



2004 AUDITS

A Report to the California Legislature on Claims Handling Practices of Workers' Compensation Administrators

**Department of Industrial Relations
Division of Workers' Compensation
Audit Unit**

April 1, 2005

**California Department of Industrial Relations
Division of Workers' Compensation**

**2004 Audits of Workers' Compensation Insurers, Self-Insured Employers,
and Third-Party Administrators**

April 2005

This fifteenth annual workers' compensation audit report summarizes the accomplishments of the Audit Unit of the Division of Workers' Compensation for all audits commencing during calendar year 2004.

The Audit Process

Selection of PAR Audit Subjects

In order to implement the changes mandated by AB 749, audit regulations have been revised extensively. Pursuant to Title 8, California Code of Regulations, Section 10100.2, effective January 1, 2003, separate underwriting companies, self-administered, self-insured employers, and/or third-party administrators operating at one location will be combined as one audit subject for the purposes of PAR audits conducted pursuant to Section 129(a), but only if claims are administered under the same management at that location. Where claims are administered from an office that includes a satellite office at another location, claims administered at the satellite office(s) will be considered as part of the single adjusting location for auditing purposes when demonstrated that the claims are under the same immediate management.

The number of adjusting locations is constantly changing as a result of administrators opening, closing, and consolidating offices. For the past several years the total number of adjusting locations of California workers' compensation claims has averaged approximately 500. The Audit Unit's intent was to select most audits to be conducted during 2003 from locations that had not been audited in the recent past. However, audit subjects that merited targeted audit selection based on criteria listed below were also selected for audit.

Targeted Audit Subject Selection

The bases for the targeting of audit subjects by the Audit Unit are specified in 8 California Code of Regulations Section 10106.1(c), effective January 1, 2003:

- Complaints regarding claims handling received by the Division of Workers' Compensation.
- Failure to meet or exceed Full Compliance Audit Performance Standards.
- High Numbers of Penalties awarded pursuant to Labor Code Section 5814.
- Information received from the Workers' Compensation Information System.
- Failure to provide a claim file for a PAR.
- Failure to pay or appeal a Notice of Compensation Due ordered by the Audit Unit.

Notices of Audit and Audit Commencement

The Audit Unit usually issues Notices of Audit far in advance of the actual audits, a procedure that allows for flexibility in planning. A Notice of Audit informs the administrator that it has been selected for audit and requests that copies of claim logs be sent to the Audit Unit, but it does not indicate when the audit will be conducted or which claims will be selected for audit. The audit may not be scheduled for several weeks, or even months, after the Notice of Audit is received. Only after the audit has been scheduled is the administrator issued a Notice of Audit Commencement. This notice, issued two to three weeks before the audit is to begin, identifies the claims that are selected for audit and includes instructions for preparing the claims for audit.

Selection of Claims for Audit and Performance Standards

- **Profile Audit Review (PAR)** - Beginning in 2003, indemnity claims have been randomly selected for PAR audits from the indemnity claim populations reported on the claim logs for the three years preceding the audit. For audits conducted in 2004, claims were selected from the claim logs for the years 2001 through 2003. Another change for audits conducted since 2003 is that indemnity claims randomly selected for audit will be taken from the population of claims in which indemnity has been paid, not from the population of claims in which indemnity *may* be payable. The Audit Unit utilizes a table based on an expected frequency rate of 10% with a confidence level of 90%, give or take 5%, to select the indemnity claims for the PAR audit. The table is in 8 California Code of Regulations Section 10107.1(c)(1).

If the Audit subject fails to meet or exceed the profile audit review performance standard, the sample of indemnity claims will be expanded and a full compliance audit (FCA) will be conducted. **The profile audit review performance standard for 2004 is 1.92667.** If the audit subject's profile audit review performance rating is less than 1.92667, the audit

subject will be required to pay any unpaid compensation, but no penalties will be assessed. A PAR performance rating of 1.92668 or greater will result in a full compliance audit.

- **Full Compliance Audits - Stage 1 (FCA-1)** - If a full compliance audit is conducted, the total number of indemnity claims randomly selected for audit will be based on the table in 8 California Code of Regulations Section 10107.1(d)(1). The number of claims in this full sample of indemnity claims is determined from a table utilizing an expected frequency rate of 10% with a confidence level of 95%, give or take 5%. The formula for the calculation of each year's full compliance audit performance standard is the same as for the PAR performance standard, but is based on audit results from the full sample of indemnity claims. **The full compliance audit performance standard for 2004 is 2.77703.** If the audit subject's full compliance audit performance rating is less than 2.77703, the audit subject will be required to pay any unpaid compensation, and penalties will be assessed, but only for violations involving the failure to pay indemnity or late paid indemnity.
- **Full Compliance Audits (Stage 2)** - If, after the review of the expanded sample of indemnity claims, the audit subject's performance rating is 2.77704 or greater, the audit subject has failed to meet or exceed the full compliance audit performance standard, and an additional sample of denied claims will be audited. The number of denied claims randomly selected for audit are based on a table utilizing an expected frequency rate of 1% with a confidence level of 90%, give or take 3%. That table is set forth in 8 California Code of Regulations Section 10107.1(e)(1).

Following the review of all audited claims, penalties will be assessed for all violations. In addition, if there is failure to meet or exceed the FCA audit standard defined in 8 California Code of Regulations Section 10106.1(c)(1) the Audit Unit will return for a target audit within two years.

Audit Procedures

Audits vary in size based on the populations of claims at the audited claims administrator adjusting locations. It is expected that one or two auditors can conduct routine PAR audits in one or two weeks. However, some may exceed this time frame. Audit subjects that fail to meet or exceed performance audit review performance standards or full compliance audit performance standards will take longer to conduct than PAR audits and may involve higher numbers of auditors.

A lead auditor who is responsible for coordination of the audit and the completion of the audit report is assigned for each audit. During the course of the audit, the auditors complete

worksheets for each audited claim. The worksheets list relevant information, such as identifying data, due dates for various required actions, the bases for those actions and due dates, and amounts payable per specific periods per type of benefit. The auditors will copy documents from the claim files to support the bases for any compensation due or proposed penalties. They also provide the claims administrator with copies of proposed notices involving compensation due or possible penalties at daily or other agreed upon intervals, so that the administrator may research the issues and determine whether it agrees with or disputes the findings.

Preliminary Report and Post-Audit Conference

Once the audit is completed, the lead auditor conducts a short exit interview and returns to the audit office to complete a preliminary audit report that includes a Notice of Proposed Penalty Assessments and Notices of Intention to Issue Notices of Compensation Due. After an assigned Senior Compliance Officer and/or the Supervising Compliance Officer reviews the report, the preliminary report and enclosures are issued to the claims administrator. Depending on the schedules of the participants, a post-audit conference is scheduled. Periods between the receipt of the preliminary report and the post-audit conference usually do not exceed a few weeks unless it is at the request of the claims administrator.

The post-audit conference is usually held at the audit subject's adjusting location and is attended by the assigned lead and Senior Compliance Officer, the Supervising Compliance Officer, and/or whomever the claims administrator wishes to attend (i.e., claims manager, supervisors, corporate officers, legal counsel). The post-audit conference may be waived if the claims administrator wishes. The claims administrator is encouraged to notify the Audit Unit in advance and in writing of any disputed penalty assessments and/or mitigating circumstances, and can then present any arguments and discuss any issues on an informal basis at the post-audit conference.

If the audit subject's profile audit review performance rating meets or exceeds the PAR performance standard, however, the audit subject may choose to waive the preliminary report. In those audits, the final audit report and any Notices of Compensation Due may be issued within one to two weeks after the completion of the audit, and no penalties will be assessed.

Final Audit Report, Payment of Penalties and Compensation Due, and Appeal of Penalties and/or Compensation Due

The lead auditor prepares and issues to the audit subject by certified mail the final audit report, Notice of Penalty Assessments, and any Notices of Compensation Due. Although the goal is to issue the final report within two weeks of the post-audit conference, the process occasionally takes longer. Delays can occur if follow-up information from the claims administrator is needed or because of other audits or assignments. Copies of any Notices of Compensation Due are also issued to the appropriate injured workers. Unless appealed, penalties must be paid within 15

days of receipt of the Notice of Penalty Assessments. If some but not all penalties are appealed, those penalties that are not appealed must still be paid within 15 days of receipt of the report. Compensation due to injured workers must be paid within 15 days of receipt of the Notice of Compensation Due unless appealed within that time to the appropriate local Workers' Compensation Appeals Board pursuant to 8 California Code of Regulations Sections 10110 and 10115.1.

The audit subject is required to submit to the Audit Unit within 30 days documentation to indicate compliance with claims handling regulations. Documentation of compliance can include items such as copies of benefit notices, wage statements, and checks issued to injured workers and/or medical providers. Additional penalties may be assessed if the audit subject fails to submit documentation of compliance.

The audit subject may appeal disputed penalties to the Administrative Director within 7 days of receipt of the Notice of Penalty Assessments by requesting an appeal conference or a written decision on the appeal without a conference. Within 21 days of filing the request for appeal, the audit subject must file with the Administrative Director a statement specifying the penalties appealed and the basis for contesting each penalty, and submit any documentation relevant to the appeal.

The Administrative Director is required to issue a Notice of Findings within 15 days of the date the appeal is submitted for review following a conference or within 15 days after receipt of the Audit Unit's written answer if no appeal conference is held. Any subsequent appeal may be made by filing a petition for Writ of Mandate to the appropriate Superior Court.

2004 Audit Results

Profile Audit Review Standard - 1.92667 / Full Compliance Audit Standard - 2.77703

The Audit Unit of the Division of Workers' Compensation completed a total of 48 audits which began in 2004. Of these, 40 were routinely selected PAR audits and the remaining 8 were target PAR audits. Target audits for 2004 were selected based upon either results from prior audits of calendar year 2001 or return audits by stipulated agreement to a prior civil penalty. The total number of audit subjects included 10 insurance companies, 15 self-administered, self-insured employers, and 23 third-party administrators (TPAs).

At all audits, claim files were selected for audit on a random basis, with the number of indemnity and denied cases being selected based on the numbers of claims in each of those populations for the audit subject. No medical-only claims were selected for audit in 2004. In addition, if any complaints were received regarding possible violations of the Labor Code or regulations of the

Administrative Director, each respective claim file related to a complaint may have been part of the audit pursuant to Title 8 CCR 10107.1(c)(2), (d)(2), and (e)(2).

The number of claims audited is based upon the total number of claims at the adjusting location and the number of complaints received by the Division of Workers' Compensation related to claims handling practices. Pursuant to Title 8, California Code of Regulations, Section 10107.1(c) and (d), either a "PAR sample" of up to 59 or a "FCA sample" of up to 138 of indemnity claims is audited, depending on the claims administrator's performance as measured in certain key areas after the PAR sample is audited. Pursuant to Title 8, California Code of Regulations, Section 10107.1(e), a sample of up to 67 denied claims may be audited, depending on the claims administrator's performance as measured in certain key areas after the review of the indemnity claims in the "FCA stage 1 sample" is audited.

In 2004, compliance officers audited 3,276 claim files, of which 3,182 were randomly selected claims in which some form of indemnity benefits were paid. Six audits included randomly selected claims in which the employer or insurer denied all liability. Targeted claims audited included 72 based on complaints received by the Division of Workers' Compensation. Twenty-two claims were designated as "additional" files. "Additional" files include:

- Claims chosen based on criteria relevant to a target audit but for which no specific complaints had been received.
- Claims audited in excess of the number of claims in the random sample that were audited because the files selected were incorrectly designated on the log.

Violations of Administrative Director's Regulations

As a result of audits conducted during the calendar year 2004, the Audit Unit issued 6,594 administrative penalties assessable to claims administrators totaling \$1,354,593. However, the Audit Unit waived \$518,605 of the assessable penalties pursuant to Labor Code Section 129.5(c) and regulatory authority. The total penalties assessed claims administrators were \$835,988. These waivers occurred within 37 of the audits that met or exceeded the PAR performance standard and 5 other audits that met or exceeded the FCA-1 performance standard.

Unpaid Compensation Due To Employees

There were 559 claims in which injured workers were owed unpaid compensation totaling \$635,141.31, an average of \$1,136.10 per file in which there was unpaid compensation. The unpaid compensation is broken down as follows: \$190,446.16 in temporary disability indemnity and salary continuation in lieu of temporary disability (30% of the unpaid compensation), \$317,421.05 in permanent disability indemnity (50% of the unpaid compensation), \$24,094.48 in vocational rehabilitation maintenance allowance (3.8% of the unpaid compensation),

\$101,732.44 in 10% self-imposed increases for late indemnity payments (16.0% of the unpaid compensation), \$0 in death benefits (0% of the unpaid compensation), and \$1,447.18 in interest and penalty and/or unreimbursed medical expenses (0.2% of the unpaid compensation).

The claims administrator is required to pay these employees within 15 days after receipt of a notice advising the claims administrator of the amount due, unless a written request for a conference is filed within 7 days of receipt of the audit report.

When employees due unpaid compensation cannot be located, the unpaid compensation is payable by the claims administrator to the *Workers' Compensation Administration Revolving Fund*. In these instances, application by an employee can be made to the Division of Workers' Compensation for payment of moneys deposited by claims administrators into this fund. In 2004, \$259.24 was paid into this fund because the injured workers could not be located.

Frequency of Violations

A statewide frequency of the 5 key areas under review for violations used in determining the PAR and FCA performance standards was calculated after combining the individual audit findings (Individual Exhibits 1A, 1B, and 1C). The frequency noted in each area is actually the ratio of files in which there is an assessment for a specific type of violation to the total number of randomly selected files in which the possibility of that type of violation exists. Statewide Exhibits 1A through 1C provide a breakdown of performance for audit subjects in 2004.

Unpaid Indemnity

Of the randomly selected audited claims in which indemnity was accrued and payable, the percentage for assessable penalties for unpaid indemnity is:

- 2004 37 Audits passing the PAR standard: 12.02%
- 2004 5 Audits passing the FCA standard: 24.39%
- 2004 6 Audits failing all standards: 32.36%

Late First Payment of Temporary Disability or First Salary Continuation Notice when Salary Continuation is paid in lieu of Temporary Disability

Of the randomly selected audited claims with temporary disability payments or first notice of salary continuation, the following percentage for assessable penalties for late paid first payment of temporary disability or late first notice of salary continuation is:

- 2004 37 Audits passing the PAR standard: 24.59%
- 2004 5 Audits passing the FCA standard: 39.51%
- 2004 6 Audits failing all standards: 53.68%

Late First Payment of Permanent Disability, Vocational Rehabilitation Maintenance Allowance, and Death Benefits

Of the randomly selected audited claims with permanent disability, vocational rehabilitation maintenance allowance, and death benefits payments, the following percentage for assessable penalties for late paid first payment of permanent disability, vocational rehabilitation maintenance allowance, and death benefits is:

- 2004 37 Audits passing the PAR standard: 12.03%
- 2004 5 Audits passing the FCA standard: 32.10%
- 2004 6 Audits failing all standards: 40.80%

Late Subsequent Indemnity Payments

Of the randomly selected audited claims with subsequent indemnity payments, the following percentage for assessable penalties for late subsequent indemnity payments is:

- 2004 37 Audits passing the PAR standard: 20.39%
- 2004 5 Audits passing the FCA standard: 45.27%
- 2004 6 Audits failing all standards: 26.10%

Failure or Late Provision of AME/QME Notices and Notices of Potential Eligibility for Vocational Rehabilitation

Of the randomly selected audited claims with requirement to issue the AME/QME notice and/or the notice of potential eligibility for vocational rehabilitation, the following percentage for assessable penalties for failure or late issuance is:

- 2004 37 Audits passing the PAR standard: 24.16%
- 2004 5 Audits passing the FCA standard: 31.39%
- 2004 6 Audits failing all standards: 57.08%

Performance Ratings of Audit Subjects

Of the 48 audits conducted in 2004:

- 37 audit subjects (77.1%) met or exceeded the PAR 2004 performance standard thereby having all penalty citations waived in accordance with Labor Code Section 129.5(c) and Title 8, California Code of Regulations Section 10107.1(c)(3)(B). These audit subjects were ordered to pay all unpaid compensation due found within the audit.
- 11 audit subjects failed to meet or exceed the PAR standard with the audit expanding into the FCA-1 pursuant to Labor Code Section 129.5(c) and Title 8, California Code of Regulations Section 10107.1(d). Five of these audit subjects (10.4%) then met or exceeded the FCA-1 2004 standard. For these 5 audits, the Audit Unit issued Notices of

Compensation Due and assessed administrative penalties for late and unpaid indemnity in accordance with Labor Code Section 129.5(c) and Title 8, California Code of Regulations Section 10107.1(d)(3)(B).

- Six of the 48 audit subjects (12.5%) that failed the PAR also failed the FCA-2 performance standard thereby demonstrating poor performance and these claims administrators will be subject to a return target audit within 2 years. These audits expanded into the FCA-2 pursuant to Labor Code Section 129.5(c) and Title 8, California Code of Regulations Section 10107.1(e) and the audit subjects were assessed all penalty citations in accordance with Labor Code Section 129.5(c) and Title 8, California Code of Regulations Section 10107.1(e).

The **DWC Administrative Director's 2004 Audit Results Ranking Report** is part of this Annual Report and the complete list of the performance standard scores for the 48 audit subjects can be reviewed in order, from the best to worst performer.

PAR and FCA Standards Comparison

A look at the PAR and FCA performance standards combining all individual audit findings within the group that met or exceeded the PAR standard with the group that failed the PAR, but met or exceeded the FCA standard and the group that failed both standards. (Individual Exhibits 860 1A, 1B, and 1C) beginning with calendar year 2004 shows:

PAR Standard

- 2004 Average score of the 37 audit subjects: 0.93695
- 2004 Average score of the 5 audit subjects failing PAR: 2.91142

FCA-1 Standard

- 2004 Average score of the 5 audit subjects passing FCA: 1.98394
- 2004 Average score of the 6 audit subject failing FCA: 3.87911

FCA-2 Standard

- 2004 Average score of the 6 audit subject failing FCA: 3.78943

Appeals

In 2004, there were no appeals of audit findings.

Civil Penalty Issues

Civil Penalty under pre-2003 Labor Code Section 129.5(d)

For 1990 through 2002 California Labor Code Section 129.5(d) states, in part:

"In addition to the penalty assessments permitted by subdivision (a), the administrative director may assess a civil penalty, not to exceed one hundred thousand dollars (\$100,000), upon finding, after hearing, that an employer, insurer, or third-party administrator for an employer has knowingly committed and has performed with a frequency as to indicate a general business practice any of the following:

- (1) Induced employees to accept less than compensation due, or made it necessary for employees to resort to proceedings against the employer to secure compensation due.
- (2) Refused to comply with known and legally indisputable compensation obligations.
- (3) Discharged or administered compensation obligations in a dishonest manner.
- (4) Discharged or administered compensation obligations in a manner as to cause injury the public or those dealing with the employer or insurer...."

As a result of investigations and audits conducted by the Audit Unit under Labor Code Section 129.5(d), the Administrative Director assessed five separate civil penalties between calendar years 2000 and 2003. The claims administrators were National RV, Inc., Crawford & Company, Cambridge Integrated Services, Inc., City of Los Angeles, and 99 Cents Only Stores, Inc.

The status of the remaining civil penalty issues to other claims administrators under Labor Code Section 129.5(d) follows:

Gates McDonald & Company

This civil penalty investigation and audit of 2001 was conducted based on information received from the Office of Self-Insurance Plans indicating possible business practices involving late paid indemnity, failure to pay self-imposed increases pursuant to Labor Code Section 4650(d), and failure to issue required benefit notices pursuant to Title 8, California Code of Regulations, Sections 9812 and 9813. The investigation and audit consisted of a limited review of a targeted sample of claims of specific clients.

The previously charged civil penalty against Gates McDonald & Company was under Labor Code Section 129.5(d), the pre 1/1/2003 statute. In 2004, this matter went to a hearing for Gates McDonald to show cause why the Administrative Director should not assess a civil

penalty. The Administrative Director's decision found in favor of the claims administrator. It was determined that while the claims administrator knowingly committed the violations as charged, it did not do so with a frequency as to indicate a general business practice.

In this civil penalty matter, when the violations took place, pre 2003, the Audit Unit had to prove the charged subject was knowingly committing **and** with a frequency as to indicate a general business practice. Gates was successful in defending the matter and no civil penalty was assessed.

NOTE: If this had been a civil penalty action for violations occurring on or after January 1, 2003, the AU would have only to prove knowingly **or** with a frequency as to indicate a general business practice.

Gulf Insurance Company

The Audit Unit conducted a random audit at the companies adjusting location in 1999. The findings of that audit show it failed to meet the criteria as set forth in Title 8 California Code of Regulations Section 10106(f) and earned a return non-random audit within 3 years. The return non-random audit was conducted in 2002. The adjusting location for the second findings did not meet the criteria as set forth in Title 8 California Code of Regulations Section 10106(f).

While the audit subject failed this second audit, the findings reflect areas of improvement in the handling of claims. Additionally, the presumption of a civil penalty was by regulation but not statute. The reform of AB749 added a rebuttable presumption to Labor Code Section 129.5(e), providing that the failure to meet the performance standards of two full compliance audits shall be rebuttably presumed to have engaged in a general business practice of discharging and administering its compensation obligations in a manner causing injury to those dealing with it.

The civil penalty issue was held in abeyance with another target audit set for 2005. The findings of the 3 audits will be reviewed to determine whether civil penalty charges will be filed with the Administrative Director pursuant to Labor Code Section 129.5(e) and Title 8 California Code of Regulations Section 10114(c).

Civil Penalty under 2003 Labor Code Section 129.5(e)

Under AB 749, effective January 1, 2003, California Labor Code Section 129.5(e) was modified and states, in part:

"In addition to the penalty assessments permitted by subdivision (a), the administrative director may assess a civil penalty, not to exceed one hundred thousand dollars (\$100,000), upon finding, after hearing, that an employer, insurer, or third-party administrator for an employer has knowingly committed **or** has performed with **sufficient** frequency **so** as to indicate a general business practice any of the following:

- (1) Induced employees to accept less than compensation due, or made it necessary for employees to resort to proceedings against the employer to secure compensation due.
- (2) Refused to comply with known and legally indisputable compensation obligations.
- (3) Discharged or administered compensation obligations in a dishonest manner.
- (4) Discharged or administered compensation obligations in a manner as to cause injury the public or those dealing with the employer or insurer....

Any employer, insurer, or third party administrator that fails to meet the full compliance audit performance standards in two consecutive full compliance audits shall be rebuttably presumed to have engaged in a general business practice of discharging and administering its compensation obligations in a manner causing injury to those dealing with it.” (Emphasis added in bold)

No civil penalty investigations and target audits occurred in 2004. However, in 2004 the Audit Unit conducted 8 Return Target Audits.

Other Violations and Penalties

In addition to the penalty assessments totaling \$835,988 that were assessed as a result of audits, an additional 2 penalties totaling \$37,770 were assessed based on the failure of the claims administrators either to timely file an appeal or timely pay administrative penalty assessments. These penalty assessments are not included as part of the audit data within this report, but are summarized below.

Title 8, California Code of Regulations Section 10111.5.1 reads in pertinent part:

“ (a) Within 7 days after receiving a Notice of Penalty Assessment issued under Labor Code Section 129.5(a) and (c), the claims administrator may appeal all or a portion of the penalty assessments in the Notice by filing with the Administrative Director and serving the Audit Unit with a request for an appeals conference or a request for a written decision without a conference.

(b) If a request for a written decision or request for appeals conference is not timely filed and served, the Notice of Penalty Assessment will become final 7 days after the claims

administrator received it, and must be paid in accordance with Labor Code Section 129.5(c) within 15 days of receipt.”

Title 8, California Code of Regulations Section 10111.2(a)(12) reads in pertinent part:

“Notwithstanding Labor Code Section 129.5(c)(2) and whether or not the audit subject has met or exceeded performance standards calculated pursuant to Section 10107.1(d)(3), additional penalties will be assessed for late payment or failure of the audit subject to pay any administrative penalties assessed pursuant to this section that are not timely appealed pursuant to Section 10115.1. Penalties will be assessed as follows:

An additional penalty of 50% of the amount of each late paid penalty will be assessed for each penalty paid more than 30 but not more than 60 days from receipt of the Notice of Penalty Assessments;”

Based on these regulations, the audit subject, following receipt of the final audit report that includes the Notice of Penalty Assessments must either appeal or pay the assessment.

Two of the 48 audit subjects failed to appeal or make the required payment of administrative penalty assessments timely:

Crum & Forster Insurance did not file an appeal to the Notice of Penalty Assessments. The Notice of Penalty Assessments was received by Crum & Forster on 9/19/04. Assessments were paid on 11/13/04, more than 30 days but not more than 60 days late. Additional penalties paid were \$22,922.50.

Ralph's Grocery Company - Sedgwick Claims Management Services, Inc. did not file an appeal to the Notice of Penalty Assessments. The Notice of Penalty Assessments was received by the claims administrator on 11/5/04. Assessments were paid on 12/29/04, more than 30 days but not more than 60 days late. Additional penalties paid were \$14,847.50.

The Annual Report of Inventory

In addition to the penalty assessments totaling \$835,988 that were assessed as a result of audits, and the penalty assessments above, an additional 25 penalties totaling \$7,860 were assessed based on the failure of claims administrators either to timely file or having filed an inaccurate Annual Report of Inventory of Claims with the Audit Unit, as required by Title 8, California Code of Regulations Section 10104. The penalty assessments are pursuant to Title 8, California

Code of Regulations, Sections 10111.1(b)(11) and 10111.2(b)(25). These penalties are not included as part of the audit data within this report, but were assessed as follows:

Failure to Timely File a Report

Claims Administrator	Location	Amount Assessed	Amount Collected	Unpaid Balance
7UP/RC Bottling Company	Los Angeles	500	500	0
Adventist Health	Roseville	180	180	0
Broadspire Services, Inc.	Anaheim	500	500	0
Buckeye Claims Administrator	Elk Grove	280	280	0
Century National Insurance Company	North Hollywood	280	280	0
City of Burbank/Risk Management	Burbank	280	280	0
City of Glendale	Glendale	280	280	0
Complink, Inc.	Irvine	400	400	0
County of San Diego/Workers' Compensation Division	San Diego	180	180	0
Equity Claims Management, Inc.	Aliso Viejo	100	100	0
Fleming & Associates	Salinas	500	500	0
Ford Motor Company	Manteca	100	100	0
Ford Motor Company	Los Angeles	100	100	0
Ford Motor Company	Rancho Cordova	100	100	0
Ford Motor Company	Richmond	100	100	0
Indiana Lumbermens Mutual Insurance Company	Indianapolis, IN	500	500	0
Kaiser Permanente Medical Care Program	Oakland	100	100	0
Murphy and Beane	Culver City	100	100	0
Nationwide Insurance Company	Santa Rosa	500	500	0
Ohio Casualty Group	Hamilton, OH	280	280	0
Risk Management Services Group, Inc.	Westlake Village	500	500	0
SAFECO Insurance Company	Aliso Viejo	500	500	0
Sedgwick Claims Management Service	Long Beach	500	500	0
Solar Turbines, Inc.	San Diego	500	500	0
Springfield Insurance Company	Covina	500	500	0
TOTALS		\$7,860	\$7,860	\$0

Failure to File an Accurate Report

No assessments were issued for an inaccurate Annual Report of Inventory.

DWC Profile Audit Performance Standards and Full Compliance Audit Standards for 2005

The PAR and FCA performance standards will be updated pursuant to Labor Code Section 129(b) and Title 8, California Code of Regulations, Section 10107.1(c), (d), and (e). This will be accomplished by taking the 2003 audit results and extracting data for the 5 major keys subject to the new audit program. The results were then combined with the 2002 and 2001 performance rating scores to develop the 2005 profile audit review (PAR) and full compliance audit (FCA) standards. The **PAR standard for 2005 is 1.76445 and the FCA standard is 2.47631**. Profile audit review audits (PAR audits) for 2005 commenced early 2005 using the new standards. The Audit Unit continues to work to ensure that injured workers receive their workers' compensation benefits and to act as a deterrent to poor claims handling.

Window to the Future

The Division of Workers' Compensation expects to complete promulgation of penalty assessment regulations pursuant to Labor Code Sections 4610 and 5814.6 this year. Additionally, the Audit Unit will amend some of the regulations for the profile audit review program pursuant to AB749. Also, regulations will be added to provide for a penalty schedule of violations and assessments to the Workers' Compensation Information System (WCIS) reporting requirements later this year.

Therefore, in addition to the profile audit reviews and full compliance audits, DWC will be performing investigations and audit reviews to identify non-compliance with Utilization Review, Labor Code Section 5814.6, and WCIS reporting requirements. Violations for non-compliance will be assessed pursuant to all applicable Labor Code sections and regulations.

Description of Statewide Exhibits

Ranking Report is the DWC Administrative Director's 2004 Audit Ranking Report issued in accordance with Labor Code Section 129(e). The report ranks all insurers, self-insured employers, and third-party administrators audited during 2004 according to their performance measured by the profile audit review and full compliance audit performance standards.

Exhibit 1 is a summary of the statewide final performance for the 48 audits conducted in 2004. It includes the expanded number of indemnity files and denied claim files with subsequent acceptance and requirements to pay indemnity audited for each of the 5 major areas of key violations and the number of those files wherein one or more of the key violations were found.

Exhibit 1A is a summary of the individual 1A exhibits used in determining the **PAR** performance standard factor for each audit subject. It includes the number of indemnity files audited for each of the 5 major areas of key violations and the number of those files wherein one or more of the key violations were found.

Exhibit 1B is a summary of the individual 1A exhibits used in determining the **FCA-1** performance standard factor for each audit subject. It includes the number of indemnity files audited for each of the 5 major areas of key violations and the number of those files wherein one or more of the key violations were found.

Exhibit 1C is a summary of the individual exhibits used in determining the **FCA-2** performance standard factor for each audit subject. It includes the expanded number of indemnity files and denied claim files with subsequent acceptance and requirements to pay indemnity audited for each of the 5 major areas of key violations and the number of those files wherein one or more of the key violations were found.

Exhibit 2A is a summary of the number of files audited by type, the numbers and amounts of penalties, amounts collected, balance due, and the number of appeals for Northern California and Southern California. **Exhibit 2B** lists the same data for each audit subject audited in or by Northern California staff. **Exhibit 2C** lists the same data for each audit subject audited in or by Southern California staff.

Exhibit 2D and 2E are summaries of the audit results for each audit by type of claims administrator and by method of selection for audit. There are separate listings for routinely selected and target selected audit subjects, and breakdowns showing the same data for insurers, self-insured employers, and third-party administrators as separate groupings.

Exhibit 3 separates the Schedule of Administrative Penalties in Title 8, California Code of Regulations, Section 10111.2 into various categories. There is a **Key to Exhibit 3** describing the nature of each category, and an **Exhibit 3** showing statewide totals and amounts of assessable administrative penalties in 2004 by category.

Exhibit 4 summarizes by type of indemnity the amounts of unpaid compensation found in the 559 audited claims for which Notices of Compensation Due were issued.

Description of Individual Audit Exhibits

Exhibit 1A is the worksheet to calculate the audit findings to a score that determines the **PAR** performance standard factor for this audit subject. It includes the number of indemnity files audited for each of the 5 major areas of key violations and the number of those files wherein one or more of the key violations were found.

Exhibit 1B is the worksheet to calculate the audit findings to a score that determines the **FCA-1** performance standard factor for this audit subject. It includes the expanded number of indemnity files audited for each of the 5 major areas of key violations and the number of those files wherein one or more of the key violations were found.

Exhibit 1C is the worksheet to calculate the audit findings to a score that determines the **FCA-2** performance standard factor for this audit subject. It includes the number of indemnity files and denied claim files with subsequent acceptance and requirements to pay indemnity audited for each of the 5 major areas of key violations and the number of those files wherein one or more of the key violations were found.

Exhibit 3 separates the Schedule of Administrative Penalties in Title 8, California Code of Regulations, Section 10111.2 into various categories showing totals and amounts of assessable administrative penalties for this individual audit finding. There is a **Key to Exhibit 3** describing the nature of each category.

Exhibit 4 summarizes by type of indemnity the amounts of unpaid compensation found in the audited claims in this individual audit for which Notices of Compensation Due were issued.

Statewide Audit Exhibits

DWC Administrative Director's 2004 Audit Ranking Report

Statewide Performance Review

- Exhibit 1 Statewide Performance ~ 48 Audits
- Exhibit 1A~1 Pass Profile Audit Review ~ 37 Audits
- Exhibit 1A~2 Fail Profile Audit Review ~ 11 Audits
- Exhibit 1B~1 Pass Full Compliance Audit -Stage 1 ~ 5 Audits
- Exhibit 1B~2 Fail Full Compliance Audit -Stage 1 ~ 6 Audits
- Exhibit 1C Full Compliance Audit-Stage 2 ~ 6 Audits

Penalty Assessments and Collections

- Exhibit 2A Statewide Summary
- Exhibit 2B Northern California
- Exhibit 2C Southern California
- Exhibit 2D Audit Subjects by Method of Selection
- Exhibit 2E Audit Subjects by Type of Claims Administrator
- Exhibit 3A Key to Administrative Penalty Assessments
- Exhibit 3B Summary of Penalties Cited by Type of Penalty
- Exhibit 4 Summary of Notices of Compensation Due

DWC ADMINISTRATIVE DIRECTOR'S 2004 AUDIT RANKING REPORT

Issued in accordance with Labor Code Section 129(e)
and Title 8, California Code of Regulations, Section 10107.1(c)(3)]

Rank	Routine and Target Audits conducted pursuant to Labor Code Sections 129(b)(1)(2)(3), and 129.5(c)(1)(2)(3) (Rankings from best to worst performers) AUDIT SUBJECT / LOCATION	Unpaid Compensation All Claim Files # Notices / \$ Value	PAR Standard 1.92667	FCA Stage 1 Standard 2.77703	FCA Stage 2 Standard 2.77703
<i>The following audit subjects under the Profile Audit Review (LC 129) met or exceed the PAR standard (1.92667 or less). All administrative penalties were waived pursuant to Labor Code Section 129.5(c)(1). The unpaid compensation found due injured workers within each claim file was ordered paid.</i>					
1	City of Riverside/Riverside	0 / \$0	0.01923	n/a	n/a
2	Zenith Insurance Company/Woodland Hills	1 / \$44.18	0.09735	n/a	n/a
3	Republic American Insurance Group/Encino	2 / \$298.23	0.13990	n/a	n/a
4	City of San Bernardino/San Bernardino	1 / \$130.87	0.16192	n/a	n/a
5	Octagon Risk Services, Inc./San Diego	2 / \$1,181.15	0.21816	n/a	n/a
6	Ross & Castillo/Fresno	2 / \$812.63	0.46666	n/a	n/a
7	Interstate Brands Corporation/San Diego	3 / \$461.86	0.47754	n/a	n/a
8	City of Santa Monica/Santa Monica	8 / \$836.85	0.55807	n/a	n/a
9	Octagon Risk Services, Inc./Pleasanton	2 / \$777.53	0.57825	n/a	n/a
10	Intercare Insurance Services/Sacramento	1 / \$3,130.60	0.62870	n/a	n/a
11	Farmers Insurance Group/Pleasanton	5 / \$598.35	0.68392	n/a	n/a
12	Northern Claims Management/Santa Rosa	1 / \$126.51	0.70078	n/a	n/a
13	Monterey County Schools, Workers' Compensation/JPA/Salinas	2 / \$805.57	0.73731	n/a	n/a
14	LWP Claims Solutions, Inc./Sacramento	5 / \$4,652.95	0.75727	n/a	n/a
15	ESIS (an ACE Group Company)/Irving, TX	5 / \$525.36	0.77059	n/a	n/a
16	AIG Claim Services, Inc./Costa Mesa	8 / 6,365.03	0.78355	n/a	n/a
17	Claims Management, Inc./Rancho Cordova	8 / \$5,749.21	0.96793	n/a	n/a
18	Cambridge Integrated Services Group, Inc./Salinas	9 / \$10,459.63	1.01199	n/a	n/a
19	Solar Turbines, Inc./San Diego	3 / \$3,961.42	1.01547	n/a	n/a
20	National Steel & Shipbuilding Company/San Diego	4 / \$2,370.63	1.01969	n/a	n/a
21	Keenan & Associates/Riverside	9 / \$1,427.56	1.03385	n/a	n/a
22	Southern California Risk Management Associates, Inc./Oxnard	5 / \$20,658.97	1.06449	n/a	n/a

DWC ADMINISTRATIVE DIRECTOR'S 2004 AUDIT RANKING REPORT

Issued in accordance with Labor Code Section 129(e)
and Title 8, California Code of Regulations, Section 10107.1(c)(3)]

Rank	Routine and Target Audits conducted pursuant to Labor Code Sections 129(b)(1)(2)(3), and 129.5(c)(1)(2)(3) (Rankings from best to worst performers) AUDIT SUBJECT / LOCATION	Unpaid Compensation	PAR	FCA Stage 1	FCA Stage 2
		All Claim Files # Notices / \$ Value	Standard 1.92667	Standard 2.77703	Standard 2.77703
23	Clougherty Packing Company/Los Angeles	6 / \$5,207.58	1.06521	n/a	n/a
24	City of San Diego/San Diego	8 / \$6,514.23	1.33270	n/a	n/a
25	Vanliner Insurance Company/St. Louis, MO	7 / \$8,088.16	1.33346	n/a	n/a
26	Travelers P&C Co./Constitution State Services/Rancho Cordova	13 / \$5,848.74	1.36668	n/a	n/a
27	Specialty Risk Services/Burbank	13 / \$4,847.81	1.45169	n/a	n/a
28	National RV, Inc./Perris	7 / \$11,525.57	1.50627	n/a	n/a
29	Valley Risk TPA (Formerly SDI)/Stockton	8 / \$12,279.47	1.53954	n/a	n/a
30	American All Risk Loss Administrators/Fresno	15 / \$10,905.22	1.55207	n/a	n/a
31	One Beacon Insurance Co/Foxborough, MA	2 / \$7,887.91	1.56100	n/a	n/a
32	Hazelrigg Risk Management Services, Inc./San Diego	11 / \$20,669.58	1.58222	n/a	n/a
33	Specialty Risk Services/Pleasanton	14 / \$17,329.96	1.62126	n/a	n/a
34	Frank Gates Service Company/Anaheim	12 / \$4,400.69	1.73664	n/a	n/a
35	Universal Underwriters Insurance Company/Roseville	11 / \$3,370.90	1.82401	n/a	n/a
36	Crawford & Company/San Diego	7 / \$4,014.55	1.83856	n/a	n/a
37	Broadspire Services, Inc. (Formerly Cunningham Lindsey)/Brea	9 / \$8,136.00	1.90946	n/a	n/a
<p><i>The following audit subjects under the Profile Audit Review (LC 129) failed to meet or exceed the PAR standard (1.92667 or less). The audit proceeded to the Full Compliance Audit Stage 1 [LC 129(b)(2)] and met or exceeded the FCA standard (2.77703 or less). Administrative penalties pursuant to Labor Code 129.5(c)(2) were assessed and unpaid compensation found due injured workers within each claim file was ordered paid.</i></p>					
38	Crum & Forster Insurance/Los Angeles	41 / \$26,572.42	2.12138	2.22371	n/a
41	COMCO Management, Inc./Sierra Madre	18 / \$8,478.47	2.12281	1.83344	n/a
39	Ralphs' Grocery Co./Sedgwick Claims Mgmt./Long Beach	36 / \$44,584.74	2.19794	1.90700	n/a
40	PEGASUS Risk Management/Fresno	21 / \$21,423.63	2.21982	1.74175	n/a
42	City of Pasadena/Pasadena	26 / \$9,019.66	2.32710	2.32592	n/a

DWC ADMINISTRATIVE DIRECTOR'S 2004 AUDIT RANKING REPORT

Issued in accordance with Labor Code Section 129(e)
and Title 8, California Code of Regulations, Section 10107.1(c)(3)]

Rank	Routine and Target Audits conducted pursuant to Labor Code Sections 129(b)(1)(2)(3), and 129.5(c)(1)(2)(3) (Rankings from best to worst performers) AUDIT SUBJECT / LOCATION	Unpaid Compensation All Claim Files # Notices / \$ Value	PAR Standard 1.92667	FCA Stage 1 Standard 2.77703	FCA Stage 2 Standard 2.77703
	<p><i>The following audit subjects under the Profile Audit Review (LC 129) failed to meet or exceed the PAR standard (1.92667 or less). The audit proceeded to the Full Compliance Audit Stage 1 [LC 129(b)(2)] and failed to meet or exceed the FCA standard (2.77703 or less). The audit then extended to the Full Compliance Audit Stage 2 [LC 129(b)(2)] for a comprehensive and detailed review of the audit subject's performance. Administrative penalties pursuant to Labor Code 129.5(c)(3) were assessed and unpaid compensation found due injured workers within each claim file was ordered paid.</i></p>				
43	Santa Ana Unified School District Risk Management/Santa Ana	27 / \$87,163.93	2.83610	4.72739	4.05276
44	United Service Automobile Association/Sacramento	19 / \$31,208.21	2.91751	5.55684	5.16681
45	Sompo Japan Insurance/Los Angeles	36 / \$47,502.42	3.11958	3.95569	4.19792
46	Kaiser Permanente Medical Care Program/Oakland	56 / \$69,939.68	3.64320	2.92514	2.97528
47	GARMI/Orange	19 / \$23,979.50	3.77355	4.24310	4.22521
48	City of Los Angeles - Dept. of Water & Power/Los Angeles	31 / \$68,462.80	5.05345	3.11906	3.24459

Statewide Final Performance Rating of Randomly Selected Claims

48 Audits

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 543 divide by # claims with payable indem 2997 = 0.18118

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$ 603,611.36 divide by # of claims with obligation to pay indem. 2997
 Avg Unpd Ind = \$ 201.41

C. Severity Rate

Avg Unpd Indem \$ 201.41 divide by avg unpd indem 2000-2002 of \$ 184.59 = 1.09109

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.18118 X Severity rate 1.09109 X modifier of 2
 = **0.39537**

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	627	divide by # with TD payments	1946	
# claims with late first SC notice	300	divide by # with salary continuation	866	
Totals	927	divide by	Totals	2812
				=
				0.32966

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	229	divide by # with first PD	1030	
# claims with late first VRMA	26	divide by # with first VRMA	289	
# claims with late first DB	0	divide by # with first DB paid	3	
Totals	255	divide by	Totals	1322
				=
				0.19289

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 467 divide by # with subsequent payments 1840 =
0.25380

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	548	divide by # requiring notices	2166	
# claims with VR potential eligibility notice violations	297	divide by # requiring notices	566	
Totals	845		Totals	2732
				=
				0.30930

PROFILE AUDIT REVIEW PERFORMANCE RATING **1.48102**

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Profile Audit Review Performance Rating of Randomly Selected Claims

Findings for the 37 Audits that

Met or Exceeded the PAR Performance Rating of 1.92667

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 225 divide by # claims with payable indem 1872 = 0.12019

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$ 179,969.31 divide by # of claims with obligation to pay indem. 1872
 Avg Unpd Ind = \$ 96.14

C. Severity Rate

Avg Unpd Indem \$ 96.14 divide by avg unpd indem 2000-2002 of \$ 184.59 = 0.52082

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.12019 X Severity rate 0.52082 X modifier of 2
 = 0.12520

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	312	divide by # with TD payments	1257	
# claims with late first SC notice	112	divide by # with salary continuation	467	
Totals	424	divide by	Totals	1724
				=
				0.24594

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	98	divide by # with first PD	708	
# claims with late first VRMA	14	divide by # with first VRMA	221	
# claims with late first DB	0	divide by # with first DB paid	2	
Totals	112	divide by	Totals	931
				=
				0.12030

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 250 divide by # with subsequent payments 1226 =
0.20392

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	249	divide by # requiring notices	1365	
# claims with VR potential eligibility notice violations	175	divide by # requiring notices	390	
Totals	424	Totals	1755	
				=
				0.24160

PROFILE AUDIT REVIEW PERFORMANCE RATING 0.93695

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Profile Audit Review Performance Rating of Randomly Selected Claims

Combined Findings for the 11 Audits that Failed to

Meet or Exceed the PAR Performance Rating of 1.92667

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 162 divide by # claims with payable indem 538 = 0.30112

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$ 197,106.38 divide by # of claims with obligation to pay indem. 538
 Avg Unpd Ind = \$ 366.37

C. Severity Rate

Avg Unpd Indem \$ 366.37 divide by avg unpd indem 2000-2002 of \$ 184.59 = 1.98477

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.30112 X Severity rate 1.98477 X modifier of 2
 = 1.19529

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	161	divide by # with TD payments	335	
# claims with late first SC notice	99	divide by # with salary continuation	198	
Totals	260	divide by	Totals	533
				=
				0.48780

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	66	divide by # with first PD	159	
# claims with late first VRMA	7	divide by # with first VRMA	39	
# claims with late first DB	0	divide by # with first DB paid	1	
Totals	73	divide by	Totals	199
				=
				0.36683

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 121 divide by # with subsequent payments 315 =
 0.38413

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	165	divide by # requiring notices	388	
# claims with VR potential eligibility notice violations	67	divide by # requiring notices	98	
Totals	232		Totals	486
				=
				0.47737

PROFILE AUDIT REVIEW PERFORMANCE RATING 2.91142

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Findings for the 5 Audits that

Met or Exceeded the FCA-Stage 1 Performance Rating of 2.77703

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 141 divide by # claims with payable indem 578 = 0.24394

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$ 109,596.89 divide by # of claims with obligation to pay indem. 578
Avg Unpd Ind = \$ 189.61

C. Severity Rate

Avg Unpd Ind. \$ 189.61 divide by avg unpd indem 2000-2002 of \$ 184.59 = 1.02722

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.24394 X Severity rate 1.02722 X modifier of 2
= 0.50117

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	126	divide by # with TD payments	362	
# claims with late first SC notice	100	divide by # with salary continuation	210	
Totals	226	divide by	Totals 572	=
				0.39510

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	57	divide by # with first PD	155	
# claims with late first VRMA	4	divide by # with first VRMA	34	
# claims/late first death benefits	0	divide by # with first death ben paid	1	
Totals	61	divide by	Totals 190	=
				0.32105

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 134 divide by # with subseq payments 296 = 0.45270

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	102	divide by # requiring notices	434	
# claims with VR potential eligibilty notice violations	65	divide by # requiring notices	98	
Totals	167		Totals 532	
				= 0.31391

FULL COMPLIANCE AUDIT PERFORMANCE RATING

Full Compliance Audit Performance Rating of indemnity files of 2.77704 or greater is a failing score. 1.98394

Full Compliance Audit Performance Rating of Randomly Selected Claims

Findings for the 6 Audits that Failed to

Meet or Exceed the FCA-Stage 1 Performance Rating of 2.77703

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 173 divide by # claims with payable indem 538 = 0.32156

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$ 321,310.78 divide by # of claims with obligation to pay indem. 538
 Avg Unpd Ind = \$ 597.23

C. Severity Rate

Avg Unpd Ind. \$ 597.23 divide by avg unpd indem 2000-2002 of \$ 184.59 = 3.23545

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.32156 X Severity rate 3.23545 X modifier of 2
 = 2.08079

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	185	divide by # with TD payments	319	
# claims with late first SC notice	86	divide by # with salary continuation	188	
Totals	271	divide by	Totals 507	=
				0.53452

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	73	divide by # with first PD	160	
# claims with late first VRMA	8	divide by # with first VRMA	33	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	81	divide by	Totals 193	=
				0.41969

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 82 divide by # with subseq payments 307 =
 0.26710

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	194	divide by # requiring notices	359	
# claims with VR potential eligibilty notice violations	57	divide by # requiring notices	76	
Totals	251	Totals	435	
				=
				0.57701

FULL COMPLIANCE AUDIT PERFORMANCE RATING 3.87911

Full Compliance Audit Performance Rating of indemnity files of 2.77704 or greater is a failing score.

Calendar Year 2004

Exhibit 2A

**Penalty Assessments and Collections
Statewide Summary**

	# of Audits	Number of Files Audited					# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed
		I	D	C	A	Total						
No. California	20	1,165	84	54	20	1,323	2,122	\$443,737	\$215,205	\$228,532	\$0	0
So. California	28	1,823	110	18	2	1,953	4,472	\$910,856	\$303,400	\$267,010	\$340,446	0
TOTAL	48	2,988	194	72	22	3,276	6,594	\$1,354,593	\$518,605	\$495,542	\$340,446	0

File type: I - Indemnity; D - Denied; C - Complaint; A - Additional

**Penalty Assessments and Collections
Northern California**

Audit Subject & Location	R / T	INS/ SI/ TPA	Number of Files Audited					# of AP's Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appeals	
			I	D	C	A	Total						Y	N
			American All Risk Loss Administrators/Fresno	R	TPA	58	0						0	0
Cambridge Integrated Services Group/Salinas	R	TPA	47	0	0	0	47	34	\$16,550	\$16,550	\$0	\$0		x
Claims Management, Inc./Rancho Cordova	R	TPA	59	0	0	0	59	50	\$10,575	\$10,575	\$0	\$0		x
ESIS (an ACE Group Company)/Irving, TX	R	TPA	51	0	0	0	51	37	\$6,590	\$6,590	\$0	\$0		x
Farmers Insurance Group/Pleasanton	R	INS	58	0	5	0	63	37	\$9,490	\$9,490	\$0	\$0		x
Intercare Insurance Services/Sacramento	R	TPA	45	0	0	0	45	26	\$7,340	\$7,340	\$0	\$0		x
Kaiser Permanente/Oakland	T	SI	136	65	35	20	256	714	\$155,737	\$4,185	\$151,552	\$0		x
LWP Claims Solutions, Inc./Sacramento	R	TPA	58	0	0	0	58	40	\$8,770	\$8,770	\$0	\$0		x
Monterey Co Schools-JPA/Salinas	R	SI	53	0	0	0	53	28	\$6,360	\$6,360	\$0	\$0		x
Northern Claims Management/Santa Rosa	R	TPA	53	0	0	0	53	26	\$4,225	\$4,225	\$0	\$0		x
Octagon Risk Services, Inc./Pleasanton	R	TPA	43	0	0	0	43	29	\$3,580	\$3,580	\$0	\$0		x
One Beacon Insurance Co/Foxborough, MA	R	INS	37	0	1	0	38	63	\$12,820	\$12,820	\$0	\$0		x
Pegasus Risk Management/Fresno	R	TPA	118	0	0	0	118	171	\$32,335	\$17,560	\$14,775	\$0		x
Ross & Castillo/Fresno	R	TPA	56	0	0	0	56	28	\$3,040	\$3,040	\$0	\$0		x
Specialty Risk Services/Pleasanton	R	TPA	59	0	12	0	71	99	\$28,790	\$28,790	\$0	\$0		x
Travelers-Constitution State/Rancho Cordova	T	INS	58	0	1	0	59	143	\$22,830	\$22,830	\$0	\$0		x
United Service Automobile Assoc/Sacramento	R	INS	42	19	0	0	61	287	\$62,205	\$0	\$62,205	\$0		x
Universal Underwriters Insurance Co/Roseville	R	INS	46	0	0	0	46	117	\$12,685	\$12,685	\$0	\$0		x
Valley Risk TPA/Stockton	R	TPA	41	0	0	0	41	44	\$6,940	\$6,940	\$0	\$0		x
Vanliner Insurance Company/St. Louis, MO	R	INS	47	0	0	0	47	69	\$13,655	\$13,655	\$0	\$0		x
TOTAL			1,165	84	54	20	1,323	2,122	\$ 443,737	\$ 215,205	\$ 228,532	\$0	0	20

File type: I - Indemnity; D - Denied; C - Compliant; A - Additional

R - Routine	18
T - Target	2
TOTAL	20

INS - Insurer	6
SI - Self-Insured Employer	2
TPA - Third Party Administrator	12
TOTAL	20

**Penalty Assessments and Collections
Southern California**

Audit Subject & Location	R / T	INS/ SI/ TPA	Number of Files Audited					# of AP's Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appeals	
			I	D	C	A	Total						Y	N
AIG Claim Services, Inc./Costa Mesa	R	TPA	59	0	7	0	66	42	\$9,650	\$9,650	\$0	\$0		x
Broadspire (Fmly - Cunningham Lindsey)/Brea	R	TPA	54	0	1	0	55	123	\$27,110	\$27,110	\$0	\$0		x
City of L A - Water & Power/Los Angeles	T	SI	118	46	0	0	164	548	\$121,376	\$125	\$0	\$121,251		x
City of Pasadena/Pasadena	T	SI	91	0	0	0	91	163	\$28,810	\$13,890	\$14,920	\$0		x
City of Riverside/Riverside	R	SI	48	0	0	0	48	1	\$400	\$400	\$0	\$0		x
City of San Bernardino/San Bernardino	R	SI	49	0	0	0	49	8	\$945	\$945	\$0	\$0		x
City of San Diego/San Diego	R	SI	56	0	0	0	56	65	\$17,100	\$17,100	\$0	\$0		x
City of Santa Monica/Santa Monica	R	SI	53	0	0	0	53	31	\$5,350	\$5,350	\$0	\$0		x
Clougherty Packing Company/Los Angeles	R	SI	37	0	0	0	37	60	\$10,790	\$10,790	\$0	\$0		x
COMCO Management, Inc./Sierra Madre	R	TPA	107	0	0	0	107	172	\$42,645	\$15,890	\$0	\$26,755		x
Crawford & Company/San Diego	R	TPA	27	0	0	0	27	73	\$22,540	\$22,540	\$0	\$0		x
Crum & Forster Insurance/Los Angeles	R	INS	130	0	1	0	131	335	\$70,545	\$22,400	\$48,145	\$0		x
Frank Gates Service Company/Anaheim	R	TPA	54	0	0	0	54	102	\$21,600	\$21,600	\$0	\$0		x
GARMI/Anaheim	R	TPA	49	8	0	0	57	267	\$53,955	\$4,375	\$49,580	\$0		x
Hazlrigg Risk Management Svcs Inc./San Diego	R	TPA	58	0	2	0	60	75	\$16,960	\$16,960	\$0	\$0		x
Interstate Brands Corporation/San Diego	T	SI	54	0	0	0	54	27	\$4,840	\$4,840	\$0	\$0		x
Keenan & Associates/Riverside	R	TPA	58	0	0	0	58	72	\$15,150	\$15,150	\$0	\$0		x
National RV, Inc./Perris	T	SI	45	0	0	0	45	66	\$20,365	\$20,365	\$0	\$0		x
National Steel & Shipbuilding Co/San Diego	R	SI	31	0	0	0	31	27	\$8,845	\$8,845	\$0	\$0		x
Octagon Risk Services, Inc./San Diego	R	TPA	55	0	0	0	55	12	\$1,985	\$1,985	\$0	\$0		x
Ralphs' /Sedgwick Claims Mgmt/Long Beach	T	SI	132	0	2	0	134	209	\$42,425	\$12,730	\$29,695	\$0		x
Republic American Insurance/Encino	R	INS	57	0	0	0	57	16	\$1,375	\$1,375	\$0	\$0		x
Santa Ana US D Risk Management/Santa Ana	T	SI	107	28	1	0	136	1,068	\$194,875	\$2,435	\$0	\$192,440		x
Solar Turbines, Inc./San Diego	R	SI	41	0	0	0	41	29	\$5,715	\$5,715	\$0	\$0		x

**Penalty Assessments and Collections
Southern California**

Audit Subject & Location	R / T	INS/ SI/ TPA	Number of Files Audited					# of AP's Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appeals	
			I	D	C	A	Total						Y	N
Sompo Japan Insurance/Los Angeles	R	INS	86	28	4	2	120	706	\$128,085	\$3,415	\$124,670	\$0		x
Southern California Risk Mgmt Assoc/Oxnard	R	TPA	54	0	0	0	54	39	\$6,820	\$6,820	\$0	\$0		x
Specialty Risk Services/Burbank	R	TPA	55	0	0	0	55	130	\$26,625	\$26,625	\$0	\$0		x
Zenith Insurance Company/Woodland Hills	R	INS	58	0	0	0	58	6	\$3,975	\$3,975	\$0	\$0		x
TOTAL			1,823	110	18	2	1,953	4,472	\$ 910,856	\$ 303,400	\$ 267,010	\$ 340,446	0	

File type: I - Indemnity; D - Denied; C - Compliant; A - Additional

R - Routine	22
T - Target	6
TOTAL	28

INS - Insurer	4
SI - Self-Insured Employer	13
TPA - Third Party Administrator	11
TOTAL	28

**Penalty Assessments and Collections
Audit Subjects by Methods of Selection**

TYPE OF ROUTINE AUDIT SUBJECT	# of Audits	Number of Files Audited					# of AP's Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
		I	D	C	A	Total						Y	N
Insurer	9	561	47	11	2	621	1,636	\$314,835	\$79,815	\$235,020	\$0		0
Self-insured Employer	8	368	0	0	0	368	249	\$55,505	\$55,505	\$0	\$0		0
Third-party Administrator	23	1,318	8	22	0	1,348	1,771	\$392,995	\$301,885	\$64,355	\$26,755		0
TOTAL	40	2,247	55	33	2	2,337	3,656	\$763,335	\$437,205	\$299,375	\$26,755	0	0

TYPE OF TARGET AUDIT SUBJECT	# of Audits	Number of Files Audited					# of AP's Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
		I	D	C	A	Total						Y	N
Insurer	1	58	0	1	0	59	143	\$22,830	\$22,830	\$0	\$0		0
Self-insured Employer	7	683	139	38	20	880	2,795	\$568,428	\$51,710	\$203,027	\$313,691		0
Third-party Administrator	0	0	0	0	0	0	0	\$0	\$0	\$0	\$0		0
TOTAL	8	741	139	39	20	939	2,938	\$591,258	\$74,540	\$203,027	\$313,691	0	0

TYPE OF AUDIT	# of Audits	Number of Files Audited					# of AP's Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
		I	D	C	A	Total						Y	N
Total Routine	40	2,247	55	33	2	2,337	3,656	\$763,335	\$437,205	\$299,375	\$26,755	0	0
Total Target	8	741	139	39	20	939	2,938	\$591,258	\$74,540	\$203,027	\$313,691	0	0
TOTAL	48	2,988	194	72	22	3,276	6,594	\$1,354,593	\$511,745	\$502,402	\$340,446	0	0

File type: I - Indemnity; D - Denied; C - Complaint; A - Additional

**Penalty Assessments and Collections
Audit Subjects by Type of Claims Administrator**

INSURER	# of Audits	Number of Files Audited					# of AP's Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		I	D	C	A	Total						Y	N
		Routine	9	561	47	11						2	621
Target	1	58	0	1	0	59	143	\$22,830	\$22,830	\$0	\$0		0
TOTAL	10	619	47	12	2	680	1779	\$337,665	\$102,645	\$235,020	\$26,755	0	0

SELF-INSURED EMPLOYER	# of Audits	Number of Files Audited					# of AP's Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		I	D	C	A	Total						Y	N
		Routine	8	368	0	0						0	368
Target	7	683	139	38	20	880	2,795	\$568,428	\$58,570	\$196,167	\$313,691		0
TOTAL	15	1,051	139	38	20	1,248	3,044	\$623,933	\$114,075	\$196,167	\$313,691	0	0

File type: I - Indemnity; D - Denied; C - Complaint; A - Additional

**Penalty Assessments and Collections
Audit Subjects by Type of Claims Administrator**

THIRD-PARTY ADMINISTRATOR	# of Audits	Number of Files Audited					# of AP's Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		I	D	C	A	Total						Y	N
		Routine	23	1,318	8	22						0	1,348
Target	0	0	0	0	0	0	0	\$0	\$0	\$0	\$0		0
TOTAL	23	1,318	8	22	0	1,348	1,771	\$392,995	\$301,885	\$64,355	\$0	0	0

CLAIMS ADMINISTRATOR	# of Audits	Number of Files Audited					# of AP's Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		I	D	C	A	Total						Y	N
		Insurer	10	619	47	12						2	680
Self-insured Employer	15	1051	139	38	20	1248	3,044	\$ 623,933	\$ 114,075	\$ 196,167	\$313,691	0	0
Third-party Administrator	23	1318	8	22	0	1348	1,771	\$ 392,995	\$ 301,885	\$ 64,355	\$0	0	0
TOTAL	48	2,988	194	72	22	3,276	6,594	\$1,354,593	\$518,605	\$495,542	\$340,446	0	0

File type: I - Indemnity; D - Denied; C - Complaint; A - Additional

Key to Exhibits

For Administrative Penalty Assessments

Item #	Nature of Violation by Category
• 1	Late first payment of temporary disability indemnity benefits.
• 2	Late first payment of permanent disability indemnity benefits.
• 3	Late first payment of vocational rehabilitation indemnity benefits.
• 4	Late subsequent payment of indemnity benefits.
• 5	Late first payment of death benefits indemnity benefits.
6	Failure to issue benefit notices other than specific notices for vocational rehabilitation and for denial of injury.
• 7	Late provision of benefit notices other than specific notices for vocational rehabilitation and notices for denial of injury.
8	Failure to pay or object to medical expenses within specific timeframe including payment of interest and increase.
9	Failure to pay or object to medical-legal expenses within specific time frame including payment of interest and increase.
10	Failure to pay or object to vocational rehabilitation expenses within specific time frame.
11	Failure to timely assign a qualified rehabilitation representative to an employee after 90 aggregate days of total temporary disability for injuries prior to 1/1/94.
12	Failure to notify an injured employee in a timely manner of vocational rehabilitation information as required after 90 aggregate days of total temporary disability for injuries 1/1/94 through 12/31/03.
13	Failure to notify an injured employee in a timely manner of potential eligibility for vocational rehabilitation as required for injuries through 12/31/03.
14	Failure to notify an injured employee in a timely manner of non-eligibility for vocational rehabilitation as required.
15	Failure to notify an injured employee in a timely manner of the procedure to evaluate permanent disability as required.
16	Failure to provide notices denying all liability or death benefits as required.
17	Failure to timely respond to a request to provide or authorize medical treatment.
• 18a	Failure to pay any temporary disability indemnity benefit or salary continuation in lieu of temporary disability indemnity.
• 18b	Failure to pay any permanent disability indemnity benefit.
• 18c	Failure to pay any vocational rehabilitation indemnity benefit.
• 18d	Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.
• 18e	Failure to pay any indemnity as ordered by the Workers' Compensation Appeals Board (WCAB) or as ordered by the Rehabilitation Unit.
• 18f	Failure to pay any other indemnity, including but not limited to failure to pay any interest on a WCAB Order or Award; failure to pay any death benefits.
19	Failure to include specific items or properly designate entries on a claim log.
20a	Materially incomplete or inaccurate benefit notices including denial for all liability, other than specific vocational rehabilitation notices.
20b	Failure to investigate.
20c	Late payment of WCAB Orders or Awards or Rehabilitation Unit Orders for late payment of attorney fees and issues other than late payment of indemnity.
20d	Other penalties for failure to comply with any regulation of the Administrative Director not otherwise assessed.
21	Unsupported denial of all liability for a claim.

- Items audited during Profile Audit Review and Full Compliance Audit – Stage 1.

Statewide Summary of Penalties

Cited by Type of Penalty

Item	# Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due
1	745	\$ 150,990	\$ 48,505	\$ 82,845	\$ 19,640
2	258	\$ 84,081	\$ 30,850	\$ 32,545	\$ 20,686
3	28	\$ 7,350	\$ 2,240	\$ 3,405	\$ 1,705
4	1,123	\$ 140,432	\$ 94,105	\$ 30,825	\$ 15,502
5	0	\$ -	\$ -	\$ -	\$ -
6	638	\$ 67,080	\$ 5,800	\$ 32,420	\$ 28,860
7	534	\$ 33,124	\$ 9,230	\$ 13,041	\$ 10,853
8	1,042	\$ 150,555	\$ -	\$ 73,230	\$ 77,325
9	83	\$ 9,630	\$ -	\$ 950	\$ 8,680
10	6	\$ 550	\$ -	\$ -	\$ 550
11	0	\$ -	\$ -	\$ -	\$ -
12	65	\$ 30,040	\$ -	\$ 14,020	\$ 16,020
13	314	\$ 106,560	\$ 80,500	\$ 20,100	\$ 5,960
14	3	\$ 1,300	\$ -	\$ 900	\$ 400
15	556	\$ 226,000	\$ 129,800	\$ 41,900	\$ 54,300
16	11	\$ 4,200	\$ -	\$ 4,200	\$ -
17	0	\$ -	\$ -	\$ -	\$ -
18a	288	\$ 132,740	\$ 68,500	\$ 57,910	\$ 6,330
18b	126	\$ 80,135	\$ 17,675	\$ 29,900	\$ 32,560
18c	16	\$ 15,150	\$ 8,700	\$ 3,550	\$ 2,900
18d	472	\$ 62,945	\$ 20,100	\$ 31,320	\$ 11,525
18e	11	\$ 3,600	\$ 2,100	\$ 1,100	\$ 400
18f	2	\$ 5,500	\$ 500	\$ -	\$ 5,000
19	31	\$ 5,436	\$ -	\$ 4,836	\$ 600
20a	74	\$ 2,505	\$ -	\$ 1,025	\$ 1,480
20b	0	\$ -	\$ -	\$ -	\$ -
20c	7	\$ 15,220	\$ -	\$ 11,320	\$ 3,900
20d	161	\$ 19,470	\$ -	\$ 4,200	\$ 15,270
21	0	\$ -	\$ -	\$ -	\$ -
TOTAL	6,594	\$ 1,354,593	\$ 518,605	\$ 495,542	\$ 340,446

Calendar Year 2004

Exhibit 4

**Notices of Compensation Due
Statewide Summary**

	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty interest, or other	Total	# of Notices
No. California	\$70,886.23	\$102,626.47	\$4,129.99	\$37,627.40	\$0.00	\$1,054.52	\$216,324.61	206
So. California	\$119,559.93	\$214,794.58	\$19,964.49	\$64,105.04	\$0.00	\$392.66	\$418,816.70	353
TOTAL	\$190,446.16	\$317,421.05	\$24,094.48	\$101,732.44	\$0.00	\$1,447.18	\$635,141.31	559

Individual Audit Exhibits
by Audit Subject

Performance Ranking of Randomly Selected Claims

- Exhibit 1A Profile Audit Review (PAR)
- Exhibit 1B Full Compliance Audit – Stage 1
- Exhibit 1C Full Compliance Audit – Stage 2

Findings for All Audited Claims

- Exhibit 3 Penalty Assessments and Collections
- Exhibit 4 Notices of Compensation Due

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	66
Indemnity	59
Medical Only	0
Denied	0
Complaints	7
Additional	0

Audit No: LAO-03-04-R1-5

Subject: AIG Claims Services, Inc.

Location: Santa Ana

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessed	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	12	\$1,715	\$1,715	\$0	\$0		x
2	1	\$160	\$160	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	11	\$1,900	\$1,900	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	1	\$50	\$50	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	3	\$700	\$700	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	5	\$1,500	\$1,500	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	5	\$3,250	\$3,250	\$0	\$0		x
18 b	0	\$0	\$0	\$0	\$0		x
18 c	1	\$100	\$100	\$0	\$0		x
18 d	3	\$275	\$275	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	42	\$9,650	\$9,650	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c)(1).

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: LAO-03-04-R1-5

Subject: AIG Claim Services, Inc.

Location: Santa Ana

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$40.80						\$40.80
2			\$44.28				\$44.28
3	\$664.27			\$66.43			\$730.70
4	\$3,784.84			\$378.48			\$4,163.32
5	\$748.71			\$74.87			\$823.58
6				\$98.00			\$98.00
7	\$317.35						\$317.35
8				\$147.00			\$147.00
TOTAL	\$5,555.97	\$0.00	\$44.28	\$764.78	\$0.00	\$0.00	\$6,365.03

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: SAC-06-04-R1-5

Subject: American All Risk Loss Administrators

Location: Fresno

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 15 divide by # claims with payable indem 58 = 0.25862

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$ 10,905.22 divide by # of claims with obligation to pay indem. 58
 Avg Unpd Ind = \$ 188.02

C. Severity Rate

Avg Unpd Indem \$ 188.02 divide by avg unpd indem 2000-2002 of \$ 184.59 = 1.01859

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.25862 X Severity rate 1.01859 X modifier of 2
 = **0.52686**

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	24	divide by # with TD payments	57	
# claims with late first SC notice	0	divide by # with salary continuation	0	
Totals	24	divide by	Totals	57
				=
				0.42105

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	1	divide by # with first PD	17	
# claims with late first VRMA	3	divide by # with first VRMA	9	
# claims with late first DB	0	divide by # with first DB paid	0	
Totals	4	divide by	Totals	26
				=
				0.15385

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 7 divide by # with subsequent payments 39 =
0.17949

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	5	divide by # requiring notices	36	
# claims with VR potential eligibility notice violations	8	divide by # requiring notices	12	
Totals	13		Totals	48
				=
				0.27083

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2004

1.55207

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	58
Indemnity	58
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: SAC-06-04-R1-5

Subject: American All Risk Loss Administrators

Location: Fresno

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	26	\$2,725	\$2,725	\$0	\$0		x
2	0	\$0	\$0	\$0	\$0		x
3	2	\$125	\$125	\$0	\$0		x
4	17	\$2,245	\$2,245	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	8	\$2,100	\$2,100	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	5	\$1,300	\$1,300	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	14	\$6,500	\$6,500	\$0	\$0		x
18 b	3	\$1,550	\$1,550	\$0	\$0		x
18 c	1	\$1,000	\$1,000	\$0	\$0		x
18 d	3	\$675	\$675	\$0	\$0		x
18 e	1	\$1,000	\$1,000	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	80	\$19,220	\$19,220	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SAC-06-04-R1-5

Subject: American All Risk Loss Administrators

Location: Fresno

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1		\$2,108.40	\$552.39				\$2,660.79
2	\$264.00			\$3.00			\$267.00
3	\$225.63			\$22.56			\$248.19
4	\$126.00			\$25.20			\$151.20
5	\$169.41						\$169.41
6	\$2,600.56			\$379.50			\$2,980.06
7	\$33.33						\$33.33
8	\$451.60	\$924.97		\$137.66			\$1,514.23
9		\$1,831.28				\$404.39	\$2,235.67
10	\$37.26						\$37.26
11	\$102.03			\$4.45			\$106.48
12	\$760.00			\$6.00			\$766.00
13				\$50.83			\$50.83
14	\$45.70						\$45.70
15	\$43.46						\$43.46
TOTAL	\$4,858.98	\$4,864.65	\$552.39	\$629.20	\$0.00	\$404.39	\$11,309.61

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	55
Indemnity	54
Medical Only	0
Denied	0
Complaints	1
Additional	0

Audit No: LAO-02-04-R1-5
Subject: Broadspire - RSKCo Cunningham Lindsey
 Claims Management, Inc.
Location: Brea **Type:** TPA

Item #	# of Times Cited	Total \$ Penalties Assessed	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	30	\$5,970	\$5,970	\$0	\$0		x
2	4	\$1,020	\$1,020	\$0	\$0		x
3	3	\$290	\$290	\$0	\$0		x
4	46	\$4,180	\$4,180	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	13	\$4,300	\$4,300	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	15	\$6,700	\$6,700	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	9	\$3,600	\$3,600	\$0	\$0		x
18 b	1	\$400	\$400	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	1	\$150	\$150	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	1	\$500	\$500	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	123	\$27,110	\$27,110	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c)(1).

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: LAO-02-04-R1-5

Subject: Broadspire - RSKCo/Cunningham Lindsey Claims Management, Inc.

Location: Brea, CA

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$613.00			\$22.29			\$635.29
2	\$36.21			\$3.62			\$39.83
3	\$811.41			\$78.00			\$889.41
4	\$784.34			\$16.29			\$800.63
5	\$221.80						\$221.80
6						\$202.60	\$202.60
7				\$40.37			\$40.37
8	\$1,847.27			\$184.73			\$2,032.00
9		\$2,976.43		\$297.64			\$3,274.07
TOTAL	\$4,314.03	\$2,976.43	\$0.00	\$642.94	\$0.00	\$202.60	\$8,136.00

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	47
Indemnity	47
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: SFO-02-04-R1-5

Subject: Cambridge Integrated Services Group, Inc.

Location: Salinas

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	2	\$640	\$640	\$0	\$0		x
2	3	\$360	\$360	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	5	\$400	\$400	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	3	\$1,200	\$1,200	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	10	\$4,100	\$4,100	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	5	\$7,900	\$7,900	\$0	\$0		x
18 b	2	\$1,150	\$1,150	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	4	\$800	\$800	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	34	\$16,550	\$16,550	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SFO-02-04-R1-5

Subject: Cambridge Integrated Services Group, Inc.

Location: Salinas

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$161.68			\$16.17			\$177.85
2	\$1,429.26			\$86.69			\$1,515.95
3		\$1,890.00		\$189.00			\$2,079.00
4		\$1,855.90		\$358.02			\$2,213.92
5	\$2,245.38			\$153.81			\$2,399.19
6				\$170.00			\$170.00
7				\$122.40			\$122.40
8	\$1,335.52			\$133.55			\$1,469.07
9	\$292.00			\$20.25			\$312.25
TOTAL	\$5,463.84	\$3,745.90	\$0.00	\$1,249.89	\$0.00	\$0.00	\$10,459.63

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: VNO-11-04-T3-6

Subject: City of Los Angeles / Department of Water & Power

Location: Los Angeles

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 18 divide by # claims with payable indem 55 = 0.32727

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$ 49,878.12 divide by # of claims with obligation to pay indem. 55
 Avg Unpd Ind = \$ 906.87

C. Severity Rate

Avg Unpd Indem \$ 906.87 divide by avg unpd indem 2000-2002 of \$ 184.59 = 4.91291

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.32727 X Severity rate 4.91291 X modifier of 2
 = **3.21573**

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	0	divide by # with TD payments	0	
# claims with late first SC notice	18	divide by # with salary continuation	41	
Totals	18	divide by	Totals	41
				=
				0.43902

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	11	divide by # with first PD	24	
# claims with late first VRMA	0	divide by # with first VRMA	1	
# claims with late first DB	0	divide by # with first DB paid	0	
Totals	11	divide by	Totals	25
				=
				0.44000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 4 divide by # with subsequent payments 17 =
0.23529

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	29	divide by # requiring notices	41	
# claims with VR potential eligibility notice violations	5	divide by # requiring notices	6	
Totals	34		Totals	47
				=
				0.72340

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2004 **5.05345**

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: VNO-11-04-T3-6

Subject: City of Los Angeles / Department of Water & Power

Location: Los Angeles

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd inden 29 divide by # claims with payable indem 118 = 0.24576

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$ 62,627.04 divide by # of claims with obligation to pay indem. 118
 Avg Unpd Ind = \$ 530.74

C. Severity Rate

Avg Unpd Ind. \$ 530.74 divide by avg unpd indem 2000-2002 of \$ 184.59 = 2.87522

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.24576 X Severity rate 2.87522 X modifier of 2
 = 1.41325

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	2	divide by # with TD payments	6	
# claims with late first SC notice	32	divide by # with salary continuation	89	
Totals	34	divide by	95	=
				0.35789

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	20	divide by # with first PD	45	
# claims with late first VRMA	0	divide by # with first VRMA	5	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	20	divide by	50	=
				0.40000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 7 divide by # with subseq payments 32 =
 0.21875

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	59	divide by # requiring notices	83	
# claims with VR potential eligibilty notice violations	11	divide by # requiring notices	13	
Totals	70	Totals	96	=
				0.72917

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004 **3.11906**

Full Compliance Audit Performance Rating of indemnity files of 2.77704 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: VNO-11-04-T3-6

Subject: City of Los Angeles / Department of Water & Power

Location: Los Angeles

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 31 divide by # claims with payable indem 121 = 0.25620

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$ 68,441.76 divide by # of claims with obligation to pay indem. 121
Avg Unpd Ind = \$ 565.63

C. Severity Rate

Avg Unpd Ind. \$ 565.63 divide by avg unpd indem 2000-2002 of \$ 184.59 = 3.06427

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.25620 X Severity rate 3.06427 X modifier of 2
= 1.57012

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	2	divide by # with TD payments	6	
# claims with late first SC notice	32	divide by # with salary continuation	89	
Totals	34	divide by	Totals 95	=
				0.35789

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	20	divide by # with first PD	47	
# claims with late first VRMA	0	divide by # with first VRMA	5	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	20	divide by	Totals 52	=
				0.38462

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 7 divide by # with subseq payments 35 = 0.20000

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	60	divide by # requiring notices	84	
# claims with VR potential eligibilty notice violations	11	divide by # requiring notices	13	
Totals	71		Totals 97	
				= 0.73196

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004 3.24459

Full Compliance Audit Performance Rating for indemnity and denied files of 2.77704 or greater is a failing score.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	164
Indemnity	118
Medical Only	0
Denied	46
Complaints	0
Additional	0

Audit No: VNO-11-04-T3-6

**Subject: City of Los Angeles
Department of Water & Power**

Location: Los Angeles Type: SI

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived *	Total \$ Amount Collected **	Balance \$ Due **	Appealed	
						Yes	No
1	2	\$225	\$0	\$0	\$305		x
2	21	\$6,330	\$0	\$0	\$7,230		x
3	0	\$0	\$0	\$0	\$0		x
4	7	\$2,205	\$125	\$0	\$2,464		x
5	0	\$0	\$0	\$0	\$0		x
6	91	\$9,100	\$0	\$0	\$9,700		x
7	73	\$4,265	\$0	\$0	\$4,827		x
8	122	\$18,150	\$0	\$0	\$22,990		x
9	5	\$1,050	\$0	\$0	\$1,410		x
10	1	\$100	\$0	\$0	\$100		x
11	0	\$0	\$0	\$0	\$0		x
12	16	\$7,100	\$0	\$0	\$8,020		x
13	11	\$3,700	\$0	\$0	\$4,060		x
14	1	\$400	\$0	\$0	\$400		x
15	60	\$25,200	\$0	\$0	\$28,040		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	3	\$500	\$0	\$0	\$580		x
18 b	15	\$13,100	\$0	\$0	\$16,700		x
18 c	1	\$1,000	\$0	\$0	\$1,000		x
18 d	18	\$2,975	\$0	\$0	\$3,575		x
18 e	2	\$300	\$0	\$0	\$300		x
18 f	0	\$0	\$0	\$0	\$0		x
19	6	\$600	\$0	\$0	\$600		x
20 a	21	\$600	\$0	\$0	\$670		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	72	\$7,200	\$0	\$0	\$8,280		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	548	\$104,100	\$125	\$0	\$121,251		

*Administrative penalties waived due to a lack of regulatory authority.

**Administrative penalties modified by factor of 1.4 pursuant to Labor Code §129.5(c) and 8CCR§10111.2(c)(7).

Calendar Year: 2004
Notices of Compensation Due

Audit No: VNO-11-04-T3-6

Subject: City of Los Angeles / Department of Water & Power

Location: Los Angeles Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$224.00			\$224.00
2		\$1,520.00		\$152.00			\$1,672.00
3				\$168.00			\$168.00
4	\$81.22	\$6,608.20		\$668.94			\$7,358.36
5		\$168.00		\$16.80			\$184.80
6		\$24.26		\$2.43			\$26.69
7		\$10,756.43		\$1,075.64			\$11,832.07
8				\$224.00			\$224.00
9				\$196.71			\$196.71
10		\$9,170.71		\$917.07			\$10,087.78
11		\$1,300.00					\$1,300.00
12		\$7,456.00		\$745.60			\$8,201.60
13				\$201.57			\$201.57
14				\$205.70			\$205.70
15				\$294.00			\$294.00
16	\$63.73			\$6.37			\$70.10
17		\$2,220.00		\$222.00			\$2,442.00
18				\$385.86			\$385.86
19		\$4,104.29		\$410.43			\$4,514.72
20		\$280.00		\$168.00			\$448.00
21		\$340.00		\$34.00			\$374.00
SUBTOTAL	\$144.95	\$43,947.89	\$0.00	\$6,319.12	\$0.00	\$0.00	\$50,411.96

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	91
Indemnity	91
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: VNO-08-04-T2-6

Subject: City of Pasadena

Location: Pasadena

Type: SI

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	3	\$325	\$0	\$325	\$0		x
2	16	\$2,820	\$0	\$2,820	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	42	\$4,920	\$995	\$3,925	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	35	\$1,295	\$1,295	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	4	\$1,300	\$1,300	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	23	\$10,300	\$10,300	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	17	\$4,700	\$0	\$4,700	\$0		x
18 b	4	\$1,000	\$0	\$1,000	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	19	\$2,150	\$0	\$2,150	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	163	\$28,810	\$13,890	\$14,920	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Audit No: VNO-08-04-T2-6

Subject: City of Pasadena

Location: Pasadena

Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$130.19						\$130.19
2				\$28.00			\$28.00
3				\$299.43			\$299.43
4	\$258.00						\$258.00
5	\$210.00						\$210.00
6				\$267.00			\$267.00
7	\$258.00						\$258.00
8		\$200.00		\$20.00			\$220.00
9	\$149.60	\$372.89		\$95.58			\$618.07
10	\$70.00						\$70.00
11	\$2,462.65						\$2,462.65
12	\$140.00	\$90.61		\$79.35			\$309.96
13	\$140.00						\$140.00
14		\$26.43		\$169.14			\$195.57
15				\$10.80			\$10.80
16	\$210.00						\$210.00
17	\$259.13						\$259.13
18				\$84.00			\$84.00
19	\$11.00						\$11.00
20	\$1,470.00						\$1,470.00
21	\$91.73						\$91.73
SUBTOTAL	\$5,860.30	\$689.93	\$0.00	\$1,053.30	\$0.00	\$0.00	\$7,603.53

Calendar Year: 2004
Notices of Compensation Due

Audit No: VNO-08-04-T2-6

Subject: City of Pasadena

Location: Pasadena

Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty interest, or other	Total
22	\$613.20						\$613.20
23				\$83.43			\$83.43
24				\$98.00			\$98.00
25	\$280.00			\$286.00			\$566.00
26				\$55.50			\$55.50
Page 2 SUBTOTAL	\$893.20	\$0.00	\$0.00	\$522.93	\$0.00	\$0.00	\$1,416.13
Page 1 SUBTOTAL	\$5,860.30	\$689.93	\$0.00	\$1,053.30	\$0.00	\$0.00	\$7,603.53
TOTAL	\$6,753.50	\$689.93	\$0.00	\$1,576.23	\$0.00	\$0.00	\$9,019.66

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	48
Indemnity	48
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: LAO-12-04-R1-6

Subject: City of Riverside

Location: Riverside

Type: SI

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	0	\$0	\$0	\$0	\$0		x
2	0	\$0	\$0	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	0	\$0	\$0	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	1	\$400	\$400	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	0	\$0	\$0	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	0	\$0	\$0	\$0	\$0		x
18 b	0	\$0	\$0	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	0	\$0	\$0	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	1	\$400	\$400	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	49
Indemnity	49
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: LAO-09-04-R1-6

Subject: City of San Bernardino

Location: San Bernardino Type: SI

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	4	\$125	\$125	\$0	\$0		x
2	0	\$0	\$0	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	0	\$0	\$0	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	1	\$20	\$20	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	1	\$400	\$400	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	1	\$100	\$100	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	1	\$300	\$300	\$0	\$0		x
18 b	0	\$0	\$0	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	0	\$0	\$0	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	8	\$945	\$945	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	56
Indemnity	56
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: LAO-06-04-R1-6

Subject: City of San Diego

Location: San Diego

Type: SI

Item #	# of Times Cited	Total \$ Penalties Assessed	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	17	\$1,590	\$1,590	\$0	\$0		x
2	9	\$2,855	\$2,855	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	7	\$2,405	\$2,405	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	6	\$900	\$900	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	16	\$6,800	\$6,800	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	1	\$750	\$750	\$0	\$0		x
18 b	5	\$1,400	\$1,400	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	4	\$400	\$400	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	65	\$17,100	\$17,100	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c)(1).

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: LAO-06-04-R1-6

Subject: City of San Diego

Location: San Diego

Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$320.24			\$320.24
2		\$1,456.73		\$381.28			\$1,838.01
3		\$998.57		\$99.86		\$69.02	\$1,167.45
4		\$15.71		\$56.00			\$71.71
5				\$60.00			\$60.00
6		\$188.57		\$18.86			\$207.43
7	\$570.35			\$57.04			\$627.39
8		\$2,020.00		\$202.00			\$2,222.00
TOTAL	\$570.35	\$4,679.58	\$0.00	\$1,195.28	\$0.00	\$69.02	\$6,514.23

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	56
Indemnity	56
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: LAO-06-04-R1-6

Subject: City of San Diego

Location: San Diego

Type: SI

Item #	# of Times Cited	Total \$ Penalties Assessed	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	17	\$1,590	\$1,590	\$0	\$0		x
2	9	\$2,855	\$2,855	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	7	\$2,405	\$2,405	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	6	\$900	\$900	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	16	\$6,800	\$6,800	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	1	\$750	\$750	\$0	\$0		x
18 b	5	\$1,400	\$1,400	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	4	\$400	\$400	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	65	\$17,100	\$17,100	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c)(1).

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: LAO-06-04-R1-6

Subject: City of San Diego

Location: San Diego

Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$320.24			\$320.24
2		\$1,456.73		\$381.28			\$1,838.01
3		\$998.57		\$99.86		\$69.02	\$1,167.45
4		\$15.71		\$56.00			\$71.71
5				\$60.00			\$60.00
6		\$188.57		\$18.86			\$207.43
7	\$570.35			\$57.04			\$627.39
8		\$2,020.00		\$202.00			\$2,222.00
TOTAL	\$570.35	\$4,679.58	\$0.00	\$1,195.28	\$0.00	\$69.02	\$6,514.23

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: SAC-08-04-R1-5

Subject: Claims Management, Inc.

Location: Rancho Cordova

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 8 divide by # claims with payable indem 59 = 0.13559

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$ 5,699.83 divide by # of claims with obligation to pay indem. 59
Avg Unpd Ind = \$ 96.61

C. Severity Rate

Avg Unpd Indem \$ 96.61 divide by avg unpd indem 2000-2002 of \$ 184.59 = 0.52336

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.13559 X Severity rate 0.52336 X modifier of 2
= 0.14193

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	8	divide by # with TD payments	43	
# claims with late first SC notice	4	divide by # with salary continuation	14	
Totals	12	divide by	Totals 57	=
				0.21053

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	4	divide by # with first PD	18	
# claims with late first VRMA	0	divide by # with first VRMA	3	
# claims with late first DB	0	divide by # with first DB paid	0	
Totals	4	divide by	Totals 21	=
				0.19048

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 9 divide by # with subsequent payments 40 = 0.22500

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	7	divide by # requiring notices	48	
# claims with VR potential eligibility notice violations	4	divide by # requiring notices	7	
Totals	11		Totals 55	
				= 0.20000

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2004 0.96793

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	59
Indemnity	59
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: SAC-08-04-R1-5

Subject: Claims Management, Inc.

Location: Rancho Cordova Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	8	\$600	\$600	\$0	\$0		x
2	4	\$2,100	\$2,100	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	13	\$1,845	\$1,845	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	4	\$180	\$180	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	4	\$900	\$900	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	6	\$2,500	\$2,500	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	4	\$600	\$600	\$0	\$0		x
18 b	2	\$1,050	\$1,050	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	5	\$800	\$800	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	50	\$10,575	\$10,575	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No.: SAC-08-04-R1-5

Subject: Claims Management, Inc.

Location: Rancho Cordova

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$61.57						\$61.57
2				\$333.00			\$333.00
3				\$71.23			\$71.23
4	\$242.58	\$250.00		\$24.26		\$49.38	\$566.22
5		\$3,797.14		\$379.71			\$4,176.85
6				\$297.13			\$297.13
7	\$59.73			\$5.97			\$65.70
8	\$161.37			\$16.14			\$177.51
TOTAL	\$525.25	\$4,047.14	\$0.00	\$1,127.44	\$0.00	\$49.38	\$5,749.21

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	37
Indemnity	37
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: VNO-06-04-R1-2

Subject: Clougherty Packing Co. dba Farmer John Meats

Location: Los Angeles

Type: SI

Item #	# of Times Cited	Total \$ Penalties Assessed	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	6	\$490	\$490	\$0	\$0		x
2	1	\$100	\$100	\$0	\$0		x
3	1	\$75	\$75	\$0	\$0		x
4	30	\$1,700	\$1,700	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	4	\$1,400	\$1,400	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	8	\$4,000	\$4,000	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	1	\$200	\$200	\$0	\$0		x
18 b	3	\$1,000	\$1,000	\$0	\$0		x
18 c	1	\$1,500	\$1,500	\$0	\$0		x
18 d	5	\$325	\$325	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	60	\$10,790	\$10,790	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: VNO-06-04-R1-2

Subject: Clougherty Packing Company dba Farmer John Meats

Location: Los Angeles

Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1		\$1,606.50		\$160.65			\$1,767.15
2		\$1,260.00		\$126.00			\$1,386.00
3	\$59.16			\$5.92			\$65.08
4				\$392.00			\$392.00
5				\$42.43			\$42.43
6		\$751.81	\$727.93	\$75.18			\$1,554.92
TOTAL	\$59.16	\$3,618.31	\$727.93	\$802.18	\$0.00	\$0.00	\$5,207.58

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: VNO-10-04-R2-5

Subject: COMCO Management Inc.

Location: Sierra Madre

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 11 divide by # claims with payable indem 53 = 0.20755

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$7,535.29 divide by # of claims with obligation to pay indem. 53
 Avg Unpd Ind = \$ 142.18

C. Severity Rate

Avg Unpd Indem \$ 142.18 divide by avg unpd indem 2000-2002 of \$ 184.59 = 0.77022

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.20755 X Severity rate 0.77022 X modifier of 2
 = **0.31971**

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	10	divide by # with TD payments	25	
# claims with late first SC notice	13	divide by # with salary continuation	28	
Totals	23	divide by	Totals	53
				=
				0.43396

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	10	divide by # with first PD	18	
# claims with late first VRMA	2	divide by # with first VRMA	5	
# claims with late first DB	0	divide by # with first DB paid	0	
Totals	12	divide by	Totals	23
				=
				0.52174

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 11 divide by # with subsequent payments 29 =
0.37931

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	16	divide by # requiring notices	37	
# claims with VR potential eligibility notice violations	6	divide by # requiring notices	10	
Totals	22	Totals	47	
				=
				0.46809

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2004 **2.12281**

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Calendar Year: 2004

Individual Exhibit 1B

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: VNO-10-04-R2-5

Subject: COMCO Management Inc.

Location: Sierra Madre, CA

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 18 divide by # claims with payable indem 107 = 0.16822

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$8,478.47 divide by # of claims with obligation to pay indem. 107
Avg Unpd Ind = \$ 79.24

C. Severity Rate

Avg Unpd Indem \$ 79.24 divide by avg unpd indem 2000-2002 of \$ 184.59 = 0.42927

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.16822 X Severity rate 0.42927 X modifier of 2
= 0.14443

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

claims with late 1st TD 18 divide by # with TD payments 45
claims with late first SC notice 31 divide by # with salary continuation 59
Totals 49 divide by Totals 104 =
0.47115

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

claims with late first PD 21 divide by # with first PD 40
claims with late first VRMA 3 divide by # with first VRMA 9
claims with late first DB 0 divide by # with first DB paid 0
Totals 24 divide by Totals 49 =
0.48980

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 19 divide by # with subsequent payments 47 =
0.40426

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

claims with AME/QME notice violations 24 divide by # requiring notices 85
claims with VR potential eligibility notice violations 10 divide by # requiring notices 20
Totals 34 divide by Totals 105
= 0.32381

Full Compliance AUDIT PERFORMANCE RATING - 2004 1.83344

Full Compliance Audit Performance Rating of indemnity files of 2.77704 or greater is a failing score.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	107
Indemnity	107
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: VNO-10-04-R2-5

Subject: Comco Management Inc.

Location: Sierra Madre

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	19	\$4,295	\$0	\$0	\$4,295		x
2	22	\$7,730	\$0	\$0	\$7,730		x
3	3	\$1,680	\$0	\$0	\$1,680		x
4	32	\$5,985	\$575	\$0	\$5,410		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	30	\$1,515	\$1,515	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	10	\$4,000	\$4,000	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	23	\$9,600	\$9,600	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	2	\$300	\$0	\$0	\$300		x
18 b	4	\$1,950	\$0	\$0	\$1,950		x
18 c	2	\$1,100	\$0	\$0	\$1,100		x
18 d	18	\$3,600	\$0	\$0	\$3,600		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	165	\$41,755	\$15,690	\$0	\$26,065		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: VNO-10-04-R2-5

Subject: COMCO Management Inc.

Location: Sierra Madre

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1		\$216.36		\$21.64			\$238.00
2				\$65.63			\$65.63
3				\$12.01			\$12.01
4	\$74.52			\$85.69			\$160.21
5				\$102.20			\$102.20
6		\$391.62		\$39.16			\$430.78
7				\$84.00			\$84.00
8				\$84.00			\$84.00
9				\$42.00			\$42.00
10			\$301.68				\$301.68
11		\$270.00		\$111.00			\$381.00
12	\$79.12						\$79.12
13				\$42.29			\$42.29
14		\$4,069.58	\$633.00	\$1,373.39			\$6,075.97
15				\$95.14			\$95.14
16				\$29.87			\$29.87
17				\$166.50			\$166.50
18				\$88.07			\$88.07
TOTAL	\$153.64	\$4,947.56	\$934.68	\$2,442.59	\$0.00	\$0.00	\$8,478.47

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	27
Indemnity	27
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: LAO-08-04-R1-5

Subject: Crawford and Company

Location: San Diego

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessed	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	13	\$1,585	\$1,585	\$0	\$0		x
2	0	\$0	\$0	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	37	\$4,855	\$4,855	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	3	\$1,400	\$1,400	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	7	\$3,500	\$3,500	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	4	\$4,600	\$4,600	\$0	\$0		x
18 b	0	\$0	\$0	\$0	\$0		x
18 c	1	\$5,000	\$5,000	\$0	\$0		x
18 d	8	\$1,600	\$1,600	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	73	\$22,540	\$22,540	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c)(1).

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: LAO-08-04-R1-5

Subject: Crawford and Company

Location: San Diego

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$17.22						\$17.22
2				\$106.48			\$106.48
3				\$140.18			\$140.18
4				\$140.31			\$140.31
5	\$550.77			\$43.90			\$594.67
6	\$1,017.04			\$196.62			\$1,213.66
7	\$622.82		\$1,085.28	\$93.93			\$1,802.03
TOTAL	\$2,207.85	\$0.00	\$1,085.28	\$721.42	\$0.00	\$0.00	\$4,014.55

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: VNO-04-04-R2-1

Subject: Crum & Forster Insurance

Location: Los Angeles

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 41 divide by # claims with payable indem 130 = 0.31538

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$ 26,572.42 divide by # of claims with obligation to pay indem. 130
 Avg Unpd Ind = \$ 204.40

C. Severity Rate

Avg Unpd Ind. \$ 204.40 divide by avg unpd indem 2000-2002 of \$ 184.59 = 1.10734

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.31538 X Severity rate 1.10734 X modifier of 2
 = **0.69847**

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	63	divide by # with TD payments	127	
# claims with late first SC notice	0	divide by # with salary continuation	0	
Totals	<u>63</u>	divide by	Totals	<u>127</u> =
				0.49606

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	3	divide by # with first PD	28	
# claims with late first VRMA	0	divide by # with first VRMA	7	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	<u>3</u>	divide by	Totals	<u>35</u> =
				0.08571

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 48 divide by # with subseq payments 86 = **0.55814**

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	17	divide by # requiring notices	76	
# claims with VR potential eligibilty notice violations	25	divide by # requiring notices	33	
Totals	<u>42</u>		Totals	<u>109</u>
				= 0.38532

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004 **2.22371**

Full Compliance Audit Performance Rating of indemnity files of 2.77704 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: VNO-04-04-R2-1

Subject: Crum & Forster Insurance

Location: Los Angeles

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 41 divide by # claims with payable indem 130 = 0.31538

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$ 26,572.42 divide by # of claims with obligation to pay indem. 130
 Avg Unpd Ind = \$ 204.40

C. Severity Rate

Avg Unpd Ind. \$ 204.40 divide by avg unpd indem 2000-2002 of \$ 184.59 = 1.10734

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.31538 X Severity rate 1.10734 X modifier of 2
 = **0.69847**

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	63	divide by # with TD payments	127	
# claims with late first SC notice	0	divide by # with salary continuation	0	
Totals	<u>63</u>	divide by	Totals	<u>127</u> =
				0.49606

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	3	divide by # with first PD	28	
# claims with late first VRMA	0	divide by # with first VRMA	7	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	<u>3</u>	divide by	Totals	<u>35</u> =
				0.08571

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 48 divide by # with subseq payments 86 = **0.55814**

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	17	divide by # requiring notices	76	
# claims with VR potential eligibilty notice violations	25	divide by # requiring notices	33	
Totals	<u>42</u>		Totals	<u>109</u>
				= 0.38532

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004 **2.22371**

Full Compliance Audit Performance Rating of indemnity files of 2.77704 or greater is a failing score.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	131
Indemnity	130
Medical Only	0
Denied	0
Complaints	1
Additional	0

Audit No: VNO-04-04-R2-1

Subject: Crum & Forster Insurance

Location: Los Angeles

Type: INS

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	75	\$13,060	\$0	\$13,060	\$0		x
2	3	\$1,500	\$0	\$1,500	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	134	\$20,960	\$7,200	\$13,760	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	26	\$10,300	\$10,300	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	16	\$4,900	\$4,900	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	29	\$12,850	\$0	\$12,850	\$0		x
18 b	7	\$2,550	\$0	\$2,550	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	45	\$4,425	\$0	\$4,425	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	335	\$70,545	\$22,400	\$48,145	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Audit No: VNO-04-04-R2-1

Subject: Crum & Forster Insurance

Location: Los Angeles

Type: INS

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$1,332.70	\$840.00		\$217.27			\$2,389.97
2	\$19.88						\$19.88
3	\$4,228.58			\$456.86			\$4,685.44
4	\$372.95						\$372.95
5	\$89.46						\$89.46
6	\$118.68			\$344.70			\$463.38
7	\$183.04			\$54.92			\$237.96
8	\$61.84						\$61.84
9	\$161.24			\$7.61			\$168.85
10	\$1,118.00			\$111.80			\$1,229.80
11	\$142.63						\$142.63
12	\$4,481.50			\$442.58			\$4,924.08
13	\$5.66			\$39.68			\$45.34
14				\$167.50			\$167.50
15	\$28.58			\$54.29			\$82.87
16	\$174.57	\$420.00		\$59.46			\$654.03
17	\$242.70			\$8.09			\$250.79
18	\$258.00						\$258.00
19		\$2,904.00		\$375.20			\$3,279.20
20		\$20.00		\$2.00			\$22.00
21				\$63.85			\$63.85
SUBTOTAL	\$13,020.01	\$4,184.00	\$0.00	\$2,405.81	\$0.00	\$0.00	\$19,609.82

Calendar Year: 2004
Notices of Compensation Due

Audit No: VNO-04-04-R2-1

Subject: Crum & Forster Insurance

Location: Los Angeles

Type: INS

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty interest, or other	Total
22	\$10.85						\$10.85
23				\$162.71			\$162.71
24				\$173.41			\$173.41
25				\$250.67			\$250.67
26				\$21.55			\$21.55
27		\$800.00		\$80.00			\$880.00
28	\$148.77						\$148.77
29		\$1,665.00		\$166.50			\$1,831.50
30	\$186.83			\$67.26			\$254.09
31	\$23.90						\$23.90
32				\$37.54			\$37.54
33				\$34.67			\$34.67
34	\$280.00						\$280.00
35	\$111.84						\$111.84
36		\$323.71		\$187.04			\$510.75
37	\$560.00			\$56.00			\$616.00
38	\$79.19						\$79.19
39	\$763.27			\$76.33			\$839.60
40				\$306.40			\$306.40
41	\$365.59			\$23.57			\$389.16
Page 2 SUBTOTAL	\$2,530.24	\$2,788.71	\$0.00	\$1,643.65	\$0.00	\$0.00	\$6,962.60
Page 1 SUBTOTAL	\$13,020.01	\$4,184.00	\$0.00	\$2,405.81	\$0.00	\$0.00	\$19,609.82
TOTAL	\$15,550.25	\$6,972.71	\$0.00	\$4,049.46	\$0.00	\$0.00	\$26,572.42

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	51
Indemnity	51
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: SFO-09-04-R1-5

Subject: ESIS (An ACE Group Company)

Location: Irving, TX

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	9	\$550	\$550	\$0	\$0		x
2	3	\$445	\$445	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	6	\$1,020	\$1,020	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	7	\$1,400	\$1,400	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	7	\$2,700	\$2,700	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	4	\$400	\$400	\$0	\$0		x
18 b	0	\$0	\$0	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	1	\$75	\$75	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	37	\$6,590	\$6,590	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SFO-09-04-R1-5

Subject: ESIS (An ACE Group Company)

Location: Irving, TX

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$108.00						\$108.00
2	\$124.54						\$124.54
3	\$115.54			\$11.54			\$127.08
4				\$19.59			\$19.59
5	\$146.15						\$146.15
TOTAL	\$494.23	\$0.00	\$0.00	\$31.13	\$0.00	\$0.00	\$525.36

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	63
Indemnity	58
Medical Only	0
Denied	0
Complaints	5
Additional	0

Audit No: SFO-04-04-R1-1

Subject: Farmers Insurance Group

Location: Pleasanton

Type: INS

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	15	\$5,360	\$5,360	\$0	\$0		x
2	8	\$1,955	\$1,955	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	2	\$150	\$150	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	2	\$400	\$400	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	5	\$1,100	\$1,100	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	2	\$300	\$300	\$0	\$0		x
18 b	3	\$225	\$225	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	0	\$0	\$0	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	37	\$9,490	\$9,490	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SFO-04-04-R1-1

Subject: Farmers Insurance Group

Location: Pleasanton

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$29.04			\$29.04
2	\$17.71						\$17.71
3				\$112.00			\$112.00
4	\$167.60						\$167.60
5				\$272.00			\$272.00
TOTAL	\$185.31	\$0.00	\$0.00	\$413.04	\$0.00	\$0.00	\$598.35

Calendar Year 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	54
Indemnity	54
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: LAO-04-04-R1-5

Subject: Frank Gates Service Company

Location: Anaheim TPA

Item #	# of Times Cited	Total \$ Penalties Assessed	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	17	\$2,060	\$2,060	\$0	\$0		x
2	3	\$1,280	\$1,280	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	34	\$1,660	\$1,660	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	7	\$2,100	\$2,100	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	18	\$7,900	\$7,900	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	10	\$4,400	\$4,400	\$0	\$0		x
18 b	1	\$750	\$750	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	12	\$1,450	\$1,450	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	102	\$21,600	\$21,600	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c)(1).

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: LAO-04-04-R1-5

Subject: Frank Gates Service Company

Location: Anaheim

TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$1,826.16			\$154.85			\$1,981.01
2				\$34.35			\$34.35
3	\$74.82			\$7.48			\$82.30
4	\$259.16			\$25.92			\$285.08
5	\$858.85			\$73.64			\$932.49
6				\$74.67			\$74.67
7				\$147.00			\$147.00
8	\$400.00						\$400.00
9	\$28.92						\$28.92
10				\$120.40			\$120.40
11				\$46.86			\$46.86
12				\$267.61			\$267.61
TOTAL	\$3,447.91	\$0.00	\$0.00	\$952.78	\$0.00	\$0.00	\$4,400.69

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-07-04-R3-5

Subject: GARMI, Inc.

Location: Orange

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 11 divide by # claims with payable indem 33 = 0.33333

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$ 15,571.59 divide by # of claims with obligation to pay indem. 33
 Avg Unpd Ind = \$ 471.87

C. Severity Rate

Avg Unpd Indem \$ 471.87 divide by avg unpd indem 2000-2002 of \$ 184.59 = 2.55629

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.33333 X Severity rate 2.55629 X modifier of 2
 = **1.70420**

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	13	divide by # with TD payments	31	
# claims with late first SC notice	0	divide by # with salary continuation	0	
Totals	13	divide by	Totals 31	=
				0.41935

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	5	divide by # with first PD	8	
# claims with late first VRMA	1	divide by # with first VRMA	2	
# claims with late first DB	0	divide by # with first DB paid	0	
Totals	6	divide by	Totals 10	=
				0.60000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 10 divide by # with subsequent payments 24 =
0.41667

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	15	divide by # requiring notices	23	
# claims with VR potential eligibility notice violations	4	divide by # requiring notices	7	
Totals	19		Totals 30	
				=
				0.63333

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2004 **3.77355**

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: LAO-07-04-R3-5

Subject: GARMI, Inc.

Location: Orange

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 19 divide by # claims with payable indem 49 = 0.38776

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$23,979.50 divide by # of claims with obligation to pay indem. 49
 Avg Unpd Ind = \$ 489.38

C. Severity Rate

Avg Unpd Ind. \$ 489.38 divide by avg unpd indem 2000-2002 of \$ 184.59 = 2.65116

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.38776 X Severity rate 2.65116 X modifier of 2
 = **2.05600**

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	20	divide by # with TD payments	46	
# claims with late first SC notice	0	divide by # with salary continuation	0	
Totals	20	divide by	Totals	46 =
				0.43478

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	8	divide by # with first PD	12	
# claims with late first VRMA	1	divide by # with first VRMA	2	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	9	divide by	Totals	14 =
				0.64286

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 17 divide by # with subseq payments 37 =
0.45946

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	21	divide by # requiring notices	32	
# claims with VR potential eligibilty notice violations	5	divide by # requiring notices	8	
Totals	26	Totals	40	=
				0.65000

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004 **4.24310**

Full Compliance Audit Performance Rating of indemnity files of 2.77704 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: LAO 07-04-R3-5

Subject: GARMI, Inc.

Location: Orange

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 19 divide by # claims with payable indem 49 = 0.38776

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$23,979.50 divide by # of claims with obligation to pay indem. 49
 Avg Unpd Ind = \$ 489.38

C. Severity Rate

Avg Unpd Ind. \$ 489.38 divide by avg unpd indem 1999-2001 of \$ 186.21 = 2.62809

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.38776 X Severity rate 2.62809 X modifier of 2
 = **2.03811**

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	20	divide by # with TD payments	46	
# claims with late first SC notice	0	divide by # with salary continuation	0	
Totals	20	divide by	Totals	46
				=
				0.43478

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	8	divide by # with first PD	12	
# claims with late first VRMA	1	divide by # with first VRMA	2	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	9	divide by	Totals	14
				=
				0.64286

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 17 divide by # with subseq payments 37 =
0.45946

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	21	divide by # requiring notices	32	
# claims with VR potential eligibilty notice violations	5	divide by # requiring notices	8	
Totals	26	Totals	40	
				=
				0.65000

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004 **4.22521**

Full Compliance Audit Performance Rating for indemnity and denied files of 2.77704 or greater is a failing score.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	57
Indemnity	49
Medical Only	0
Denied	8
Complaints	0
Additional	0

Audit No: LAO-07-04-R3-5

Subject: GARMI, Inc.

Location: Orange

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived *	Total \$ Amount Collected **	Balance \$ Due	Appealed	
						Yes	No
1	23	\$4,975	\$0	\$4,975	\$0		x
2	8	\$4,495	\$0	\$4,495	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	34	\$6,265	\$4,375	\$1,890	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	60	\$6,000	\$0	\$6,000	\$0		x
7	13	\$995	\$0	\$995	\$0		x
8	53	\$7,550	\$0	\$7,550	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	5	\$2,200	\$0	\$2,200	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	21	\$8,800	\$0	\$8,800	\$0		x
16	2	\$1,000	\$0	\$1,000	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	13	\$6,000	\$0	\$6,000	\$0		x
18 b	2	\$1,400	\$0	\$1,400	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	31	\$4,225	\$0	\$4,225	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	2	\$50	\$0	\$50	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	267	\$53,955	\$4,375	\$49,580	\$0		

*Administrative penalties waived due to a lack of regulatory authority.

**Administrative penalties modified by factor of 1.0 pursuant to Labor Code §129.5(c) and 8CCR§10111.2(c)(7).

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: LAO-07-04-R3-5

Subject: GARMI, Inc.

Location: Orange

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$264.40			\$264.40
2				\$98.00			\$98.00
3				\$260.06			\$260.06
4				\$1,078.00			\$1,078.00
5				\$1,805.00			\$1,805.00
6	\$1,628.13			\$162.81			\$1,790.94
7	\$528.47			\$293.65			\$822.12
8	\$1,000.52			\$300.15			\$1,300.67
9	\$580.00			\$690.80			\$1,270.80
10	\$30.42						\$30.42
11	\$174.75						\$174.75
12	\$891.48			\$693.27			\$1,584.75
13	\$1,960.00	\$4,235.00		\$598.50			\$6,793.50
14	\$562.63			\$140.26			\$702.89
15				\$330.00			\$330.00
16				\$120.40			\$120.40
17	\$449.93			\$44.99			\$494.92
18		\$2,380.00		\$336.00			\$2,716.00
19	\$1,843.15			\$498.73			\$2,341.88
TOTAL	\$9,649.48	\$6,615.00	\$0.00	\$7,715.02	\$0.00	\$0.00	\$23,979.50

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	60
Indemnity	58
Medical Only	0
Denied	0
Complaints	2
Additional	0

Audit No: LAO-01-04-R1-5

Subject: Hazelrigg Risk Management Services, Inc.

Location: San Diego

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessed	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	8	\$915	\$915	\$0	\$0		x
2	2	\$640	\$640	\$0	\$0		x
3	1	\$50	\$50	\$0	\$0		x
4	13	\$1,485	\$1,485	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	22	\$1,020	\$1,020	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	4	\$1,400	\$1,400	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	1	\$500	\$500	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	8	\$7,300	\$7,300	\$0	\$0		x
18 b	1	\$1,500	\$1,500	\$0	\$0		x
18 c	1	\$1,000	\$1,000	\$0	\$0		x
18 d	14	\$1,150	\$1,150	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	75	\$16,960	\$16,960	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c)(1).

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: LAO-01-04-R1-5

Subject: Hazelrigg Risk Management Services, Inc.

Location: San Diego

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$4,069.59	\$3,726.43		\$779.60			\$8,575.62
2	\$196.13			\$45.76			\$241.89
3	\$509.72						\$509.72
4	\$36.81						\$36.81
5			\$4,460.33	\$210.00			\$4,670.33
6	\$1,122.39			\$394.34			\$1,516.73
7				\$34.00			\$34.00
8				\$21.93			\$21.93
9	\$3,866.76			\$785.90			\$4,652.66
10	\$59.89						\$59.89
11	\$350.00						\$350.00
TOTAL	\$10,211.29	\$3,726.43	\$4,460.33	\$2,271.53	\$0.00	\$0.00	\$20,669.58

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	45
Indemnity	45
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: SAC-01-04-R1-5

Subject: Intercare Insurance Services

Location: Sacramento

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	9	\$1,075	\$1,075	\$0	\$0		x
2	0	\$0	\$0	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	3	\$465	\$465	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	4	\$1,600	\$1,600	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	9	\$3,200	\$3,200	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	1	\$1,000	\$1,000	\$0	\$0		x
18 b	0	\$0	\$0	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	0	\$0	\$0	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	26	\$7,340	\$7,340	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SAC-01-04-R1-5

Subject: Intercare Insurance Services

Location: Sacramento

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$2,853.60			\$277.00			\$3,130.60
TOTAL	\$2,853.60	\$0.00	\$0.00	\$277.00	\$0.00	\$0.00	\$3,130.60

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	54
Indemnity	54
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: LAO-10-04-T1-2

Subject: Interstate Brands Corporation

Location: San Diego

Type: SI

Item #	# of Times Cited	Total \$ Penalties Assessed	Total \$ Penalties Waived	Total \$ Amount Collected	Balance Due	Appealed	
						Yes	No
1	8	\$500	\$500	\$0	\$0		x
2	2	\$150	\$150	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	5	\$490	\$490	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	7	\$2,400	\$2,400	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	2	\$900	\$900	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	1	\$200	\$200	\$0	\$0		x
18 b	0	\$0	\$0	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	2	\$200	\$200	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	27	\$4,840	\$4,840	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c)(1).

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: LAO-10-04-T1-2

Subject: Interstate Brands Corporation

Location: San Diego

Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$98.86			\$98.86
2				\$105.00			\$105.00
3	\$258.00						\$258.00
TOTAL	\$258.00	\$0.00	\$0.00	\$203.86	\$0.00	\$0.00	\$461.86

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: SFO-05-04-T3-2

Subject: Kaiser

Location: Oakland

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 19 divide by # claims with payable indem 59 = 0.32203

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$ 34,182.85 divide by # of claims with obligation to pay indem. 59
 Avg Unpd Ind = \$ 579.37

C. Severity Rate

Avg Unpd Indem \$ 579.37 divide by avg unpd indem 2000-2002 of \$ 184.59 = 3.13869

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.32203 X Severity rate 3.13869 X modifier of 2
 = **2.02153**

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	42	divide by # with TD payments	57	
# claims with late first SC notice	0	divide by # with salary continuation	0	
Totals	42	divide by	Totals	57
				=
				0.73684

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	7	divide by # with first PD	18	
# claims with late first VRMA	0	divide by # with first VRMA	7	
# claims with late first DB	0	divide by # with first DB paid	0	
Totals	7	divide by	Totals	25
				=
				0.28000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 6 divide by # with subsequent payments 39
 = **0.15385**

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	15	divide by # requiring notices	40	
# claims with VR potential eligibility notice violations	8	divide by # requiring notices	11	
Totals	23		Totals	51
				=
				0.45098

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2004 **3.64320**

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: SFO-05-04-T3-2

Subject: Kaiser

Location: Oakland

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 44 divide by # claims with payable indem 136 = 0.32353

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$ 54,163.73 divide by # of claims with obligation to pay indem. 136
Avg Unpd Ind = \$ 398.26

C. Severity Rate

Avg Unpd Ind. \$ 398.26 divide by avg unpd indem 2000-2002 of \$ 184.59 = 2.15755

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.32353 X Severity rate 2.15755 X modifier of 2
= 1.39606

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	82	divide by # with TD payments	127	
# claims with late first SC notice	0	divide by # with salary continuation	0	
Totals	82	divide by	Totals 127	=
				0.64567

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	16	divide by # with first PD	38	
# claims with late first VRMA	0	divide by # with first VRMA	8	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	16	divide by	Totals 46	=
				0.34783

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 10 divide by # with subseq payments 83 = 0.12048

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	30	divide by # requiring notices	88	
# claims with VR potential eligibilty notice violations	14	divide by # requiring notices	18	
Totals	44	Totals	106	=
				0.41509

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004 2.92514

Full Compliance Audit Performance Rating of indemnity files of 2.77704 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: SFO-05-05-T3-2

Subject: Kaiser

Location: Oakland

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 45 divide by # claims with payable indem 137 = 0.32847

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$ 55,749.34 divide by # of claims with obligation to pay indem. 137
Avg Unpd Ind = \$ 406.93

C. Severity Rate

Avg Unpd Ind. \$ 406.93 divide by avg unpd indem 2000-2002 of \$ 184.59 = 2.20450

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.32847 X Severity rate 2.20450 X modifier of 2
= 1.44821

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	83	divide by # with TD payments	129	
# claims with late first SC notice	0	divide by # with salary continuation	0	
Totals	83	divide by	Totals 129	=
				0.64341

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	17	divide by # with first PD	39	
# claims with late first VRMA	0	divide by # with first VRMA	8	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	17	divide by	Totals 47	=
				0.36170

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 10 divide by # with subseq payments 82 = 0.12195

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	30	divide by # requiring notices	91	
# claims with VR potential eligibilty notice violations	14	divide by # requiring notices	19	
Totals	44	Totals	110	=
				0.40000

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004 2.97528

Full Compliance Audit Performance Rating for indemnity and denied files of 2.77704 or greater is a failing score.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	256
Indemnity	136
Medical Only	0
Denied	65
Complaints	35
Additional	20

Audit No: SFO-05-04-T3-2

Subject: Kaiser

Location: Oakland

Type: SI

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived *	Total \$ Amount Collected **	Balance \$ Due	Appealed	
						Yes	No
1	115	\$18,810	\$0	\$33,300	\$0		x
2	29	\$8,060	\$0	\$9,500	\$0		x
3	3	\$1,440	\$0	\$1,440	\$0		x
4	75	\$6,205	\$4,185	\$2,020	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	88	\$8,800	\$0	\$10,240	\$0		x
7	113	\$7,110	\$0	\$9,936	\$0		x
8	57	\$5,225	\$0	\$7,385	\$0		x
9	4	\$300	\$0	\$300	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	19	\$6,800	\$0	\$8,420	\$0		x
13	27	\$9,900	\$0	\$9,900	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	44	\$15,000	\$0	\$19,500	\$0		x
16	4	\$800	\$0	\$1,700	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	20	\$7,100	\$0	\$12,860	\$0		x
18 b	6	\$4,950	\$0	\$4,950	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	62	\$6,650	\$0	\$11,420	\$0		x
18 e	3	\$800	\$0	\$800	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	20	\$1,600	\$0	\$4,336	\$0		x
20 a	13	\$325	\$0	\$325	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	2	\$1,320	\$0	\$1,320	\$0		x
20 d	10	\$1,900	\$0	\$1,900	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	714	\$113,095	\$4,185	\$151,552	\$0		

*Administrative penalties waived due to a lack of regulatory authority.

**Administrative penalties modified by factor of 2.8 pursuant to Labor Code §129.5(c) and 8CCR§10111.2(c)(7).

Calendar Year: 2004
Notices of Compensation Due

Audit No: SFO-05-04-T3-2

Subject: Kaiser

Location: Oakland

Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$210.00			\$341.00			\$551.00
2	\$441.59						\$441.59
3				\$102.85			\$102.85
4		\$18,038.57		\$1,734.86			\$19,773.43
5	\$14.07						\$14.07
6				\$136.00			\$136.00
7				\$98.00			\$98.00
8	\$172.00						\$172.00
9				\$57.81			\$57.81
10	\$912.11			\$371.37			\$1,283.48
11				\$389.43			\$389.43
12		\$197.14		\$356.44			\$553.58
13	\$243.95			\$26.36			\$270.31
14	\$64.80						\$64.80
15	\$195.10						\$195.10
16				\$41.68			\$41.68
17				\$378.00			\$378.00
18	\$70.02						\$70.02
19				\$63.43			\$63.43
20	\$408.28			\$13.61			\$421.89
21				\$154.23			\$154.23
SUBTOTAL	\$2,731.92	\$18,235.71	\$0.00	\$4,265.07	\$0.00	\$0.00	\$25,232.70

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4
Page 2 of 3

Audit No: SFO-05-04-T3-2

Subject: Kaiser

Location: Oakland

Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty interest, or other	Total
22	\$3,920.20			\$454.04			\$4,374.24
23				\$84.00			\$84.00
24				\$61.63			\$61.63
25				\$16.80			\$16.80
26	\$885.47			\$244.20			\$1,129.67
27				\$17.20			\$17.20
28		\$2,700.00		\$270.00			\$2,970.00
29	\$258.00			\$189.20			\$447.20
30		\$5,172.00		\$517.20			\$5,689.20
31				\$29.38			\$29.38
32		\$300.00		\$127.23		\$9.49	\$436.72
33	\$54.64						\$54.64
34	\$150.99			\$145.96			\$296.95
35				\$25.42			\$25.42
36	\$3,984.27			\$398.43			\$4,382.70
37	\$490.00			\$310.00		\$17.44	\$817.44
38		\$6,314.29		\$805.17			\$7,119.46
39	\$194.40			\$543.08			\$737.48
40				\$39.71			\$39.71
41	\$152.22			\$15.22			\$167.44
42	\$69.78			\$34.89			\$104.67
Page 2 SUBTOTAL	\$10,159.97	\$14,486.29	\$0.00	\$4,328.76	\$0.00	\$26.93	\$29,001.95
Page 1 SUBTOTAL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Pages 1 & 2 SUBTOTAL	\$10,159.97	\$14,486.29	\$0.00	\$4,328.76	\$0.00	\$26.93	\$29,001.95

Calendar Year: 2004
Notices of Compensation Due

Audit No: SFO-05-04-T3-2

Subject: Kaiser

Location: Oakland

Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty interest, or other	Total
43				\$140.00			\$140.00
44				\$62.00			\$62.00
45				\$68.54			\$68.54
46		\$1,580.00				\$45.50	\$1,625.50
47				\$30.80			\$30.80
48				\$28.00			\$28.00
49				\$56.00			\$56.00
50				\$280.00			\$280.00
51				\$1,322.18			\$1,322.18
52				\$176.00			\$176.00
53	\$312.00			\$564.80			\$876.80
54				\$28.00			\$28.00
55				\$1,431.79			\$1,431.79
56		\$8,621.38		\$958.04			\$9,579.42
Page 3 SUBTOTAL	\$312.00	\$10,201.38	\$0.00	\$5,146.15	\$0.00	\$45.50	\$15,705.03
Pages 1 & 2 SUBTOTAL	\$12,891.89	\$32,722.00	\$0.00	\$8,593.83	\$0.00	\$26.93	\$54,234.65
TOTAL	\$13,203.89	\$42,923.38	\$0.00	\$13,739.98	\$0.00	\$72.43	\$69,939.68

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	58
Indemnity	58
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: LAO-15-04-R1-5

Subject: Keenan and Associates

Location: Riverside

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	7	\$675	\$675	\$0	\$0		x
2	8	\$4,445	\$4,445	\$0	\$0		x
3	1	\$50	\$50	\$0	\$0		x
4	10	\$715	\$715	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	17	\$765	\$765	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	3	\$1,100	\$1,100	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	14	\$5,100	\$5,100	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	1	\$100	\$100	\$0	\$0		x
18 b	0	\$0	\$0	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	11	\$2,200	\$2,200	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	72	\$15,150	\$15,150	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No. LAO-15-04-R1-5

Subject: Keenan & Associates

Location: Riverside

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$70.00			\$112.00			\$182.00
2				\$27.00			\$27.00
3				\$138.75			\$138.75
4				\$68.00			\$68.00
5				\$88.08			\$88.08
6				\$70.32			\$70.32
7				\$465.14			\$465.14
8				\$291.13			\$291.13
9				\$97.14			\$97.14
TOTAL	\$70.00	\$0.00	\$0.00	\$1,357.56	\$0.00	\$0.00	\$1,427.56

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	58
Indemnity	58
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: SAC-07-04-R1-5

Subject: LWP Claims Solutions

Location: Sacramento

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	10	\$885	\$885	\$0	\$0		x
2	2	\$700	\$700	\$0	\$0		x
3	1	\$800	\$800	\$0	\$0		x
4	3	\$150	\$150	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	3	\$210	\$210	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	9	\$2,700	\$2,700	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	6	\$1,200	\$1,200	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	5	\$2,050	\$2,050	\$0	\$0		x
18 b	0	\$0	\$0	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	1	\$75	\$75	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	40	\$8,770	\$8,770	\$0	\$0	\$0	

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No.: SAC-07-04-R1-5

Subject: LWP Claims Solutions

Location: Sacramento

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$25.65						\$25.65
2	\$1,790.30			\$219.16			\$2,009.46
3	\$1,470.00			\$147.00			\$1,617.00
4	\$809.27			\$77.92			\$887.19
5	\$113.65						\$113.65
TOTAL	\$4,208.87	\$0.00	\$0.00	\$444.08	\$0.00	\$0.00	\$4,652.95

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	53
Indemnity	53
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: SFO-03-04-R1-6

Subject: Monterey County Schools, JPA

Location: Salinas

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessed	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	0	\$0	\$0	\$0	\$0		x
2	3	\$750	\$750	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	1	\$100	\$100	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	12	\$460	\$460	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	2	\$900	\$900	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	8	\$2,900	\$2,900	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	1	\$750	\$750	\$0	\$0		x
18 b	0	\$0	\$0	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	1	\$500	\$500	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	28	\$6,360	\$6,360	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SFO-03-04-R1-6

Subject: Monterey County Schools, JPA

Location: Salinas

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$111.00			\$111.00
2	\$631.43			\$63.14			\$694.57
TOTAL	\$631.43	\$0.00	\$0.00	\$174.14	\$0.00	\$0.00	\$805.57

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	45
Indemnity	45
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: LAO-14-04-T1-2

Subject: National R.V., Inc.

Location: Perris

Type: SI

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	9	\$815	\$815	\$0	\$0		x
2	4	\$925	\$925	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	27	\$4,075	\$4,075	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	12	\$4,300	\$4,300	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	6	\$2,500	\$2,500	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	3	\$5,700	\$5,700	\$0	\$0		x
18 b	2	\$1,700	\$1,700	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	3	\$350	\$350	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	66	\$20,365	\$20,365	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: LAO-14-04-T1-2

Subject: National R.V., Inc.

Location: Perris

Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$4,346.83	\$4,572.14		\$798.14			\$9,717.11
2				\$114.00			\$114.00
3	\$229.36			\$22.94			\$252.30
4				\$525.71			\$525.71
5	\$484.36			\$48.44			\$532.80
6		\$297.20		\$29.72			\$326.92
7				\$56.73			\$56.73
TOTAL	\$5,060.55	\$4,869.34	\$0.00	\$1,595.68	\$0.00	\$0.00	\$11,525.57

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	31
Indemnity	31
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: LAO-16-04-R1-2

Subject: National Steel & Shipbuilding Co.

Location: San Diego

Type: SI

Item #	# of Times Cited	Total \$ Penalties Assessed	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	1	\$25	\$25	\$0	\$0		x
2	1	\$160	\$160	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	2	\$260	\$260	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	15	\$5,600	\$5,600	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	3	\$1,500	\$1,500	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	3	\$400	\$400	\$0	\$0		x
18 b	1	\$800	\$800	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	1	\$100	\$100	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	27	\$8,845	\$8,845	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c)(1).

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: LAO-16-04-R-1

Subject: National Steel & Shipbuilding Co.

Location: San Diego

Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1		\$1,770.71		\$177.07			\$1,947.78
2	\$140.00			\$92.00			\$232.00
3	\$108.76			\$9.31			\$118.07
4	\$72.78						\$72.78
TOTAL	\$321.54	\$1,770.71	\$0.00	\$278.38	\$0.00	\$0.00	\$2,370.63

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	53
Indemnity	53
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: SFO-06-04-R1-5

Subject: Northern Claims Management

Location: Santa Rosa

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	4	\$350	\$350	\$0	\$0		x
2	2	\$50	\$50	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	4	\$150	\$150	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	5	\$175	\$175	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	3	\$1,500	\$1,500	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	7	\$1,900	\$1,900	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	1	\$100	\$100	\$0	\$0		x
18 b	0	\$0	\$0	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	0	\$0	\$0	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	26	\$4,225	\$4,225	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	43
Indemnity	43
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: SFO-08-04-R1-5

Subject: Octagon Risk Services

Location: Pleasanton

Type: SI

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	0	\$0	\$0	\$0	\$0		x
2	3	\$1,125	\$1,125	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	13	\$605	\$605	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	2	\$50	\$50	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	3	\$400	\$400	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	3	\$600	\$600	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	0	\$0	\$0	\$0	\$0		x
18 b	0	\$0	\$0	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	5	\$800	\$800	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	29	\$3,580	\$3,580	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SFO-08-04-R1-5

Subject: Octagon Risk Services

Location: Pleasanton

Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$97.79			\$97.79
2				\$679.74			\$679.74
TOTAL	\$0.00	\$0.00	\$0.00	\$777.53	\$0.00	\$0.00	\$777.53

Calendar Year:2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	55
Indemnity	55
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: LAO-11-04-R1-5

Subject: Octagon Risk Services, Inc.

Location: San Diego

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessed	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	2	\$150	\$150	\$0	\$0		x
2	1	\$320	\$320	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	0	\$0	\$0	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	5	\$215	\$215	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	1	\$400	\$400	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	1	\$400	\$400	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	0	\$0	\$0	\$0	\$0		x
18 b	1	\$400	\$400	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	1	\$100	\$100	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	12	\$1,985	\$1,985	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c)(1).

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: LAO-11-04-R1-5

Subject: Octagon Risk Services, Inc.

Location: San Diego

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$100.00			\$100.00
2		\$982.86		\$98.29			\$1,081.15
TOTAL	\$0.00	\$982.86	\$0.00	\$198.29	\$0.00	\$0.00	\$1,181.15

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	38
Indemnity	37
Medical Only	0
Denied	0
Complaints	1
Additional	0

Audit No: SFO-07-04-R1-1

Subject: OneBeacon Insurance Company

Location: Foxborough, MA Type: INS

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	17	\$1,730	\$1,730	\$0	\$0		x
2	5	\$1,430	\$1,430	\$0	\$0		x
3	1	\$25	\$25	\$0	\$0		x
4	18	\$1,085	\$1,085	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	4	\$1,300	\$1,300	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	13	\$5,000	\$5,000	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	2	\$1,100	\$1,100	\$0	\$0		x
18 b	1	\$1,000	\$1,000	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	2	\$150	\$150	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	63	\$12,820	\$12,820	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SFO-07-04-R1-1

Subject: OneBeacon Insurance Company

Location: Foxborough, MA

Type: INS

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$198.60	\$6,120.00		\$757.71			\$7,076.31
2	\$760.36			\$51.24			\$811.60
TOTAL	\$958.96	\$6,120.00	\$0.00	\$808.95	\$0.00	\$0.00	\$7,887.91

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: SAC-09-04-R2-5

Subject: Pegasus Risk Management

Location: Fresno

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 13 divide by # claims with payable indem 55 = 0.23636

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$ 11,795.59 divide by # of claims with obligation to pay indem. 55
 Avg Unpd Ind = \$ 214.47

C. Severity Rate

Avg Unpd Indem \$ 214.47 divide by avg unpd indem 2000-2002 of \$ 184.59 = 1.16185

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.23636 X Severity rate 1.16185 X modifier of 2
 = 0.54924

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	11	divide by # with TD payments	22	
# claims with late first SC notice	19	divide by # with salary continuation	35	
Totals	30	divide by	Totals	57
				=
				0.52632

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	5	divide by # with first PD	13	
# claims with late first VRMA	0	divide by # with first VRMA	2	
# claims with late first DB	0	divide by # with first DB paid	1	
Totals	5	divide by	Totals	16
				=
				0.31250

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 7 divide by # with subsequent payments 17 =
0.41176

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	15	divide by # requiring notices	40	
# claims with VR potential eligibility notice violations	6	divide by # requiring notices	10	
Totals	21		Totals	50
				=
				0.42000

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2004 2.21982

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: SAC-09-04-R2-5

Subject: Pegasus Risk Management

Location: Fresno

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd inden 21 divide by # claims with payable indem 118 = 0.17797

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$ 21,423.63 divide by # of claims with obligation to pay indem. 118
 Avg Unpd Ind = \$ 181.56

C. Severity Rate

Avg Unpd Ind. \$ 181.56 divide by avg unpd indem 2000-2002 of \$ 184.59 = 0.98356

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.17797 X Severity rate 0.98356 X modifier of 2
 = **0.35008**

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	18	divide by # with TD payments	52	
# claims with late first SC notice	36	divide by # with salary continuation	69	
Totals	54	divide by	Totals	121
				=
				0.44628

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	9	divide by # with first PD	25	
# claims with late first VRMA	0	divide by # with first VRMA	6	
# claims/late first death benefits	0	divide by # with first death ben paid	1	
Totals	9	divide by	Totals	32
				=
				0.28125

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 10 divide by # with subseq payments 33 =
0.30303

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	29	divide by # requiring notices	91	
# claims with VR potential eligibilty notice violations	10	divide by # requiring notices	17	
Totals	39	Totals	108	
				=
				0.36111

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004 **1.74175**

Full Compliance Audit Performance Rating of indemnity files of 2.77704 or greater is a failing score.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	118
Indemnity	118
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: SAC-09-04-R2-5

Subject: Pegasus Risk Management

Location: Fresno

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	22	\$3,545	\$0	\$3,545	\$0		x
2	6	\$2,480	\$0	\$2,480	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	20	\$2,105	\$2,030	\$75	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	2	\$200	\$200	\$0	\$0		x
7	36	\$1,730	\$1,730	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	10	\$3,600	\$3,600	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	28	\$10,000	\$10,000	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	8	\$1,000	\$0	\$1,000	\$0		x
18 b	9	\$4,650	\$0	\$4,650	\$0		x
18 c	1	\$300	\$0	\$300	\$0		x
18 d	27	\$2,425	\$0	\$2,425	\$0		x
18 e	2	\$300	\$0	\$300	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	171	\$32,335	\$17,560	\$14,775	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SAC-09-04-R2-5

Subject: Pegasus Risk Management

Location: Fresno

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$71.76			\$71.76
2				\$69.53		\$336.63	\$406.16
3		\$258.75					\$258.75
4	\$323.10	\$72.84		\$1,342.63			\$1,738.57
5		\$2,100.00		\$210.00			\$2,310.00
6	\$118.58			\$11.86			\$130.44
7				\$66.00			\$66.00
8	\$36.12			\$3.61			\$39.73
9		\$420.00		\$210.00			\$630.00
10	\$196.00			\$523.60			\$719.60
11				\$13.80			\$13.80
12		\$5,503.75		\$550.37			\$6,054.12
13				\$737.80			\$737.80
14				\$61.37		\$49.08	\$110.45
15				\$191.44			\$191.44
16	\$55.38			\$1,373.54			\$1,428.92
17		\$4,760.00		\$540.11			\$5,300.11
18	\$38.02			\$3.80			\$41.82
19	\$107.00	\$360.00		\$120.00			\$587.00
20			\$492.00	\$68.00			\$560.00
21				\$27.16			\$27.16
TOTAL	\$874.20	\$13,475.34	\$492.00	\$6,196.38	\$0.00	\$385.71	\$21,423.63

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-13-04-T2-5

Subject: Ralphs' Grocery Company / Sedgwick Claims Management Services, Inc.

Location: Long Beach

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 15 divide by # claims with payable indem 58 = 0.25862

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$ 23,577.51 divide by # of claims with obligation to pay indem. 58
 Avg Unpd Ind = \$ 406.51

C. Severity Rate

Avg Unpd Indem \$ 406.51 divide by avg unpd indem 2000-2002 of \$ 184.59 = 2.20223

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.25862 X Severity rate 2.20223 X modifier of 2
 = 1.13908

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	8	divide by # with TD payments	58	
# claims with late first SC notice	0	divide by # with salary continuation	0	
Totals	8	divide by	Totals	58
				=
				0.13793

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	3	divide by # with first PD	13	
# claims with late first VRMA	1	divide by # with first VRMA	4	
# claims with late first DB	0	divide by # with first DB paid	0	
Totals	4	divide by	Totals	17
				=
				0.23529

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 19 divide by # with subsequent payments 41 = 0.46341

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	4	divide by # requiring notices	49	
# claims with VR potential eligibility notice violations	10	divide by # requiring notices	14	
Totals	14	Totals	63	
				=
				0.22222

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2004 2.19794

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: LAO-13-04-T2-5

Subject: Ralphs' Grocery Company / Sedgwick Claims Management Services, Inc.

Location: Long Beach

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 35 divide by # claims with payable indem 132 = 0.26515

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$ 44,102.71 divide by # of claims with obligation to pay indem. 132
Avg Unpd Ind = \$ 334.11

C. Severity Rate

Avg Unpd Ind. \$ 334.11 divide by avg unpd indem 2000-2002 of \$ 184.59 = 1.81002

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.26515 X Severity rate 1.81002 X modifier of 2
= 0.95986

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	24	divide by # with TD payments	132	
# claims with late first SC notice	0	divide by # with salary continuation	0	
Totals	24	divide by	Totals 132	=
				0.18182

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	9	divide by # with first PD	35	
# claims with late first VRMA	1	divide by # with first VRMA	11	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	10	divide by	Totals 46	=
				0.21739

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 37 divide by # with subseq payments 102 = 0.36275

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	9	divide by # requiring notices	111	
# claims with VR potential eligibilty notice violations	16	divide by # requiring notices	24	
Totals	25	Totals	135	
				= 0.18519

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004

1.90700

Full Compliance Audit Performance Rating of indemnity files of 2.77704 or greater is a failing score.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	134	Audit No:	LAO-13-04-T2-5
Indemnity	132	Subject:	Ralphs' Grocery Company -
Medical Only	0		Sedgwick Claims Management Services, Inc.
Denied	0		
Complaints	2		
Additional	0	Location:	Long Beach
			Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessed	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	28	\$4,560	\$0	\$4,560	\$0		x
2	11	\$3,935	\$0	\$3,935	\$0		x
3	1	\$25	\$0	\$25	\$0		x
4	84	\$9,155	\$0	\$9,155	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	16	\$6,000	\$6,000	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	9	\$3,300	\$3,300	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	19	\$6,250	\$0	\$6,250	\$0		x
18 b	10	\$5,950	\$0	\$5,950	\$0		x
18 c	1	\$200	\$0	\$200	\$0		x
18 d	30	\$3,050	\$0	\$3,050	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	209	\$42,425	\$9,300	\$33,125	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c)(1).

Calendar Year: 2004
Notices of Compensation Due

Audit No: LAO-13-04-T2-5

**Subject: Ralphy's Grocery Company -
Sedgwick Claims Management Services, Inc.**

Location: Long Beach Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1		\$700.00		\$70.00			\$770.00
2	\$172.00	\$3,118.57		\$329.06			\$3,619.63
3				\$32.00			\$32.00
4		\$4,551.75		\$455.18			\$5,006.93
5				\$240.80			\$240.80
6		\$1,560.00		\$156.00			\$1,716.00
7	\$70.75			\$7.08			\$77.83
8				\$534.86			\$534.86
9	\$100.41						\$100.41
10				\$93.52			\$93.52
11		\$700.00		\$396.59			\$1,096.59
12	\$134.41						\$134.41
13				\$217.50			\$217.50
14		\$4,235.00		\$423.50			\$4,658.50
15				\$16.70			\$16.70
16				\$108.33			\$108.33
17	\$1,153.00						\$1,153.00
18	\$651.78			\$117.24			\$769.02
19	\$1,749.60	\$680.00					\$2,429.60
20	\$817.31	\$3,640.00		\$524.60			\$4,981.91
21				\$62.40			\$62.40
SUBTOTAL	\$4,849.26	\$19,185.32	\$0.00	\$3,785.36	\$0.00	\$0.00	\$27,819.94

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	57
Indemnity	57
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: VNO-05-04-R1-1

Subject: Republic American Insurance Group

Location: Encino

Type: INS

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	4	\$250	\$250	\$0	\$0		x
2	0	\$0	\$0	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	10	\$925	\$925	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	0	\$0	\$0	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	0	\$0	\$0	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	1	\$100	\$100	\$0	\$0		x
18 b	0	\$0	\$0	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	1	\$100	\$100	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	16	\$1,375	\$1,375	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: VNO-05-04-R1-1

Subject: Republic American Insurance Group

Location: Encino

Type: INS

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$195.37						\$195.37
2				\$102.86			\$102.86
TOTAL	\$195.37	\$0.00	\$0.00	\$102.86	\$0.00	\$0.00	\$298.23

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	56
Indemnity	56
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: SAC-10-04-R1-5

Subject: Ross and Castillo

Location: Fresno

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	6	\$450	\$450	\$0	\$0		x
2	1	\$25	\$25	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	0	\$0	\$0	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	10	\$365	\$365	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	2	\$500	\$500	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	6	\$1,400	\$1,400	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	2	\$200	\$200	\$0	\$0		x
18 b	0	\$0	\$0	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	1	\$100	\$100	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	28	\$3,040	\$3,040	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SAC-10-04-R1-5

Subject: Ross and Castillo

Location: Fresno

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$628.00			\$628.00
2	\$184.63						\$184.63
TOTAL	\$184.63	\$0.00	\$0.00	\$628.00	\$0.00	\$0.00	\$812.63

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-17-04-T3-6

Subject: Santa Ana Unified School District

Location: Santa Ana

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 13 divide by # claims with payable indem 52 = 0.25000

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$ 16,479.46 divide by # of claims with obligation to pay indem. 52
 Avg Unpd Ind = \$ 316.91

C. Severity Rate

Avg Unpd Indem \$ 316.91 divide by avg unpd indem 2000-2002 of \$ 184.59 = 1.71685

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.25000 X Severity rate 1.71685 X modifier of 2
 = 0.85842

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	5	divide by # with TD payments	8	
# claims with late first SC notice	30	divide by # with salary continuation	46	
Totals	35	divide by	54	=
				0.64815

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	8	divide by # with first PD	14	
# claims with late first VRMA	0	divide by # with first VRMA	4	
# claims with late first DB	0	divide by # with first DB paid	0	
Totals	8	divide by	18	=
				0.44444

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 10 divide by # with subsequent payments 31 =
0.32258

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	25	divide by # requiring notices	45	
# claims with VR potential eligibility notice violations	2	divide by # requiring notices	3	
Totals	27		48	
				=
				0.56250

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2004 2.83610

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: LAO-17-04-T3-6

Subject: Santa Ana Unified School District

Location: Santa Ana

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 28 divide by # claims with payable indem 107 = 0.26168

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$ 106,753.43 divide by # of claims with obligation to pay indem. 107
 Avg Unpd Ind = \$ 997.70

C. Severity Rate

Avg Unpd Ind. \$ 997.70 divide by avg unpd indem 2000-2002 of \$ 184.59 = 5.40493

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.26168 X Severity rate 5.40493 X modifier of 2
 = 2.82875

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	12	divide by # with TD payments	18	
# claims with late first SC notice	52	divide by # with salary continuation	96	
Totals	64	divide by	Totals	114 =
				0.56140

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	15	divide by # with first PD	31	
# claims with late first VRMA	1	divide by # with first VRMA	5	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	16	divide by	Totals	36 =
				0.44444

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 20 divide by # with subseq payments 65 = 0.30769

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	50	divide by # requiring notices	88	
# claims with VR potential eligibilty notice violations	5	divide by # requiring notices	6	
Totals	55	Totals	94	=
				0.58511

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004 **4.72739**

Full Compliance Audit Performance Rating of indemnity files of 2.77704 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: LAO-17-04-T3-6

Subject: Santa Ana Unified School District

Location: Santa Ana

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 27 divide by # claims with payable indem 108 = 0.25000

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$ 87,163.93 divide by # of claims with obligation to pay indem. 108
 Avg Unpd Ind = \$ 807.07

C. Severity Rate

Avg Unpd Ind. \$ 807.07 divide by avg unpd indem 2000-2002 of \$ 184.59 = 4.37225

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.25000 X Severity rate 4.37225 X modifier of 2
 = **2.18612**

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	13	divide by # with TD payments	20	
# claims with late first SC notice	54	divide by # with salary continuation	97	
Totals	67	divide by	Totals	117 =
				0.57265

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	15	divide by # with first PD	34	
# claims with late first VRMA	1	divide by # with first VRMA	5	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	16	divide by	Totals	39 =
				0.41026

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 20 divide by # with subseq payments 71 =
0.28169

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	53	divide by # requiring notices	91	
# claims with VR potential eligibilty notice violations	6	divide by # requiring notices	7	
Totals	59		Totals	98
				=
				0.60204
				4.05276

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004

Full Compliance Audit Performance Rating for indemnity and denied files of 2.77704 or greater is a failing score.

Calendar Year: 2004
Notices of Compensation Due

Audit No: LAO-17-04-T3-6

Subject: Santa Ana Unified School District

Location: Santa Ana Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$28.00			\$28.00
2						\$100.00	\$100.00
3				\$132.00			\$132.00
4		\$1,540.00		\$154.00			\$1,694.00
5				\$216.71			\$216.71
6		\$2,560.00	\$1,352.79	\$4,804.80			\$8,717.59
7	\$2,404.77			\$340.68			\$2,745.45
8	\$1,090.50			\$886.05			\$1,976.55
9		\$4,340.00					\$4,340.00
10				\$187.00			\$187.00
11	\$670.32			\$130.03			\$800.35
12		\$3,400.00		\$563.20			\$3,963.20
13	\$163.49						\$163.49
14		\$925.00					\$925.00
15		\$672.00		\$67.20			\$739.20
16	\$2,216.43			\$397.86			\$2,614.29
17		\$4,235.00		\$423.50			\$4,658.50
18		\$8,040.00					\$8,040.00
19				\$338.50			\$338.50
20	\$503.39			\$50.34			\$553.73
21				\$459.00			\$459.00
SUBTOTAL	\$7,048.90	\$25,712.00	\$1,352.79	\$9,178.87	\$0.00	\$100.00	\$43,392.56

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	136
Indemnity	107
Medical Only	0
Denied	28
Complaints	1
Additional	0

Audit No: LAO-17-04-T3-6

Subject: Santa Ana Unified School District

Location: Santa Ana

Type: SI

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived *	Total \$ Amount Collected **	Balance \$ Due **	Appealed	
						Yes	No
1	20	\$8,740	\$0	\$0	\$15,040		x
2	17	\$4,060	\$0	\$0	\$5,726		x
3	1	\$25	\$0	\$0	\$25		x
4	71	\$7,920	\$2,435	\$0	\$6,738		x
5	0	\$0	\$0	\$0	\$0		x
6	179	\$17,900	\$0	\$0	\$19,160		x
7	91	\$5,410	\$0	\$0	\$6,026		x
8	396	\$37,675	\$0	\$0	\$54,335		x
9	68	\$6,150	\$0	\$0	\$7,270		x
10	5	\$450	\$0	\$0	\$450		x
11	0	\$0	\$0	\$0	\$0		x
12	18	\$7,300	\$0	\$0	\$8,000		x
13	6	\$1,900	\$0	\$0	\$1,900		x
14	0	\$0	\$0	\$0	\$0		x
15	53	\$22,900	\$0	\$0	\$26,260		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	11	\$5,450	\$0	\$0	\$5,450		x
18 b	13	\$10,550	\$0	\$0	\$13,910		x
18 c	1	\$1,000	\$0	\$0	\$1,000		x
18 d	26	\$2,950	\$0	\$0	\$4,350		x
18 e	1	\$100	\$0	\$0	\$100		x
18 f	1	\$5,000	\$0	\$0	\$5,000		x
19	0	\$0	\$0	\$0	\$0		x
20 a	31	\$775	\$0	\$0	\$810		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	3	\$2,500	\$0	\$0	\$3,900		x
20 d	56	\$5,450	\$0	\$0	\$6,990		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	1068	\$154,205	\$2,435	\$0	\$192,440		

*Administrative penalties waived due to a lack of regulatory authority.

**Administrative penalties modified by factor of 1.4 pursuant to Labor Code §129.5(c) and 8CCR§10111.2(c)(7).

Calendar Year: 2004
Notices of Compensation Due

Audit No: LAO-17-04-T3-6

Subject: Santa Ana Unified School District

Location: Santa Ana Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$28.00			\$28.00
2						\$100.00	\$100.00
3				\$132.00			\$132.00
4		\$1,540.00		\$154.00			\$1,694.00
5				\$216.71			\$216.71
6		\$2,560.00	\$1,352.79	\$4,804.80			\$8,717.59
7	\$2,404.77			\$340.68			\$2,745.45
8	\$1,090.50			\$886.05			\$1,976.55
9		\$4,340.00					\$4,340.00
10				\$187.00			\$187.00
11	\$670.32			\$130.03			\$800.35
12		\$3,400.00		\$563.20			\$3,963.20
13	\$163.49						\$163.49
14		\$925.00					\$925.00
15		\$672.00		\$67.20			\$739.20
16	\$2,216.43			\$397.86			\$2,614.29
17		\$4,235.00		\$423.50			\$4,658.50
18		\$8,040.00					\$8,040.00
19				\$338.50			\$338.50
20	\$503.39			\$50.34			\$553.73
21				\$459.00			\$459.00
SUBTOTAL	\$7,048.90	\$25,712.00	\$1,352.79	\$9,178.87	\$0.00	\$100.00	\$43,392.56

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	41
Indemnity	41
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: LAO-05-04-R1-2

Subject: Solar Turbines, Inc.

Location: San Diego

Type: SI

Item #	# of Times Cited	Total \$ Penalties Assessed	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	4	\$300	\$300	\$0	\$0		x
2	6	\$2,335	\$2,335	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	12	\$1,480	\$1,480	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	1	\$25	\$25	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	0	\$0	\$0	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	1	\$500	\$500	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	0	\$0	\$0	\$0	\$0		x
18 b	1	\$750	\$750	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	4	\$325	\$325	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	29	\$5,715	\$5,715	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c)(1).

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: LAO-05-04-R1-2

Subject: Solar Turbines, Inc.

Location: San Diego

Type: SI

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1		\$2,971.43		\$629.52			\$3,600.95
2				\$44.47			\$44.47
3				\$316.00			\$316.00
TOTAL	\$0.00	\$2,971.43	\$0.00	\$989.99	\$0.00	\$0.00	\$3,961.42

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: VNO-03-04-R3-1

Subject: Sompo Japan Insurance Company of America

Location: Los Angeles

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 19 divide by # claims with payable indem 47 = 0.40426

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$13,601.52 divide by # of claims with obligation to pay indem. 47
 Avg Unpd Ind = \$ 289.39

C. Severity Rate

Avg Unpd Indem \$ 289.39 divide by avg unpd indem 2000-2002 of \$ 184.59 = 1.56777

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.40426 X Severity rate 1.56777 X modifier of 2
 = **1.26756**

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	23	divide by # with TD payments	45	
# claims with late first SC notice	0	divide by # with salary continuation	0	
Totals	23	divide by	Totals	45
				=
				0.51111

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	4	divide by # with first PD	8	
# claims with late first VRMA	1	divide by # with first VRMA	4	
# claims with late first DB	0	divide by # with first DB paid	0	
Totals	5	divide by	Totals	12
				=
				0.41667

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 14 divide by # with subsequent payments 33 =
0.42424

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	9	divide by # requiring notices	20	
# claims with VR potential eligibility notice violations	4	divide by # requiring notices	6	
Totals	13		Totals	26
				=
				0.50000

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2004 **3.11958**

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: VNO-03-04-R3-1

Subject: Sompo Japan Insurance Company of America

Location: Los Angeles

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 34 divide by # claims with payable indem 86 = 0.39535

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$42,578.87 divide by # of claims with obligation to pay indem. 86
Avg Unpd Ind = \$ 495.10

C. Severity Rate

Avg Unpd Ind. \$ 495.10 divide by avg unpd indem 2000-2002 of \$ 184.59 = 2.68218

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.39535 X Severity rate 2.68218 X modifier of 2
= 2.12079

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	40	divide by # with TD payments	81	
# claims with late first SC notice	1	divide by # with salary continuation	2	
Totals	41	divide by	Totals 83	=
				0.49398

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	7	divide by # with first PD	14	
# claims with late first VRMA	1	divide by # with first VRMA	5	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	8	divide by	Totals 19	=
				0.42105

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 24 divide by # with subseq payments 52 = 0.46154

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	15	divide by # requiring notices	38	
# claims with VR potential eligibilty notice violations	7	divide by # requiring notices	10	
Totals	22	Totals	48	=
				0.45833

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004 3.95569

Full Compliance Audit Performance Rating of indemnity files of 2.77704 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: VNO-03-04-R3-1

Subject: Sompo Japan Insurance Company of America

Location: Los Angeles

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 36 divide by # claims with payable indem 88 = 0.40909

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$ 47,502.42 divide by # of claims with obligation to pay indem. 88
 Avg Unpd Ind = \$ 539.80

C. Severity Rate

Avg Unpd Ind. \$ 539.80 divide by avg unpd indem 2000-2002 of \$ 184.59 = 2.92432

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.40909 X Severity rate 2.92432 X modifier of 2
 = **2.39263**

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	42	divide by # with TD payments	83	
# claims with late first SC notice	1	divide by # with salary continuation	2	
Totals	<u>43</u>	divide by	Totals	<u>85</u> =
				0.50588

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	7	divide by # with first PD	14	
# claims with late first VRMA	1	divide by # with first VRMA	5	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	<u>8</u>	divide by	Totals	<u>19</u> =
				0.42105

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 24 divide by # with subseq payments 53 =
0.45283

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	14	divide by # requiring notices	38	
# claims with VR potential eligibilty notice violations	6	divide by # requiring notices	9	
Totals	<u>20</u>		Totals	<u>47</u>
				= 0.42553

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004 **4.19792**

Full Compliance Audit Performance Rating for indemnity and denied files of 2.77704 or greater is a failing score.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	120
Indemnity	86
Medical Only	0
Denied	28
Complaints	4
Additional	2

Audit No: VNO-03-04-R3-1

**Subject: Sompo Japan Insurance
Company of America**

Location: Los Angeles Type: INS

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived *	Total \$ Amount Collected **	Balance \$ Due	Appealed	
						Yes	No
1	44	\$8,655	\$0	\$8,655	\$0		x
2	9	\$4,340	\$0	\$4,340	\$0		x
3	2	\$625	\$0	\$625	\$0		x
4	57	\$6,170	\$3,415	\$2,755	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	107	\$10,680	\$0	\$10,680	\$0		x
7	21	\$1,190	\$0	\$1,190	\$0		x
8	339	\$51,900	\$0	\$51,900	\$0		x
9	6	\$650	\$0	\$650	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	8	\$3,700	\$0	\$3,700	\$0		x
13	6	\$2,200	\$0	\$2,200	\$0		x
14	2	\$900	\$0	\$900	\$0		x
15	14	\$6,400	\$0	\$6,400	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	26	\$9,700	\$0	\$9,700	\$0		x
18 b	10	\$5,550	\$0	\$5,550	\$0		x
18 c	1	\$750	\$0	\$750	\$0		x
18 d	23	\$2,075	\$0	\$2,075	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	2	\$200	\$0	\$200	\$0		x
20 a	4	\$100	\$0	\$100	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	2	\$10,000	\$0	\$10,000	\$0		x
20 d	23	\$2,300	\$0	\$2,300	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	706	\$128,085	\$3,415	\$124,670	\$0		

*Administrative penalties waived due to a lack of regulatory authority.

**Administrative penalties modified by factor of 1.0 pursuant to Labor Code §129.5(c) and 8CCR§10111.2(c)(7).

Calendar Year: 2004
Notices of Compensation Due

Audit No: VNO-03-04-R3-1

Subject: Sompco Japan Insurance Company of America

Location: Los Angeles

Type: INS

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$260.96			\$60.43			\$321.39
2	\$33.69						\$33.69
3		\$2,282.25		\$228.23			\$2,510.48
4	\$2,642.09			\$220.62			\$2,862.71
5		\$3,568.58		\$384.29			\$3,952.87
6	\$140.34			\$9.36			\$149.70
7				\$88.65			\$88.65
8				\$146.00			\$146.00
9	\$121.89			\$3.05			\$124.94
10	\$7,357.00			\$735.70			\$8,092.70
11				\$98.00			\$98.00
12	\$1,664.44	\$7,378.00		\$1,034.40			\$10,076.84
13		\$1,428.00		\$142.80			\$1,570.80
14		\$1,020.00	\$1,466.96	\$1,884.25			\$4,371.21
15	\$19.60						\$19.60
16	\$296.35						\$296.35
17	\$107.40						\$107.40
18		\$496.98		\$49.70			\$546.68
19	\$420.00			\$42.00			\$462.00
20	\$2,377.31			\$279.40			\$2,656.71
21	\$3,478.68			\$681.20			\$4,159.88
SUBTOTAL	\$18,919.75	\$16,173.81	\$1,466.96	\$6,088.08	\$0.00	\$0.00	\$42,648.60

Calendar Year: 2004
Notices of Compensation Due

Audit No: VNO-03-04-R3-1

Subject: Sompo Japan Insurance Company of America

Location: Los Angeles

Type: INS

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty interest, or other	Total
22	\$69.94			\$3.50			\$73.44
23				\$181.12			\$181.12
24				\$22.51			\$22.51
25	\$114.27						\$114.27
26				\$454.86			\$454.86
27		\$982.87		\$68.58			\$1,051.45
28		\$571.00					\$571.00
29	\$51.80						\$51.80
30	\$1,227.17			\$236.21			\$1,463.38
31				\$224.00			\$224.00
32	\$17.60			\$1.76			\$19.36
33	\$180.00			\$18.00			\$198.00
34	\$67.84						\$67.84
35	\$325.50			\$18.94			\$344.44
36				\$16.35			\$16.35
Page 2 SUBTOTAL	\$2,054.12	\$1,553.87	\$0.00	\$1,245.83	\$0.00	\$0.00	\$4,853.82
Page 1 SUBTOTAL	\$18,919.75	\$16,173.81	\$1,466.96	\$6,088.08	\$0.00	\$0.00	\$42,648.60
TOTAL	\$20,973.87	\$17,727.68	\$1,466.96	\$7,333.91	\$0.00	\$0.00	\$47,502.42

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	54
Indemnity	54
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: VNO-09-04-R1-5

Subject: Southern California Risk Management Associates, Inc.

Location: Oxnard

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	3	\$555	\$555	\$0	\$0		x
2	2	\$260	\$260	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	5	\$1,365	\$1,365	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	17	\$740	\$740	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	1	\$200	\$200	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	2	\$400	\$400	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	1	\$1,000	\$1,000	\$0	\$0		x
18 b	5	\$2,000	\$2,000	\$0	\$0		x
18 c	1	\$100	\$100	\$0	\$0		x
18 d	2	\$200	\$200	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	39	\$6,820	\$6,820	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: VNO-09-04-R1-5

Subject: Southern California Risk Management Associates, Inc.

Location: Oxnard

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1		\$840.00					\$840.00
2	\$2,659.12	\$580.14	\$37.45	\$407.64			\$3,684.35
3		\$122.14		\$12.21			\$134.35
4		\$14,134.29		\$1,413.43			\$15,547.72
5		\$388.57		\$63.98			\$452.55
TOTAL	\$2,659.12	\$16,065.14	\$37.45	\$1,897.26	\$0.00	\$0.00	\$20,658.97

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: VNO-07-04-R1-5

Subject: Specialty Risk Services

Location: Burbank

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 13 divide by # claims with payable indem 55 = 0.23636

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$ 4,847.81 divide by # of claims with obligation to pay indem. 55
 Avg Unpd Ind = \$ 88.14

C. Severity Rate

Avg Unpd Indem \$ 88.14 divide by avg unpd indem 2000-2002 of \$ 184.59 = 0.47750

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.23636 X Severity rate 0.47750 X modifier of 2
 = 0.22573

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	16	divide by # with TD payments	52	
# claims with late first SC notice	0	divide by # with salary continuation	0	
Totals	16	divide by	Totals	52
				=
				0.30769

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	6	divide by # with first PD	22	
# claims with late first VRMA	1	divide by # with first VRMA	11	
# claims with late first DB	0	divide by # with first DB paid	0	
Totals	7	divide by	Totals	33
				=
				0.21212

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 19 divide by # with subsequent payments 46 =
0.41304

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	8	divide by # requiring notices	39	
# claims with VR potential eligibility notice violations	9	divide by # requiring notices	19	
Totals	17		Totals	58
				=
				0.29310

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2004

1.45169

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	55
Indemnity	55
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: VNO-07-04-R1-5

Subject: Specialty Risk Services

Location: Burbank

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	17	\$3,295	\$3,295	\$0	\$0		x
2	6	\$1,665	\$1,665	\$0	\$0		x
3	1	\$800	\$800	\$0	\$0		x
4	62	\$9,990	\$9,990	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	9	\$2,500	\$2,500	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	8	\$3,900	\$3,900	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	10	\$2,600	\$2,600	\$0	\$0		x
18 b	3	\$600	\$600	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	14	\$1,275	\$1,275	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	130	\$26,625	\$26,625	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: VNO-07-04-R1-5

Subject: Specialty Risk Services

Location: Burbank

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1		\$320.00		\$148.91			\$468.91
2				\$33.34			\$33.34
3	\$99.04			\$8.37			\$107.41
4	\$99.85	\$752.86		\$85.28			\$937.99
5	\$1,020.97			\$304.00			\$1,324.97
6	\$316.11			\$467.73			\$783.84
7	\$219.47			\$117.03			\$336.50
8	\$251.79			\$40.82			\$292.61
9	\$105.33			\$10.53			\$115.86
10	\$86.00						\$86.00
11	\$52.03						\$52.03
12		\$265.71		\$26.57			\$292.28
13	\$14.61			\$1.46			\$16.07
TOTAL	\$2,265.20	\$1,338.57	\$0.00	\$1,244.04	\$0.00	\$0.00	\$4,847.81

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: SFO-01-04-R1-5

Subject: Specialty Risk Services

Location: Pleasanton

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 12 divide by # claims with payable indem 59 = 0.20339

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$ 4,492.26 divide by # of claims with obligation to pay indem. 59
 Avg Unpd Ind = \$ 76.14

C. Severity Rate

Avg Unpd Indem \$ 76.14 divide by avg unpd indem 2000-2002 of \$ 184.59 = 0.41248

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.20339 X Severity rate 0.41248 X modifier of 2
 = **0.16779**

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	17	divide by # with TD payments	54	
# claims with late first SC notice	0	divide by # with salary continuation	0	
Totals	17	divide by	Totals	54
				=
				0.31481

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	6	divide by # with first PD	14	
# claims with late first VRMA	0	divide by # with first VRMA	3	
# claims with late first DB	0	divide by # with first DB paid	0	
Totals	6	divide by	Totals	17
				=
				0.35294

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 15 divide by # with subsequent payments 45 =
0.33333

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	8	divide by # requiring notices	30	
# claims with VR potential eligibility notice violations	11	divide by # requiring notices	12	
Totals	19		Totals	42
				=
				0.45238

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2004

1.62126

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	71
Indemnity	59
Medical Only	0
Denied	0
Complaints	12
Additional	0

Audit No: SFO-01-04-R1-5

Subject: Specialty Risk Services

Location: Pleasanton

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	18	\$4,060	\$4,060	\$0	\$0		x
2	6	\$2,555	\$2,555	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	36	\$5,025	\$5,025	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	11	\$4,600	\$4,600	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	8	\$2,700	\$2,700	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	8	\$7,800	\$7,800	\$0	\$0		x
18 b	1	\$200	\$200	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	11	\$1,850	\$1,850	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	99	\$28,790	\$28,790	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SFO-01-04-R1-5

Subject: Specialty Risk Services

Location: Pleasanton

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1	\$11,155.40			\$1,115.54			\$12,270.94
2				\$33.33			\$33.33
3	\$74.12			\$303.79			\$377.91
4				\$181.08			\$181.08
5	\$23.76						\$23.76
6	\$990.00						\$990.00
7				\$594.24			\$594.24
8				\$98.00			\$98.00
9	\$331.21						\$331.21
10	\$546.84			\$19.92			\$566.76
11	\$155.18						\$155.18
12	\$15.52						\$15.52
13	\$526.76			\$322.70			\$849.46
14		\$711.43		\$131.14			\$842.57
TOTAL	\$13,818.79	\$711.43	\$0.00	\$2,799.74	\$0.00	\$0.00	\$17,329.96

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: SAC-04-04-T1-1

Subject: Travelers Property and Casualty and Constitution State Service

Location: Rancho Cordova

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 13 divide by # claims with payable indem 58 = 0.22414

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$ 5,848.74 divide by # of claims with obligation to pay indem. 58
 Avg Unpd Ind = \$ 100.84

C. Severity Rate

Avg Unpd Indem \$ 100.84 divide by avg unpd indem 2000-2002 of \$ 184.59 = 0.54629

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.22414 X Severity rate 0.54629 X modifier of 2
 = 0.24489

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	19	divide by # with TD payments	52	
# claims with late first SC notice	0	divide by # with salary continuation	0	
Totals	19	divide by	Totals	52
				=
				0.36538

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	4	divide by # with first PD	24	
# claims with late first VRMA	0	divide by # with first VRMA	15	
# claims with late first DB	0	divide by # with first DB paid	2	
Totals	4	divide by	Totals	41
				=
				0.09756

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 12 divide by # with subsequent payments 42 =
0.28571

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	17	divide by # requiring notices	47	
# claims with VR potential eligibility notice violations	8	divide by # requiring notices	20	
Totals	25		Totals	67
				=
				0.37313

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2004 1.36668

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	59
Indemnity	58
Medical Only	0
Denied	0
Complaints	1
Additional	0

Audit No: SAC-04-04-T1-1

**Subject: Travelers Property and Casualty
and Constitution State Service**

Location: Rancho Cordova

Type: INS

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	22	\$2,645	\$2,645	\$0	\$0		x
2	5	\$775	\$775	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	17	\$1,985	\$1,985	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	56	\$5,600	\$5,600	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	8	\$1,700	\$1,700	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	17	\$5,900	\$5,900	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	5	\$1,700	\$1,700	\$0	\$0		x
18 b	1	\$400	\$400	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	12	\$2,125	\$2,125	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	143	\$22,830	\$22,830	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SAC-04-04-T1-1

Subject: Travelers Property and Casualty and Constitution State Service

Location: Rancho Cordova

Type: INS

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$67.52			\$67.52
2	\$97.35						\$97.35
3				\$12.61			\$12.61
4				\$97.14			\$97.14
5	\$533.10			\$53.31			\$586.41
6				\$166.00			\$166.00
7	\$90.40			\$509.86			\$600.26
8	\$814.81			\$62.36			\$877.17
9				\$146.20			\$146.20
10	\$179.27			\$11.65			\$190.92
11				\$88.51			\$88.51
12		\$2,451.62		\$235.98			\$2,687.60
13				\$231.05			\$231.05
TOTAL	\$1,714.93	\$2,451.62	\$0.00	\$1,682.19	\$0.00	\$0.00	\$5,848.74

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: SAC-02-04-R3-1

Subject: United Services Automobile Association

Location: Sacramento

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 11 divide by # claims with payable indem 31 = 0.35484

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem. = \$ 8,432.31 divide by # of claims with obligation to pay indem. 31
 Avg Unpd Ind = \$ 272.01

C. Severity Rate

Avg Unpd Indem \$ 272.01 divide by avg unpd indem 2000-2002 of \$ 184.59 = 1.47359

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.35484 X Severity rate 1.47359 X modifier of 2
 = 1.04577

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	19	divide by # with TD payments	30	
# claims with late first SC notice	1	divide by # with salary continuation	1	
Totals	20	divide by	Totals	31
				=
				0.64516

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	5	divide by # with first PD	13	
# claims with late first VRMA	2	divide by # with first VRMA	4	
# claims with late first DB	0	divide by # with first DB paid	0	
Totals	7	divide by	Totals	17
				=
				0.41176

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subsequent payments 4 divide by # with subsequent payments 27 =
0.14815

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	15	divide by # requiring notices	23	
# claims with VR potential eligibility notice violations	9	divide by # requiring notices	13	
Totals	24		Totals	36
				=
				0.66667

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2004 2.91751

Profile Audit Review Performance Rating of 1.92668 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: SAC-02-04-R3-1

Subject: United Services Automobile Association

Location: Sacramento

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 19 divide by # claims with payable indem 42 = 0.45238

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$ 31,208.21 divide by # of claims with obligation to pay indem. 42
Avg Unpd Ind = \$ 743.05

C. Severity Rate

Avg Unpd Ind. \$ 743.05 divide by avg unpd indem 2000-2002 of \$ 184.59 = 4.02542

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.45238 X Severity rate 4.02542 X modifier of 2
= 3.64205

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	29	divide by # with TD payments	41	
# claims with late first SC notice	1	divide by # with salary continuation	1	
Totals	30	divide by	Totals 42	=
				0.71429

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	7	divide by # with first PD	20	
# claims with late first VRMA	5	divide by # with first VRMA	8	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	12	divide by	Totals 28	=
				0.42857

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 4 divide by # with subseq payments 38 = 0.10526

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	19	divide by # requiring notices	30	
# claims with VR potential eligibilty notice violations	15	divide by # requiring notices	21	
Totals	34	Totals	51	=
				0.66667

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004 5.55684

Full Compliance Audit Performance Rating of indemnity files of 2.77704 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: SAC-02-04-R3-1

Subject: United Services Automobile Association

Location: Sacramento

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 19 divide by # claims with payable indem 44 = 0.43182

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity

Total unpd indem = \$ 31,208.21 divide by # of claims with obligation to pay indem. 44
Avg Unpd Ind = \$ 709.28

C. Severity Rate

Avg Unpd Ind. \$ 709.28 divide by avg unpd indem 2000-2002 of \$ 184.59 = 3.84245

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.43182 X Severity rate 3.84245 X modifier of 2
= 3.31848

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE

# claims with late 1st TD	29	divide by # with TD payments	43	
# claims with late first SC notice	1	divide by # with salary continuation	1	
Totals	30	divide by	Totals 44	=
				0.68182

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS

# claims with late first PD	7	divide by # with first PD	21	
# claims with late first VRMA	5	divide by # with first VRMA	9	
# claims/late first death benefits	0	divide by # with first death ben paid	0	
Totals	12	divide by	Totals 30	=
				0.40000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 5 divide by # with subseq payments 40 = 0.12500

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION

# claims with AME/QME notice violations	19	divide by # requiring notices	31	
# claims with VR potential eligibilty notice violations	15	divide by # requiring notices	22	
Totals	34		Totals 53	
				= 0.64151

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2004 5.16681

Full Compliance Audit Performance Rating for indemnity and denied files of 2.77704 or greater is a failing score.

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	61
Indemnity	42
Medical Only	0
Denied	19
Complaints	0
Additional	0

Audit No: SAC-02-04-R3-1

Subject: United Services Automobile Association

Location: Sacramento

Type: INS

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived *	Total \$ Amount Collected **	Balance \$ Due	Appealed	
						Yes	No
1	36	\$14,425	\$0	\$14,425	\$0		x
2	11	\$3,475	\$0	\$3,475	\$0		x
3	6	\$1,315	\$0	\$1,315	\$0		x
4	5	\$675	\$0	\$675	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	55	\$5,500	\$0	\$5,500	\$0		x
7	15	\$920	\$0	\$920	\$0		x
8	75	\$6,395	\$0	\$6,395	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	4	\$1,900	\$0	\$1,900	\$0		x
13	16	\$5,800	\$0	\$5,800	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	19	\$7,200	\$0	\$7,200	\$0		x
16	5	\$1,500	\$0	\$1,500	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	9	\$4,550	\$0	\$4,550	\$0		x
18 b	6	\$3,850	\$0	\$3,850	\$0		x
18 c	3	\$2,300	\$0	\$2,300	\$0		x
18 d	16	\$1,550	\$0	\$1,550	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	3	\$300	\$0	\$300	\$0		x
20 a	3	\$550	\$0	\$550	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	287	\$62,205	\$0	\$62,205	\$0		

*Administrative penalties waived due to a lack of regulatory authority.

**Administrative penalties modified by factor of 1.0 pursuant to Labor Code §129.5(c) and 8CCR§10111.2(c)(7).

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SAC-02-04-R3-1

Subject: United Services Automobile Association

Location: Sacramento

Type: INS

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1		\$58.69		\$124.87			\$183.56
2				\$220.59			\$220.59
3		\$2,680.00	\$1,402.97	\$303.99			\$4,386.96
4				\$29.67			\$29.67
5				\$133.00			\$133.00
6	\$1,412.74	\$5,290.00		\$673.97			\$7,376.71
7				\$43.26			\$43.26
8				\$99.79			\$99.79
9	\$761.91						\$761.91
10				\$19.40			\$19.40
11	\$560.30						\$560.30
12	\$1,091.72			\$153.00			\$1,244.72
13	\$251.43			\$21.99			\$273.42
14				\$30.00			\$30.00
15	\$35.90			\$3.59			\$39.49
16			\$1,374.08				\$1,374.08
17	\$3,386.78	\$7,952.57		\$776.94			\$12,116.29
18	\$52.38						\$52.38
19	\$1,229.49	\$540.00	\$308.55	\$184.64			\$2,262.68
TOTAL	\$8,782.65	\$16,521.26	\$3,085.60	\$2,818.70	\$0.00	\$0.00	\$31,208.21

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	46
Indemnity	46
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: SAC-05-04-R1-1

Subject: Universal Underwriters Insurance Co.

Location: Roseville

Type: Ins.

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	15	\$1,085	\$1,085	\$0	\$0		x
2	4	\$300	\$300	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	69	\$5,350	\$5,350	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	5	\$1,600	\$1,600	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	6	\$2,200	\$2,200	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	2	\$500	\$500	\$0	\$0		x
18 b	1	\$400	\$400	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	15	\$1,250	\$1,250	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	117	\$12,685	\$12,685	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SAC-05-04-R1-1

Subject: Universal Underwriters Insurance Company

Location: Roseville

Type: INS

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$20.57			\$20.57
2				\$80.00			\$80.00
3		\$1,481.43		\$293.72			\$1,775.15
4				\$66.20			\$66.20
5				\$56.00			\$56.00
6				\$384.00			\$384.00
7				\$53.20			\$53.20
8				\$58.66			\$58.66
9				\$223.98			\$223.98
10	\$114.26						\$114.26
11	\$498.36			\$40.52			\$538.88
TOTAL	\$612.62	\$1,481.43	\$0.00	\$1,276.85	\$0.00	\$0.00	\$3,370.90

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	41
Indemnity	41
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: SAC-03-04-R1-5

Subject: Valley Risk

Location: Stockton

Type: TPA

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	15	\$810	\$810	\$0	\$0		x
2	3	\$725	\$725	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	6	\$870	\$870	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	2	\$160	\$160	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	1	\$400	\$400	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	8	\$2,100	\$2,100	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	4	\$1,400	\$1,400	\$0	\$0		x
18 b	1	\$200	\$200	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	4	\$275	\$275	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	44	\$6,940	\$6,940	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SAC-03-04-R1-5

Subject: Valley Risk

Location: Stockton

Type: TPA

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$302.00			\$302.00
2				\$281.72			\$281.72
3	\$10,380.52			\$910.46			\$11,290.98
4				\$18.10			\$18.10
5				\$10.40			\$10.40
6	\$297.95						\$297.95
7	\$54.00						\$54.00
8		\$24.32					\$24.32
TOTAL	\$10,732.47	\$24.32	\$0.00	\$1,522.68	\$0.00	\$0.00	\$12,279.47

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	47
Indemnity	47
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: SFO-10-04-R1-1

Subject: Vanliner Insurance Company

Location: St. Louis, MO

Type: INS

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	14	\$825	\$825	\$0	\$0		x
2	3	\$1,240	\$1,240	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	23	\$4,890	\$4,890	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	9	\$1,900	\$1,900	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	9	\$2,700	\$2,700	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	4	\$500	\$500	\$0	\$0		x
18 b	1	\$200	\$200	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	4	\$300	\$300	\$0	\$0		x
18 e	2	\$1,100	\$1,100	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	69	\$13,655	\$13,655	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year: 2004
Notices of Compensation Due

Individual Exhibit 4

Audit No: SFO-10-04-R1-1

Subject: Vanliner Insurance Company

Location: St. Louis, MO

Type: INS

Item Number	Temporary Disability	Permanent Disability	VRMA	Self-imposed Increase	Death Benefits	Penalty Interest or Other	Total
1				\$25.20			\$25.20
2	\$287.94						\$287.94
3						\$62.71	\$62.71
4		\$5,952.00		\$595.20		\$79.90	\$6,627.10
5		\$308.00		\$30.80			\$338.80
6	\$290.43			\$96.82			\$387.25
7	\$76.70			\$282.46			\$359.16
TOTAL	\$655.07	\$6,260.00	\$0.00	\$1,030.48	\$0.00	\$142.61	\$8,088.16

Calendar Year: 2004

Individual Exhibit 3

Penalty Assessments and Collections

Files Audited:	58
Indemnity	58
Medical Only	0
Denied	0
Complaints	0
Additional	0

Audit No: VNO-02-04-R1-1

Subject: Zenith Insurance Company

Location: Woodland Hills Type: INS

Item #	# of Times Cited	Total \$ Penalties Assessable	Total \$ Penalties Waived	Total \$ Amount Collected	Balance \$ Due	Appealed	
						Yes	No
1	4	\$3,275	\$3,275	\$0	\$0		x
2	0	\$0	\$0	\$0	\$0		x
3	0	\$0	\$0	\$0	\$0		x
4	1	\$600	\$600	\$0	\$0		x
5	0	\$0	\$0	\$0	\$0		x
6	0	\$0	\$0	\$0	\$0		x
7	0	\$0	\$0	\$0	\$0		x
8	0	\$0	\$0	\$0	\$0		x
9	0	\$0	\$0	\$0	\$0		x
10	0	\$0	\$0	\$0	\$0		x
11	0	\$0	\$0	\$0	\$0		x
12	0	\$0	\$0	\$0	\$0		x
13	0	\$0	\$0	\$0	\$0		x
14	0	\$0	\$0	\$0	\$0		x
15	0	\$0	\$0	\$0	\$0		x
16	0	\$0	\$0	\$0	\$0		x
17	0	\$0	\$0	\$0	\$0		x
18 a	1	\$100	\$100	\$0	\$0		x
18 b	0	\$0	\$0	\$0	\$0		x
18 c	0	\$0	\$0	\$0	\$0		x
18 d	0	\$0	\$0	\$0	\$0		x
18 e	0	\$0	\$0	\$0	\$0		x
18 f	0	\$0	\$0	\$0	\$0		x
19	0	\$0	\$0	\$0	\$0		x
20 a	0	\$0	\$0	\$0	\$0		x
20 b	0	\$0	\$0	\$0	\$0		x
20 c	0	\$0	\$0	\$0	\$0		x
20 d	0	\$0	\$0	\$0	\$0		x
21	0	\$0	\$0	\$0	\$0		x
TOTAL	6	\$3,975	\$3,975	\$0	\$0		

Administrative penalties waived pursuant to Labor Code Section 129.5(c) and regulatory authority.

