED</b>
Order of Revocation	113
Order of Revocation / Issuance of Restricted License	17
Order of Revocation / Issuance of Restricted License with fines	11
Order of Denial	168
Order of Denial / Issuance of Restricted License	243
Order of Denial / Issuance of Restricted License with fines	46
Order of Suspension	3
Order of Dismissal	6
Cease and Desist	2

<b>RESOLUTION OF ENFORCEMENT CASES</b>	<b>MATTERS CLOSED</b>
Order for Monetary Penalty and/or Reimbursement	27
Order Removing Restrictions Granted	166
Miscellaneous Orders	2
Warning	27
Voluntary Withdrawal of Application	23
No Disciplinary Action Warranted	38
No AR Action/Referred for Disciplinary Proceeding	207
Order Granting 1033 Consent	30
Order Denying 1033 Consent	9
Barred from Licensure/Exam	13

## **FRAUD LIAISON BUREAU**

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

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

### **Qui Tam Cases**

FLB handles numerous civil cases, often filed by private party whistleblowers alleging violations of the Insurance Frauds Prevention Act (IFPA). These cases brought by private party whistleblowers are referred to as “qui tam cases”. Qui tam cases are complex civil actions. Civil qui tam complaints brought by private parties must be served on the Commissioner. The cases cover a large range of alleged unlawful conduct



including kickbacks in the sales and promotion of pharmaceuticals, misleading billing practices by hospitals, fraud by medical clinics, and the unlawful promotion and sale of medical devices. The Commissioner may intervene in these cases. These cases can involve large companies that have been accused of engaging in false and misleading practices.

On December 31, 2021, there were 269 active qui tam cases pending.

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

**FRAUD LIAISON BUREAU WORKFLOW  
CALENDAR YEAR 2021**

TYPE	MATTERS OPENED	MATTERS CLOSED	PENDING AT YEAR-END
Qui Tam Litigation	42	26	233
Qui Tam Investigative Hearing	11	2	36
Non-Qui Tam Civil Litigation	0	0	0
<b>Total</b>	<b>53</b>	<b>28</b>	<b>269</b>

**GOVERNMENT LAW BUREAU**

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

**GOVERNMENT LAW BUREAU STATISTICS  
CALENDAR YEAR 2021**

<b>NAME</b>	<b>ASSIGNED</b>	<b>CLOSED</b>
Litigation – Defense/Other	2	0
Public Records Act Request	869	866
Subpoena	121	108
Substituted Service of Process	27	27
Legislation Analyses/Proposals	102	102
Regulation	3	3
<b>Total</b>	<b>1,124</b>	<b>1,106</b>

**POLICY APPROVAL BUREAU**

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

**POLICY APPROVAL BUREAU STATISTICS  
CALENDAR YEAR 2021**

<b>PRODUCT</b>	<b>RECEIVED</b>	<b>CLOSED</b>
Group Non-Health Disability and Group Life	157	164
Supplemental Life Insurance	189	224
Variable Contracts	212	187
Unclassified	103	99
Individual Non-Health Disability	38	54
Individual and Group Credit Insurance	3	3
Long Term Care Insurance	91	104
<b>Total</b>	<b>793</b>	<b>835</b>

## **HEALTH POLICY APPROVAL BUREAU**

The Health Policy Approval Bureau (HPAB) reviews health insurance and health disability insurance products, such as individual, small group, and large group major medical; specialized health; Medicare Supplement; student blanket health; and health-related stop-loss, for compliance with California law and regulations. HPAB advises Department personnel and others, regarding statutes and regulations pertaining to health insurance. HPAB assists with the development of regulations relating to health insurance law, advertising, and administration. Further, HPAB provides Department enforcement staff with expert advice and technical guidance to assist with regulatory actions and examinations of insurance companies.

HPAB reviews health insurer network adequacy reporting, to confirm that insurers provide consumers with timely access to health services, and enforce prescription drug laws, to ensure that prescription drug formularies do not include benefit designs that discriminate based on health condition, disability, and other protected characteristics. In 2021, HPAB continued its partnership with the Department of Clinical Pharmacy at the University of California, San Francisco, which reviewed formularies for clinically appropriate drug coverage.

**HEALTH POLICY APPROVAL BUREAU STATISTICS  
CALENDAR YEAR 2021**

<b>PRODUCT FILINGS</b>	<b>RECEIVED</b>	<b>CLOSED</b>
Individual and Group Health Insurance	83	78
Dental Insurance	47	48
Vision Insurance	28	30
Network Adequacy Reporting	138	122
Student Blanket Health Insurance	40	42
Medicare Supplement Insurance	58	70
Medicare Supplement Advertisements	207	204
Health-Related Stop-Loss Insurance	26	27
Other Health Insurance Filings and Reporting	496	513
<b>Total</b>	<b>1,123</b>	<b>1,134</b>

**RATE ENFORCEMENT BUREAU**

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

**RATE ENFORCEMENT BUREAU STATISTICS  
CALENDAR YEAR 2021**

MAJOR ACTIVITIES	MATTERS
<b>Prior Approval (and COVID-19 Rate Challenges):</b>	
Petitions for Hearing Received	7
Petitions for Hearing Granted	0
Petitions for Hearing Denied	3
Notices of Hearing Issued	0
Petitions for Hearing Resolved Without Hearing	6
Petitions for Hearing Resolved Following Hearing	0
Matters Based on Petitions for Hearing Pending at Year End	12
<b>Regulations:</b>	
Regulation Matters Opened	1
Regulations Approved	2
Regulations Pending	5
<b>Enforcement Matters and Primary Jurisdiction Referrals:</b>	
Enforcement Matters Opened	4
Enforcement Matters Closed	2
Enforcement Matters Pending	8
<b>Civil Litigation and Appeals:</b>	
Matters Opened	2
Amicus Brief Filed	0
Matters Closed	0
Matters Pending	5

2021 ANNUAL REPORT  
**OFFICE *of* CIVIL RIGHTS**

## Office of Civil Rights

The Office of Civil Rights (OCR) is responsible for developing policies and procedures that ensure compliance with Title VII of the Civil Rights Act of 1964, ensuring that all managers, supervisors, and employees promote a workplace environment free of discrimination, harassment, and retaliation, administering the Disability Programs and the California Department of Insurance's (CDI) discrimination complaint programs, and providing consultative services to Executive Management. OCR is also responsible for providing training related to policies and procedures issued.

In 2021, with the continuation of the COVID-19 stay-at-home orders issued by the Governor, OCR took the Sexual Harassment Prevention training virtual so CDI could maintain compliance with all state and federal laws relating to Civil Rights and Equal Employment Opportunity.

In 2021, the Department continued the Equal Employment Opportunity & OCR services and complaint processes in a virtual manner, ensuring CDI staff would always have access while maximizing teleworking opportunities in accordance with the continued Governor's stay-at-home orders.

In 2021, OCR continued the statutorily mandated Disability Advisory Committee virtually to continue to meet with and advise the Commissioner, managers, and supervisors on disability-related matters and to help identify any systemic access issues for employees or applicants with disabilities.

By the end of 2021, the Department's staff was fully compliant with the Sexual Harassment training requirements as mandated by AB 1825 and SB 1343. The requirements state that all employees must have completed their mandatory Sexual Harassment Prevention training by January 1, 2022, which requires one-hour training for staff and two-hour training for managers and supervisors, and Discrimination Prevention training requirements as mandated by both state and federal law.

2021 ANNUAL REPORT  
**OFFICE *of the* SPECIAL COUNSEL**



## Office of the Special Counsel

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

### **COMMISSIONER INITIATIVES – COVID-19 PREMIUM REFUNDS**

In 2021, Californians continued to grapple with the ongoing impacts of the COVID-19 pandemic. Following the successful return of more than \$2.4 billion in paid premiums to consumers to date, Commissioner Lara further investigated whether insurance companies were charging consumers appropriate premium amounts. Following a systematic review of data submitted by insurance companies - the only such review in the country - Commissioner Lara determined that insurance companies continued to overcharge consumers despite a drastically reduced risk of accidents and loss due to changes in driving behavior and other changes in risk as a result of the ongoing pandemic.

In March of 2021, Commissioner Lara took action by issuing a bulletin that ordered insurance companies to report how they would return additional premiums back to California policyholders. The Commissioner also directed commercial insurance companies to provide data about commercial policies held by California businesses.

Further analysis of data the Department received directly from auto insurance companies focused upon three auto insurance companies with significant market share that had the greatest gap between what they initially refunded drivers, and what they should have refunded, to provide proper premium relief to their policyholders since the start of the COVID-19 pandemic. In October and November of 2021, Commissioner Lara directed these three auto insurance companies to provide additional information about the excess premiums the insurers charged from the start of the pandemic. Insurer responses were due in mid-December and are under review.

### **RULEMAKING PROCEEDINGS (REGULATIONS)**

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

In 2021, the Department managed 32 rulemaking projects, reviewed and evaluated other potential rulemaking projects, and filed 9 rulemaking projects with OAL.

## **Public Meetings of Contemplated Regulations and Completed Rulemaking Examples**

### Gender Neutral Pronoun Usage

To support the statewide coordinated effort to revise existing regulations with inclusive language, and in the spirit of Assembly Concurrent Resolution No. 260 (2018), the Department removed gendered pronouns from Title 10, Chapter 5 of the California Code of Regulations where it was possible to do so without substantive change.

### Eyewitness Identification Procedures Rulemaking

In 2021, the Department completed a rulemaking that established procedural requirements for Department personnel conducting eyewitness identification procedures, as authorized by the provisions of Penal Code section 857.9(a). The authorizing statute was added by Senate Bill 923 (Wiener) in 2017. Prior to the effective date of SB 923, the Department implemented policies to comply with the mandates of the bill. By adopting the requirements of SB 923, the Department is furthering the intent of this law to ensure more accurate eyewitness identifications and thereby enhance the administration of justice.

Although the Department is not aware of any instances of mistaken eyewitness identification in its investigations, these regulations improve the reliability of eyewitness identifications conducted by Department personnel by adopting best practices for eyewitness identification procedures. The regulations reduce the possibility of wrongful conviction arising from mistaken eyewitness identification. Moreover, by reducing the likelihood of wrongful conviction, the regulations promote public safety by reducing the chance that a perpetrator will remain undetected and potentially able to harm others.

### Virtual Prenotice Public Discussions of the Contemplated Mitigation in Rating Plans and Wildfire Risk Models Rulemaking

On November 10, 2021, the Department conducted a prenotice public “workshop” for a contemplated rulemaking entitled: Mitigation in Rating Plans and Wildfire Risk Models. This contemplated regulation would promote consistent, science-based and systematic consideration of wildfire risk by insurers. The draft regulation would also require greater insurer transparency of the risk modeling techniques that insurers often employ. The transparency requirement would direct the insurance company to explain to insurance applicants and policyholders the assumptions the insurance company made when rating a given property with respect to wildfire risk. By requiring transparency in ratemaking, and requiring insurance companies to apply consistent, science-based risk rating criteria the proposed regulations help ensure that rates attributable to wildfire risk are not excessive, inadequate or unfairly discriminatory.

The proposed regulations are also designed to incentivize individual and community mitigation efforts by requiring insurers’ consideration of property and community-level mitigation against wildfire risk, and enhance consumer protection by establishing a consumer appeals process. Ultimately, if these regulations are adopted, the rules are expected to not only increase the safety of communities but also improve the availability and affordability of property-casualty insurance for communities and properties where wildfire mitigation measures have been implemented.

## **NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS (NAIC)**

The Office of Special Counsel coordinates the Department's interaction with the NAIC and the Department's participation in NAIC committees, task forces, and working groups. As the largest insurance market in the nation, California plays a significant role in helping shape model laws and regulatory policy. The Department's work with the NAIC involves active participation in national meetings and conference calls with regulators from other states. In 2021, California served as Chair, Vice Chair and/or Member on 84 out of the 126 NAIC Committees, Task Forces and Working Groups and monitored approximately 42 others. California served in a leadership capacity as Chair or Vice Chair on 11 Committees, Task Forces, and Working Groups. The OSC also directly supported the Deputy Commissioner for Climate and Sustainability along with the Commissioner in his roles as Chair of the Climate and Resiliency (EX) Task Force, Cannabis Insurance (C) Working Group, Chair of the Information Systems (EX 1) Task Force and Co Vice-Chair of Workstream Five of the Special (EX) Committee on Race and Insurance.

2021 ANNUAL REPORT  
**POLICY *and* LEGISLATION BRANCH**

## Policy and Legislation Branch

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

### LEGISLATIVE OFFICE

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

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

Under the leadership of Commissioner Lara, CDI sponsored fourteen (14) bills in 2021, eleven (11) of which were signed into law by Governor Gavin Newsom.

This was the second year that COVID-19 disrupted our way of life and normal operations. COVID-19 continued to alter business operations at CDI and shift how the State Legislature conducted its business this year, including whittling down hundreds of bills again that did not meet a myriad of legislative priorities needing to be addressed this year. Some bills, including CDI's sponsored bills, had to be merged with other bills in order to continue through the process. As a result, many bills did not move forward this past legislative session and died in various stages of the legislative deliberation process.

In addition to strongly advocating for CDI's 2021 sponsored bills, the Legislative Office closely monitored, provided technical assistance to, took positions on, and/or advocated for or against 613 bills this past legislative calendar. This included 230 bills that made it to Governor Newsom's desk, 210 of which were signed. The other 383 bills that the Legislative Office engaged on or tracked were introduced and amended throughout this year, yet did not make it through the legislative process and to the Governor's desk.

The following are the fourteen (14) CDI sponsored bills, eleven (11) of which became law:

1. **Senate Bill (SB) 262 authored by Senator Robert Hertzberg (D-San Fernando Valley) and Senator Nancy Skinner (D-Berkeley) on “Pretrial Justice Reform Act of 2021” – Two-year bill.** Would create a fairer pretrial justice system in California by establishing a statewide bail schedule and by ensuring people accused do not remain in custody simply because they cannot afford to pay bail and do not assume any costs of court-imposed release conditions. This bill would also require bail companies to refund the premiums they receive from defendants who are not charged, have their case dismissed, or make all of their required court appearances.
2. **SB 272 authored by Senator John Laird (D-Santa Cruz) on “Increase Inclusivity within the Insurance Code” – Signed into law as Chapter 133.** Increases inclusivity within California law by updating language within the Insurance Code licensing provisions to remove references to masculine and feminine pronouns (for example, “he” or “she”) with gender neutral language to ensure inclusion of nonbinary individuals.
3. **SB 280 authored by Senator Monique Limón (D-Santa Barbara) on “Expansion of Consumer Protections in Large Group Health Insurance and Basic Health Care Services” – Signed into law as Chapter 636.** Requires large group market health insurance policies to cover medically necessary basic health care services and codifies the federal Affordable Care Act’s prohibition on discriminatory large group health insurance benefit designs and marketing practices in the Insurance Code, thus helping ensure that Californians who are covered by large group health insurance are protected by the same law that applies to all other Affordable Care Act-compliant health coverage regulated by both CDI and the Department of Managed Health Care today.
4. **SB 283 authored by Senator Lena Gonzalez (D-Long Beach) on “Expansion of Consumer Protections in HIV Testing” – Signed into law as Chapter 134.** Strengthens the “Equal Insurance HIV Act” by clarifying how consumers would receive notification of positive HIV test results and ensuring consumers receive appropriate resources upon receipt of these test results.
5. **SB 334 authored by Senator María Elena Durazo (D-Los Angeles) on “Increase of Insurance Liability and Compliance by Private For-Profit Prisons and Detention Facilities” – Signed into law as Chapter 298.** Requires any insurance company providing insurance coverage to private for-profit prisons and detention facilities to be an admitted insurance carrier authorized to do business in California, specifies that the private for-profit prisons

and detention facilities meet and maintain specific insurance requirements in order to continue to operate in the state, and mandates insurance companies to terminate coverage if private for-profit prisons and detention centers do not comply with specified local, state, and federal standards.

6. **SB 655 authored by Senator Steven Bradford (D-Gardena) on “Increase of Diversity of Insurance Industry” – Signed into law as Chapter 390.** Increases equity, diversity, and transparency in California’s insurance market by codifying reporting requirements for historically underrepresented groups on insurance company governing boards, lowering the existing California premium reporting threshold as it relates to insurance company governing board and supplier diversity, and defining the term “Diverse Investment Managers”, a new definition for our California Organized Investment Network (COIN) program.
  
7. **SB 713 authored by Senator Susan Rubio (D-Baldwin Park) on “Expansion of Insurance Company Investment Opportunities in Small Businesses, Housing, and Environmental Projects” – Merged into AB 1511 Omnibus Bill.** Supports positive environmental and social impact investments in communities throughout California by providing insurance companies with the increased ability to broaden their COIN qualified investment holdings and allowing the State Compensation Insurance Fund to invest in environmental, social, and governance investments, including in the COIN program.
  
8. **Assembly Bill (AB) 494 authored by Assembly Member Chad Mayes (D-San Bernardino) on “Amendments to the Insurance Holding Company System Model Act and Model Regulation” – Signed into law as Chapter 464.** Amends the Insurance Holding Company System Model Act and Model Regulation provisions of the California Insurance Code to assist in the evaluation of insurance group risk and liquidity stress to better understand insurance company financial risk profile and solvency and help California retain accreditation from the National Association of Insurance Commissioners (NAIC).
  
9. **AB 506 authored by Assembly Member Lorena Gonzalez (D-San Diego) on “Increase of Insurance Liability and Compliance by Youth Groups” – Signed into law as Chapter 169.** This bill would require youth organizations to implement child abuse prevention measures, allow liability insurers to have access to a youth organization’s compliance with those measures, and require administrators, employees, and regular volunteers of youth organizations to take training on child abuse and neglect identification and reporting.
  
10. **AB 553 authored by Assembly Member Sydney Kamlager (D-Los Angeles) on “Creation of Insurance Coverage for Spaying and Neutering of our Pets”**



– **Remained in Legislature.** Requires pet insurance companies to join the combined efforts of shelters, animal owners, pet breeders, and veterinarians to tackle the problems caused by dog and cat overpopulations by requiring pet insurance policies to fully cover spaying and neutering and any associated veterinary expenses. AB 553 would also align pet insurance with other types of insurance in California by requiring cancellation notices for pet insurance policies to be mailed at least 20 days prior to the cancellation date, or 10 days prior when a policy is cancelled for fraud or non-payment of premium by the policyholder.

11. **AB 570 authored by Assembly Member Miguel Santiago (D-Los Angeles) on “Expansion of Dependent Parents Eligible for Adult Child’s Health Insurance” – Signed into law as Chapter 468.** Increases health coverage access for older adults by enabling persons to enroll their dependent (step-)parent(s) on their health insurance or health plan coverage. Currently, in the individual and group markets, children can be added as dependents to their parents’ health insurance coverage. But, this coverage option does not extend to dependent (step-)parents.
12. **AB 1158 authored by Assembly Member Cottie Petrie-Norris (D-Laguna Beach) on “Insuring Safety in Patient Recovery” – Signed into law as Chapter 443.** Requires a recovery residence that contracts with a government entity or an alcohol or drug abuse recovery or treatment facility that is licensed by the government to maintain minimum insurance coverage levels.
13. **AB 1347 authored by Assembly Member Reginald Jones-Sawyer (D-Los Angeles) on “Increase of Consumer Protections in Bail Industry” – Signed into law as Chapter 444.** Eliminates the bail bond and immigration bond industries’ practice of charging consumers additional premium through “renewal fees.”
14. **AB 1511 authored by Assembly Committee on Insurance on “Insurance” – Signed into law as Chapter 621.** Remedies several issues identified and vetted by CDI and stakeholders to clarify and clean-up various technical Insurance Code sections. The following proposals are included in this bill:
  - a. Aligned Mailing Timelines for Homeowners’ Insurance (California Insurance Code (CIC) 678) and Workers’ Compensation Policies (CIC 676.8).
  - b. Added a Reporting Requirement Timeframe for Corporations & Limited Liability Companies (CIC 1656.1 & CIC 1656.2).
  - c. Clarified the use of Civil Judgments in CDI Administrative Licensing Hearings (CIC 1668 & 1668.5).



- d. Corrected Terminology for Applicant Fraud for Non-Workers' Compensation Cases (CIC 1871.2 & 1871.10).
- e. Added a Technical clean-up to SB 894 (Dodd, Chapter 618, Statutes of 2018) (CIC 10103.7).
- f. Amended the Standard Nonforfeiture Law for Individual Deferred Annuities (NAIC Model Number 805) (CIC 10168.25).
- g. Added a Definition of "Terminal Illness" to the CIC for Terminal Illness Riders (CIC 10271, 10271.1, & 10295).
- h. Cleaned-up the Definition of "health benefit plan" (CIC 10273.6).
- i. Added the April 13, 2021 amended version of Senate Bill 713 (Rubio), which provided insurance companies with the increased ability to broaden their COIN qualified investment holdings and allows the State Compensation Insurance Fund ("State Fund") to invest in environmental, social, and governance investments, including in the COIN program (CIC 1210 & 11797).
- j. Updated the Insurance Code to reflect CDI's new location in Oakland (CIC 12921.2).
- k. Provided CDI with the Ability to Convert Fines, Penalties, and Reimbursements into an Enforceable Civil Judgment (CIC 12928.6).
- l. Modified the surety bond requirement for adjusters who transact on behalf of larger insurance organizations (CIC 14050 & CIC 14052).
- m. Resolved Ambiguity in Adverse Licensing Actions for Adjusters (CIC 14062 & CIC 15040).

## **APPOINTMENTS OFFICE**

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

1. California Automobile Assigned Risk Plan (CAARP) Advisory Committee,
2. California Earthquake Authority (CEA) Advisory Panel,
3. California Insurance Guarantee Association (CIGA) Board of Governors,
4. California Life & Health Insurance Guarantee Association (CLHIGA) Board of Governors,
5. California Long Term Care Insurance Task Force,

6. California Organized Investment Network (COIN) Advisory Board,
7. California Workers' Compensation Insurance Rating Bureau (WCIRB) Governing Committee,
8. Curriculum Board, and
9. Insurance Diversity Task Force.

In alignment with the goals of the Commissioner's Insurance Diversity Initiative, the Department aimed to identify and broaden the demographic diversity of appointees, including gender, race/ethnicity, sexual orientation, and disabled veteran status. In 2021, the Appointments Office facilitated 30 appointments made by the Commissioner, 27 of which were diverse individuals, or 90%. Of the 67 total appointees to boards and committees, 54 are diverse individuals, or 80%, with 36 of those individuals being ethnically diverse, or 54%. For reference, of the total California population, 58% are racially or ethnically diverse (based on the [2020 American Community Survey Experimental Data Tables](#)). Commissioner Lara will continue striving to achieve diversity in his appointments to emulate the growing demographics and great diversity of the Golden State.

## **INSURANCE DIVERSITY INITIATIVE**

The evolving COVID-19 pandemic coupled with the ongoing racial justice movement continued to underscore the critical mission and purpose of the nationally recognized Insurance Diversity Initiative (Initiative). Since 2011, the Initiative focuses on accelerating the level of diversity and equity within California's \$371 billion insurance industry by advancing supplier and board diversity.

Namely, these efforts by Department staff and the Commissioner-appointed Insurance Diversity Task Force are meant to encourage diverse board leadership and increased procurement from businesses owned by women, LGBTQ+ people, veterans, disabled veterans, and historically underrepresented communities, or collectively referred to as "diverse suppliers." The Initiative accomplishes these goals by conducting surveys to collect and publicly disseminate information about the diversity efforts of insurers, as well as through spearheading public policy, outreach, partnerships, and Department-hosted events. In 2021, Commissioner Lara strengthened his leadership role on the Special Executive (EX) Committee on Race & Insurance within the NAIC by extolling best practices of the Initiative. Through his actions, Commissioner Lara continues to demonstrate his unwavering commitment to creating greater equitable opportunities for diverse businesses in California and among insurer board members.

Collectively, the Initiative is comprised of the following components:

- **Insurance Diversity Task Force**

- A Commissioner-appointed 15-member advisory group comprised of diversity advocates, supplier and board diversity experts, community leaders, and insurer representatives.
- In 2021, the Task Force, in collaboration with Commissioner Lara and the Department, completed the implementation of its bold 2020-2021 Strategic Plan – one that outlines actionable goals for greater engagement and opportunities to address the contracting needs of diverse businesses and increase greater diversity among insurer boards. The Department and the Task Force also set in motion plans for the 2022-2023 Strategic Plan to continue expanding upon the success of its current goals and objectives.
- Additionally, in 2019, Commissioner Lara appointed six (6) members to the Task Force. Commissioner Lara’s newest appointees include the first LGBTQ+ Chair to lead the Task Force, and the first Latina board director of a California admitted insurer, among other outstanding new members and trailblazers.

The appointees include:

- **Dr. Fabiola Cobarrubias** is the founder, President, and Chief Executive Officer of Pacific Inpatient Medical Group, a medical group that provides hospitalist and infectious diseases services in Northern California. She has also been a practicing hospitalist in San Francisco since 1996. Dr. Cobarrubias has over 10 years of experience in board service and corporate governance. She currently serves on the board of directors of ProAssurance Corporation. She previously served as vice-chair of the board and chair of the Governance committee of NORCAL Mutual Insurance Company. She has also served as chair of the board of Brown and Toland Physicians, a large Independent Physician Association in Northern California. Dr. Cobarrubias was appointed to the Task Force as an insurance industry representative with expertise in governing board diversity.
- **Rebecca Aguilera-Gardiner** is the Vice President and Co-Owner of Diego & Son Printing, a second-generation printing business that is Service-Disabled Veteran-Owned Small Business and Disabled Veteran Business Enterprise-certified. She has over 25 years of experience in sales and marketing and has been essential in the continued growth of the 49-year-old family-owned business. She is also the CEO of the Veterans in Business Network, a nonprofit veteran business organization in California that advocates on behalf of the disabled veteran business community. Aguilera-Gardiner has been reappointed to the Task Force as the advocate/representative for veteran and disabled veteran business enterprises.

- **Milton Dellossier** is the Vice President of Diversity, Equity & Inclusion at Capital Group, a private investment firm that manages more than \$1.7 trillion in equity and fixed income assets for millions of individual and institutional investors. Previously, Dellossier served as the Vice President of Diversity & Inclusion at Morgan Stanley and has also served as Chairman of the Board for the National Hispanic Corporate Council where he led the organization's corporate board of directors who each represent Fortune 1000 member companies. Dellossier was reappointed to the Task Force as the representative for governing board diversity.
- **Mark Morales** is Vice President of SBA Lending at City National Bank. Morales has over 20 years of business banking experience and specializes in SBA financing and loan programs for diverse-owned businesses. Morales is the SBA Los Angeles District Office - 2016 Financial Services Champion of the Year and the California Department of Insurance - 2018 Insurance Diversity Trailblazer. Morales is also Co-owner of Charles Jacobsen, Inc., an importer of antique furniture and accessories from Asia, which is a Certified LGBT Business Enterprise. Morales is President Emeritus for the Los Angeles LGBTQ Chamber of Commerce, serves on the Community Advisory Panel for Southern California Edison, and also is a member of the Leadership Council for the Los Angeles Business Council. Morales was reappointed to the Task Force as the representative for LGBT business enterprises.
- **Maria Salinas** is the President and CEO of the Los Angeles Area Chamber of Commerce. Salinas became the first woman and Latina to lead the organization in its 130-year history. Prior to the Chamber, she has been a small business owner, a corporate executive, founding organizer of a community bank and director, having served as Chairwoman of ProAmérica Bank. She has served on numerous boards and commissions including Governor Gavin Newsom's Future of Work Commission, Mobility 21, the MEXLA Commission, and on the Loyola Marymount University Board of Regents, among others. Salinas was reappointed to the Task Force as the representative for women business enterprises.
- **Tommy Smith** is Manager, Economic Impact, Impact Spending at Kaiser Permanente (KP), where he leads the engagement strategy for measuring the economic and community impact of KP's supplier diversity spend. He is the custodian of KP's National Supplier Diversity policy and manages KP's prime supplier program for identifying contract and development opportunities for diverse suppliers throughout its value chain. Prior to his current role, Smith conducted

policy analysis and program evaluation in civic engagement, economic development, education, supplier diversity, and workforce training. Smith was appointed to the Task Force as the insurance industry representative serving as a practitioner in the field of supplier diversity.

- **Insurance Diversity Surveys**

- Since 2012, with the enactment of AB 53 (Solorio, Chapter 414, Statutes of 2012), the Department has administered insurance diversity surveys. The transparency achieved through AB 53 highlighted important findings on diversity within the insurance industry.
- In 2019, following the sunset of AB 53 and prior unsuccessful legislative efforts, Commissioner Lara sponsored SB 534 (Bradford, Chapter 249, Statutes of 2019) which was signed into law by Governor Gavin Newsom.
- Building upon the success of enacted SB 534, Commissioner Lara sponsored SB 655 (Bradford, Chapter 390, Statutes of 2021) which was signed into law by Governor Newsom. SB 655 increases disclosures of board diversity data by requiring that insurers report on their strategic plan and/or measurable goals to increase board diversity; lowers the prerequisite premium reporting threshold from previously \$100 million to \$75 million; and, lays the foundation for insurance companies to target their social impact community investments by codifying a definition for the term “diverse investment manager.” Ultimately, SB 655 solidifies Commissioner Lara’s legacy of creating policies that bring greater protections to consumers, including businesses owned by women, LGBTQ+ people, veterans, disabled veterans, and people from historically underrepresented communities by increasing transparency, equity, and accountability within California’s insurance industry.

- **Insurance Diversity Summit**

- Since 2012, the Department has hosted an annual summit that brings together insurance industry experts, diverse businesses, diverse chambers of commerce, government leaders, and other diversity stakeholders for an opportunity to engage in meaningful discussions, benefit from networking opportunities, and inspire ideas for measurable progress within the insurance industry.
- The Summit was free of charge to members of the public who wished to attend. The online event featured engaging keynotes led by the Commissioner in tandem with Insurance Diversity Task Force members and insurance company executives, board directors, and elected leaders championing board diversity. The Summit also included Matchmaking Roundtables, Resource Expo, and engaging webinars led by experts on the topics of race and diversity in the insurance industry, workshops on access to capital, how to do business with insurance companies, how to

navigate the aftermath of COVID-19 economic stimulus funding, and the opportunities that exist in diversifying California state boards and commissions, and more.

- **Special Mission-Critical Projects**

- The Insurance Diversity Initiative also leads and/or participates in special projects that are imperative to our mission.
- To proactively address the disproportionate negative impact of COVID-19 to California's diverse business community, the Initiative deepened its partnership with the **Statewide Coalition on Diversity Initiatives** (Coalition) that is committed to increasing the economic impact of the state's small and/or diverse businesses by expanding access to business resources and procurement opportunities across California's Executive Branch. The Coalition is comprised of the following state agencies:
  - California Public Utilities Commission
  - California Office of the Small Business Advocate
  - California Department of General Services
  - California Department of Transportation
  - Department of Healthcare Access & Information (formerly the Office of Statewide Health Planning and Development)
- In 2021, Coalition members led a series of workshops specifically designed to educate and inform diverse suppliers of the state's economic relief programs and access to capital as part of the Department's 2021 Virtual Insurance Diversity Summit.
- Other projects include the *Diversity Digest*, a monthly e-newsletter that is distributed to over 5,000 stakeholders on our listserv; regular updates to the [Insurance Diversity Initiative's website](#); and, attendance at local, national and statewide conferences, and webinars in order to continue to increase our knowledge of best practices, support our mission of increasing supplier and board diversity, expand our network of stakeholders, and participate in legislative activities as it relates to the mission of the Initiative.

## **Magnifying Supplier and Board Diversity Commitments**

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

Throughout 2021, Commissioner Lara continued reinforcing his long-standing commitment to advancing board diversity within the insurance industry by demonstrating the value of stakeholder engagement in elevating the significance of the mission of the Initiative by sharing best practices with fellow commissioners and



diversity stakeholders on both a state and national level. In particular, Commissioner Lara demonstrated the importance of creating equity in this industry through the following supplier and board diversity commitments:

- **NAIC Special Executive (EX) Committee on Race and Insurance** – With the continuation of the first-ever Special EX Committee on Race and Insurance, the Initiative provided critical subject matter expertise to the Commissioner as part of the Committee’s Workstream One that is charged with researching and analyzing the level of diversity and inclusion within the insurance industry. The Department shared its diversity best practices with Committee members, delegated a Department representative to a newly-formed NAIC Diversity, Equity, and Inclusion Forum, and submitted recommendations on the strategic goals of the Committee’s Workstream One.
- **Spearheading Excellence on Insurance Company Boards** – To further strengthen the Department’s role in providing “best in class” examples of public-private collaboration in advancing board diversity, the Department partnered with the KPMG Board Leadership Center (KPMG) to co-host a webinar entitled “Cascading Diversity in the Boardroom” featuring prominent board directors of California admitted insurance companies to amplify how board oversight of diversity, equity, and inclusion is vital to the long-term success of any company. KPMG published the lessons gleaned from this conversation in a report entitled [“Excellence on Insurance Company Boards.”](#)
- **Strengthened Collaboration with NASDAQ’s Board Engagement & Governance** – To commemorate NASDAQ’s historic board diversity rule that was formally approved by the U.S. Securities and Exchange in August 2021 to which Commissioner Lara submitted a comment letter in support of, the Department hosted a keynote with NASDAQ’s Board Engagement & Governance leader to discuss the policy outlook for board diversity and extoll the importance of board diversity as a means for effective corporate governance. Beginning in 2022, the approved NASDAQ rule will require all companies listed on its U.S. exchange to:
  - Publicly disclose consistent, transparent diversity statistics regarding their board of directors; and,
  - Require most Nasdaq-listed companies to have, or explain why they do not have, at least two diverse directors, including one who self-identifies as female and one who self-identifies as either an underrepresented minority or LGBTQ+.
- **Support for the California Public Utilities Commission’s Proposal to Advance LGBT Business Enterprise Procurement Opportunities** – Commissioner Lara sent a letter to Commissioner Clifford Rechtschaffen of the California Public Utilities Commission (CPUC) urging further implementation of AB 1678 (Gordon, Chapter 633, Statutes of 2014), which created an equitable

pipeline for LGBT-owned business enterprises to compete for business within California's public utility industry. Specifically, this action appealed to the CPUC to establish an aspirational procurement goal that goes beyond the utilities' proposed 0.5% goal for LGBT-owned business enterprises as part of the CPUC's long-standing Supplier Diversity Program.

- **Testimony before the California Assembly Select Committee on Corporate Board and California Workforce Diversity** – Commissioner Lara testified to underscore the Department's and Insurance Diversity Task Force's successes in executing its strategic goals, including engaging with key national policy leaders and spearheading contracting opportunities between California's diverse business owners and the insurance industry.

### **State of Diversity in California's Insurance Industry**

With the signing of CDI-sponsored SB 655, the California Insurance Diversity Survey (CAIDS) will require California admitted insurers that collect at least \$75 million in annual California premiums report on its supplier procurement and governing board diversity data from the previous two years. The next CAIDS administration will occur in 2022. As a result, 2020 and 2021 data will be available in 2022.

**NOTE:** The following information on the state of supplier and board diversity in California's insurance industry is current as of 2020.

### **2020 State of Board Diversity in California's Insurance Industry**

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

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



**2020 CAIDS – CALIFORNIA INSURANCE INDUSTRY BOARD DIVERSITY**

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

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

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

One of the key milestones of the Initiative was the successful administration of the 2020 CAIDS, a biennial survey to collect & publicly disseminate insurer procurement and board diversity data from California admitted insurance companies that collect at least \$100 million in California premiums, annually. While 2021 was not a survey administration year, based on the analysis of the 2020 CAIDS, the Initiative responded by developing key programs with the goal of increasing its impact to diverse business communities.

**Pitch to Procure Matchmaking Series** – Throughout 2021, the Initiative hosted multiple Matchmaking events series designed to increase contracting opportunities between insurance companies and California’s diverse suppliers.

**DIVERSE PROCUREMENT SPEND IN CALIFORNIA BY YEAR**

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

**DIVERSE PROCUREMENT BY CERTIFICATION CATEGORY**

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

\*The 2017 Multistate Insurance Diversity Survey (MIDS) included a new reporting category for the certification type: Veteran Owned Business Enterprise

**DIVERSE PROCUREMENT BY ETHNICITY**

<b>Ethnicity</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Asian Pacific Islander	\$277 Million	\$330 Million	\$576 Million	\$435 Million	\$428 Million	\$347 Million	\$573 Million
African American	\$154 Million	\$173 Million	\$158 Million	\$167 Million	\$239 Million	\$223 Million	\$245 Million
Latino/Hispanic	\$111 Million	\$146 Million	\$145 Million	\$158 Million	\$149 Million	\$103 Million	\$151 Million

Ethnicity	2013	2014	2015	2016	2017	2018	2019
Multi-Ethnic	\$10 Million	\$10 Million	\$17 Million	\$51 Million	\$19 Million	\$9 Million	\$15 Million
American Indian	\$42 Million	\$39 Million	\$9 Million	\$6 Million	\$11 Million	\$4 Million	\$3 Million

## CALIFORNIA ORGANIZED INVESTMENT NETWORK

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

Commissioner Lara has made it a priority of COIN to increase and enhance its focus on environment/green investments, affordable housing, and small businesses affected by the COVID-19 pandemic during his tenure. Furthermore, to the extent possible, insurers are also encouraged to allocate investments to Diverse Investment Managers.

Increasing capital into these focus areas will be achieved through COIN’s Investment Bulletin Program and Impact Investment Marketplace, and further enhanced through individual discussions with insurance companies and asset managers. In 2021, COIN created an impact metrics survey in the Impact Investment Marketplace platform. COIN sent out this questionnaire to approved Investment Bulletin managers, which measured the social and environmental impact of their investments and collected data on insurers who have made investments in the Bulletin Program.

Highlights from 2021:

- COIN continued to build relationships throughout the institutional investment industry, including with insurers, asset managers, socially responsible investors, and community development organizations. Participation in the COIN program achieved a record number of primary insurer and asset manager investor contacts, Impact Investment Marketplace account holders, and an increase in the percentage of insurers who hold COIN-qualified investments.
- COIN conducted its 2021 Community Investment Survey (CIS) Data Call. At year-end 2020, insurers reported over \$38 billion of COIN-qualified investments, representing an increase of 75% from the \$22 billion reported at year-end 2015. The percentage of insurers that reported holding COIN-qualified investments increased to 67% at year-end 2020, versus 56% at year-end 2015.
- COIN approved fifteen new Investment Opportunity Bulletins. COIN staff continued to suspend marketing trips due to the COVID pandemic and focused

more time on sourcing, reviewing, and approving new COIN Investment Bulletins, which provided:

- Social and environmental benefits in affordable housing.
  - Small and middle-sized businesses.
  - Real estate.
  - Renewable energy.
  - Mortgage loans for low-to-moderate-income populations in California.
- Two new CDI-sponsored COIN-related bills were passed by the State Legislature in 2021 and signed by Governor Newsom, including AB 1511 (Assembly Committee on Insurance, Chapter 627, Statutes of 2021) and SB 655 (Bradford, Chapter 390, Statutes of 2021). Both bills seek to increase the level of insurers' COIN-qualified investments.
  - COIN conducted three virtual COIN Advisory Board meetings and appointed two new members.

### **2021 COIN Community Investment Survey (CIS) Data Call**

COIN conducted the 2021 CIS Data Call to make transparent the amount of capital that insurers held in California community development and green investments. Insurers who wrote over \$100 million of California direct written premium reported their COIN-qualified investment holdings from 2016-2020, including any holdings in COIN Investment Bulletins. This analysis highlights significant trends in insurers' COIN qualified investment holdings and methods employed by COIN to facilitate greater insurer investment into California's underserved communities.

#### **2021 High-Level Findings:**

- 248 insurance companies were required to report for the 2021 COIN CIS Data Call, and there was a 100% response rate from insurers.
- 67% of insurers held COIN-qualified investments at year-end 2020, and there was a total of 48,145 individual COIN-qualified investments reported for the entire 2016-2020 period.
- Total COIN qualified investment holdings increased approximately 75% from \$22 billion in 2016 to \$38 billion in 2020.
- High Impact Investment holdings increased by 38% from \$6 billion in 2015 to \$8 billion in 2020.
- Green investment holdings increased by 48% from \$8 billion in 2015 to \$12 billion in 2020.

## COIN Insurer Investment Bulletin Program

Investment Bulletins, which are pre-qualified by COIN, help insurers to easily find investments that can enhance their current investment portfolio. The investments are focused on providing social and environmental impact in California, with competitive financial returns for insurance company investors. In 2021, COIN continued to see increased direct investments by insurers, which mirrored the positive trends reported in the 2021 COIN Community Investment Survey (CIS) Data Call.

Direct investments in COIN Investment Bulletins from 2016-2021 were reported at \$5.4 billion, of which 99% was invested during the 2019-2021 period, up from recent prior averages of \$25 million per year. The substantial increase in COIN Investment Bulletin investments was primarily driven by the launch of the COIN Impact Investment Marketplace in 2018, the broadening of asset classes offered through the COIN Investment Bulletin program, an increase in the number of investment managers applying to the COIN Investment Bulletin program, and expanded insurer and asset manager outreach initiatives.

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

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

## 2021 COIN Legislation

There were two CDI-sponsored COIN-related bills during the 2021 legislative session that passed the State Legislature and were signed into law by Governor Newsom. Both bills aimed at increasing the level of insurer investments in underserved communities and environmental projects in California.

- **AB 1511 (Assembly Committee on Insurance, Chapter 627, Statutes of 2021):** Under existing law, discretionary investments made by insurers may include the purchase of, or loans upon, properties and securities but are limited to the lesser of 5% of the insurer's admitted assets or 50% of the excess of admitted assets over the sum of capital paid up, liabilities, and required surplus. Until January 1, 2027, this new law increases that limitation if the Commissioner has approved the amount and terms of the investment in advance and COIN has identified the investment in an investment opportunity bulletin or otherwise deemed it to be a qualified investment.

- **SB 655 (Bradford, Chapter 390, Statutes of 2021):** This new law additionally encourages insurers to consider making investments with diverse investment managers to the extent possible, defining “diverse investment managers” as organizations located in or actively making and holding investments in California whose investment managers are composed of at least 51% women, veterans, minorities, or lesbian, gay, bisexual, transgender, or queer persons, or a combination of persons in those groups.

### **COIN Advisory Board**

COIN utilized the COIN Advisory Board (CAB) to advise the best methods to increase insurance industry capital in financially sound investments and facilitate contact among executives at insurance companies, community-based organizations, and community development financial institutions.

**In 2021, Commissioner Lara announced the following two appointments to the CAB:**

- **Maité Irakoze Baur** is Chief Investment Officer for Farmers Insurance Group. She is responsible for managing more than \$26 billion of Farmers investments and \$8 billion of retirement plan assets and overseeing Treasury operations. Irakoze Baur has over 15 years of global experience. Before joining Farmers in 2016, she was Head of Investment Mandates and Treasury in Investment Management Switzerland for Zurich Insurance Group, where she was responsible for implementing the investment strategy and liquidity management for various insurance balance sheets (~30billion F /Swiss Franc) based in Switzerland. She serves in the insurance investment executive seat.
- **Rudy Espinoza** is Executive Director of Inclusive Action for the City, a nonprofit Community Development Financial Institution (CDFI), which is dedicated to bringing people together to build strong, local economies through community-based advocacy and transformative economic development initiatives. Previously, Espinoza was a Senior Program Officer at a CDFI in South Los Angeles, providing micro-loans and business assistance to entrepreneurs in South Los Angeles. He also co-founded the LA Street Vendor Campaign. This initiative legalized street vending in Los Angeles and decriminalized street vending in California with the signing of Senate Bill 946 (Lara, Chapter 459, Statutes of 2018). He serves as a member of the East Los Angeles Area Planning Commission, the Adobe Community Housing Board of Directors, and the Center for Nonprofit Management Board of Directors. He also serves in the consumer advocacy group representative seat.

**The Commissioner thanks outgoing members Patricia GoPaul, Linda Hill, and Suzanne Anarde for their valuable service to the COIN Advisory Board:**

- **Suzanne Anarde** is Chief Executive Officer for Rural Community Assistance Corporation (RCAC), a nonprofit organization that provides training, technical and financial resources, and advocacy to support rural communities to achieve their goals and visions. Anarde has worked for more than 30 years as a community development professional dedicated to rural revitalization.
- **Patricia GoPaul** is General Counsel for the Low-Income Investment Fund, a CDFI that provides financing and technical assistance to create and preserve affordable housing, child care centers, charter schools, healthy food retail, health clinics, and transit-oriented development in distressed neighborhoods nationwide. GoPaul is the former Counsel and Senior Vice President of Impact Community Capital and has served in the legal sector for many years.
- **Linda Hill** is Vice President II for Aegon Real Assets, where she was responsible for originating, underwriting, and closing approximately \$400 million in annual tax credit equity investment. Hill was a member of the Executive Real Estate Committee at Aegon, which approves all real estate transactions, including commercial mortgage loans, private equity, and energy investments. She was also a member of the Affordable Housing Investors Council (AHIC) and the Affordable Housing Tax Credit Coalition.

## **HEALTH EQUITY AND ACCESS OFFICE**

From the start of his career, before he was elected Insurance Commissioner, Commissioner Lara has focused and promoted health equity and health access to all Californians. Starting when he was a legislative staffer more than 20 years ago to then being elected to the California State Assembly and then the California State Senate, Commissioner Lara has fought for universal health care, health coverage expansion for historically underrepresented communities, undocumented immigrants, and LGBTQ+ individuals, and community health planning while working towards the elimination of health disparities for all with a strong social justice lens.

To further these policy objectives, on April 1, 2021, Commissioner Lara created the **Health Equity and Access Office (HEAO)** within the Policy and Legislation Branch. HEAO brings together health policy staff (from the former Health Policy and Reform Branch) and staff from the Legislative Office together as one complete team under one branch to ensure continuity and coordination of the Commissioner's major health initiatives. HEAO's focus is not just health policy and health legislation, but also health policy implementation. In this work, HEAO strives to push health policies that increase health equity and access for all, including historically underrepresented communities.

HEAO reviews, analyzes, and develops policy positions on health insurance issues within CDI. The significant and structural changes that have taken effect since the implementation of the federal Affordable Care Act (ACA) continue to require a robust framework of legal and policy support. This focus has helped the Department work



effectively towards implementation of the federal health care reform requirements, integrate ongoing federal and state changes to the marketplace, increase coordination across state agencies, actively represent California insurance consumers with the federal government and the NAIC, and respond to federal actions that significantly challenge the stability of California's health insurance market.

## **ACCOMPLISHMENTS**

### **Expansion of LGBTQ+ health access in California and nationally**

At the national level, Commissioner Lara continued to expand the focus of the National Association of Insurance Commissioners to include LGBTQ+ equity in his role as Co-Chair of the Special Committee on Race and Insurance group dedicated to health insurance.

Commissioner Lara [announced](#) new steps to help increase LGBTQ+ Californians' access to culturally competent health care after years of neglect by the federal government. He directed health insurance companies to provide data about whether their LGBTQ+ policyholders can find doctors and other medical providers that are culturally competent to provide appropriate care, which is often a major obstacle for LGBTQ+ individuals to seeking care and feeling accepted in medical settings.

The Commissioner issued a [Bulletin](#) reminding insurers of their obligation to cover HIV Preexposure Prophylaxis (PrEP) without cost-sharing, including PrEP with a provider-administered antiretroviral drug therapy.

### **Health Insurance Access Efforts**

In addition to the LGTBQ+ access issues, Commissioner Lara also supported national efforts to protect consumers' access to care and to restore anti-discrimination protections including:

- [Statement of Commissioner Lara on the Supreme Court's Protection of the Affordable Care Act](#)
- [Statement](#) of Insurance Commissioner Ricardo Lara on the Biden Administration restoring patient anti-discrimination protections

### **COVID-19 Pandemic Response Actions**

The ongoing COVID-19 pandemic required continued rapid response to stabilize California's health insurance market and protect consumers by, among many things, ensuring access to COVID-19 testing, treatment, and vaccinations, and limit the effects of the pandemic on the health insurance market and California's most vulnerable communities.



The Commissioner issued a [Notice](#) to health insurance companies directing them to take necessary steps to process pediatric COVID-19 vaccination claims. This Notice is built on the myriad of Notices and Bulletins sent out in 2020.

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

As experts on the ACA, the California Insurance Code, and the large body of new legal requirements, the Department provided extensive technical assistance to Covered California, legislators and their staff, consumers, and insurers. Further, the HEAO provided technical support to consumers with complex health insurance issues. This technical assistance was especially important in 2021 given the COVID-19 pandemic.

### **Represented CDI and the Commissioner at the NAIC**

In 2021, Commissioner Lara was a co-chair of a Workstream of the NAIC Special Committee on Race and Insurance. The Workstream worked on developing recommendations for health insurance regulatory changes that will address health disparities affecting people of color, the LGBTQ+ community, Alaskan native and other indigenous people, and people with disabilities.

HEAO actively participated in weekly NAIC meetings and conference calls, influencing the national dialogue by providing California's perspective and experience in insurance market reform, and analyzing information essential to the implementation of the ACA, and subsequent federal regulatory actions in California. The team also participated in weekly NAIC meetings, the State Rate Review sub-group, and is California's representative on the Pharmacy Benefit Manager subgroup as well as the Mental Health Parity and Addiction Equity Act (MHPAEA) Working Group.

### **Health Prescription Drug Cost Reporting and Insurance Premium Rates**

Pursuant to Senate Bill 17 (Hernandez, Chapter 603, Statutes of 2017), insurers are required to report information regarding outpatient generic, brand name, and specialty prescription drugs for the 25 most frequently prescribed drugs, 25 costliest drugs by total annual plan spending, including cost-sharing, and the 25 drugs with the highest year-over-year increase. CDI received and analyzed this data from insurers and reported its findings to the Legislature at the end of 2021. In 2022, CDI held a virtual public meeting to go over those findings.

Pursuant to Senate Bill 546 (Leno, Chapter 801, Statutes of 2015) for large group and Assembly Bill 2118 (Kalra, Chapter 277, Statutes of 2020) for individual and small group, insurers are required to report to the California Department of Insurance specified aggregate information on premiums, cost sharing, benefits, enrollment, and trend factors for all grandfathered and non-grandfathered products. In 2021, CDI received and analyzed the information received from insurers pursuant to these bills. In 2022, CDI held a virtual public meeting to go over those findings.

Pursuant to Assembly Bill 731 (Kalra, Chapter 807, Statutes of 2019), insurers are required to disclose with a rate filing with specific information by geographic region for individual, grandfathered group, and non-grandfathered group contracts and policies, including the price paid compared to the price paid by the Medicare Program for the same services in each benefit category. CDI received and analyzed the data from the insurers. AB 731 also authorizes a large group health insurance contract holder, which meets specified criteria, to apply to the Department of Insurance within 60 days of receiving notice of a rate change to review the rate change and determine if it is unreasonable or not justified. That requires the Department to use reasonable efforts to complete the review within 60 days of receiving all the information required to make a determination. CDI has not received any such requests yet.

### **Saved Consumers Money through Rate Review**

In 2021, the Health Actuarial Office reviewed all major medical rate increases in the individual and small group markets filed with the Department. While California law does not give the Insurance Commissioner the authority to reject excessive health insurance rate increases, the Commissioner can determine that a rate is unreasonable. The process of reviewing rates and discussing concerns with insurance carriers who voluntarily agree to reduce rates has resulted in an estimated total savings of \$1.1 million for California consumers with major medical insurance products in 2021. This builds on the Commissioner seeking and receiving a myriad of partial premium refunds from health insurers given back to their policyholders throughout 2020 as a result of consumers postponing health care and medical treatment during the COVID pandemic.

### **CANNABIS INSURANCE INITIATIVE**

The Cannabis Insurance Initiative was established in 2017 to encourage admitted insurers to write more cannabis insurance products in the state. The Department's goal is to ensure that insurance products for the cannabis industry are available, particularly for businesses that will require insurance to secure an annual license from California's cannabis licensing agencies.

In California, there are currently eight admitted carriers that offer at least one insurance product to a legal cannabis business. The non-admitted market currently provides the majority of the insurance products available to legal cannabis businesses.

In 2021, the Department launched the following initiatives to assess the availability of insurance and close insurance gaps in the cannabis industry:

- Served as Chair for the NAIC Cannabis Insurance Working Group and oversaw the group's activities for 2021, including the implementation of the Working Group's 2021 charges. The 2021 NAIC Cannabis Insurance Working Group was charged with continuing to work on the following:
  - Assess and report on the status of federal legislation that would shield financial institutions from liability associated with providing services to cannabis businesses operating legally under state law.

- Encourage admitted insurers to ensure adequate coverage in states where cannabis, including hemp, is legal.
  - Provide insurance resources to stakeholders and keep abreast of new products and innovative ideas that may shape insurance in this space.
  - Collect aggregated insurance availability and coverage gap data, as well as other cannabis and hemp insurance-related data, and publicly report it by the end of 2021.
- Reported the Cannabis Insurance Working Group’s progress regarding their meetings, activities, and white paper drafting progress at the NAIC Property & Casualty Committee.
  - Supported H.R. 2068 / S. 862, known as the “Clarifying Law Around Insurance of Marijuana (CLAIM) Act”, and H.R. 1996/S. 910, known as the “Secure and Fair Enforcement (SAFE) Banking Act of 2021”, to protect insurance companies and financial institutions from federal enforcement when providing insurance services to legal cannabis businesses.
  - Continued outreach and education to cannabis business owners and consumers as well as encouragement to the insurance industry to write cannabis insurance products.

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

2021 ANNUAL REPORT  
**RATE REGULATION BRANCH**

## Rate Regulation Branch

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

RRB processed 5,313 P&C rates, rules, and form filings in 2021 and reduced requested rate increases by more than \$285.7 million. In addition, RRB approved reductions of existing rates totaling more than \$11.4 million. For personal auto insurance coverage, the reductions to requested rate increases totaled more than \$7 million and the approved reductions of existing rates was more than \$6.8 million.

### RATE FILING BUREAUS

RRB consists of six rate filing bureaus, three in Los Angeles, two in Oakland, and one in Sacramento. These bureaus receive and review filings from over 750 P&C companies licensed in California.

The Intake Unit in the Oakland office is responsible for processing all prior approval rate filing applications and providing copies of all filings to the Public Viewing Rooms maintained in Oakland and Los Angeles. The Intake Unit in the Los Angeles office is responsible for processing all file-and-use rate filing applications which cover the Workers’ Compensation and Title lines of insurance.

RRB actively utilizes the National Association of Insurance Commissioners’ (NAIC) System for Electronic Rate and Form Filings (SERFF). SERFF is designed to enable companies to send and states to receive, comment on, approve, or reject insurance industry rate and form filings. This system helps increase efficiency and facilitates communication between the rate filing bureaus and insurers. The percentage of filings received via SERFF continues to increase each year. In 2021 the percentage of total filings received through SERFF was approximately 99.98%.

### NUMBER OF RATE FILINGS RECEIVED IN CALENDAR YEARS 2020 AND 2021

TYPE	2020	2021
Private Passenger Automobile	340	260
Homeowners	262	252

TYPE	2020	2021
Title	71	66
Other Personal Lines Products	301	262
Workers' Compensation	465	527
Medical Malpractice	46	46
Other Commercial Lines Products	5,358	3,900
Total	6,843	5,313

### **RATE ACTUARY OFFICE**

The primary function of the Rate Actuary Office (RAO) is to provide consultative services to RRB. RAO's actuaries are assigned to review filings which impact the greatest number of consumers in need of protection – generally, those rates and automobile class plan filings submitted by the larger personal line insurers. In addition, RAO actuaries are often called upon to review more complex filings, with or without statistical models, help train non-actuarial staff, provide their expertise in the development of new and revised regulatory and legislative proposals, research, opine on and develop solutions to emerging issues that impact rates such as the COVID-19 pandemic, serve as expert witnesses in litigated rate matters, and represent the Department within the professional actuarial community by participating in topical panel discussions at annual and regional meetings of the Casualty Actuarial Society.

### **RATE SPECIALIST BUREAU**

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

Besides producing the essential Rate Component Determination (RCD) generic rating factors for use by RRB staff, RSB is also responsible for reporting data under California Insurance Code (CIC) Sections 674.5 and 674.6. Under CIC Section 674.5, an insurer ceasing to offer any particular class of commercial liability insurance must provide prior notification of its intent to the Commissioner. Likewise, under CIC Section 674.6, an insurer offering policies of commercial liability and most types of P&C insurance must provide prior notification to the Commissioner of its intent to withdraw wholly or

substantially from the specified line of insurance. The list of notifications that RSB received in 2021 is shown in the following table.

**COMPANIES FILING WITHDRAWALS, CEASE WRITINGS, ETC.  
CALENDAR YEAR 2021**

<b>NAIC Number</b>	<b>Company Name</b>	<b>Group Name</b>	<b>Request Date</b>	<b>Effective Date</b>	<b>Withdrawal of Line or Indicated Company Action</b>
25798	Sutton National Ins Co	Brickell Ins Holdings LLC Grp	12/16/2021	Effective Upon Approval	Earthquake Program - Inactive, No Policyholders
41343	HDI Global Insurance Company	Hannover Grp	11/15/2021	1/1/2022	Cyber Liability Policies under Other Liability Line
22063	Government Employees Insurance Company	Berkshire Hathaway Grp	11/15/2021	1/15/2022	Commercial Auto
27138	Midvale Indemnity Company	AMERICAN FAMILY INS GRP	10/29/2021	Effective Upon Approval	Commercial Auto Program
33898	AEGIS Security Insurance Company	AEGIS Grp	9/3/2021	1/1/2022	DP-1 (dwelling fire), HO-4 (renters), and HO-6 (unit-owner) policies
23469	American Modern Home Insurance Company	Munich Re Grp	10/12/2021	1/1/2022	Landlord 5+ Dwelling Insurance Program
37885	XL Specialty Insurance Company	AXA Ins Group	10/27/2021	3/15/2022	Pet Insurance Program

Rate Regulation Branch

NAIC Number	Company Name	Group Name	Request Date	Effective Date	Withdrawal of Line or Indicated Company Action
18058	Philadelphia Indemnity Insurance Company	Tokio Marine Holdings Inc GRP	10/6/2021	12/8/2021	Fitness Trainers Program
11991	National Casualty Company	Nationwide Corp Grp	8/30/2021	Effective Upon Approval	Architects and Engineers Professional Liability Program
10759	Universal North America Insurance Company	Iuniversal Ins Corp Grp	7/23/2021	12/1/2021	HO-4 and HO-6 polices
26522	Mount Vernon Fire Insurance Company (Non-Admitted)	Berkshire Hathaway Grp	6/2/2021	8/2/2021	Excess Umbrella Policies, and Personal Umbrella Policies Having Automobile or Watercraft Exposure
40550	LIO Insurance Company		5/21/2021	Immediately	Commercial Multi Peril
20010	Acceptance Indemnity Insurance Company	IAT Reins Co Group	4/30/2021	9/1/2021	Garage Liability Class of Business
32190	Constitution Insurance Company		4/9/2021	9/1/2021	General Agency Agreement Dwelling and Fire Policies



NAIC Number	Company Name	Group Name	Request Date	Effective Date	Withdrawal of Line or Indicated Company Action
11452	Hartford Steam Boiler Inspection and Insurance Co	Munich Re Grp	4/1/2021	6/1/2021	Home System Protection Plan (HSPP)
19518	Caitlin Insurance Company, Inc.	AXA Ins Group	4/1/2021	9/1/2021	Admitted Homeowner and Dwelling Fire Policies
36940	Indian Harbor Insurance Company (Non-Admitted)	AXA Ins Group	3/12/2021	5/11/2021	Non-admitted homeowner and personal excess liability policies through program manager agreement.
34525, 37710	First American Specialty Insurance Company, First American Property & Casualty Insurance Company	First American Title Group	3/8/2021	7/17/2021	All Homeowners Policies
18031	Topa Ins Co	TOPA EQUITIES LTD GRP	2/1/2021	7/1/2021	Homeowners and Dwelling Fire Programs