

WORKERS' COMPENSATION APPEALS BOARD
STATE OF CALIFORNIA

RICARDO GUZMAN AYALA, *Applicant*

vs.

**LINEAGE LOGISTICS SERVICES LLC, permissibly self-insured;
administered by CORVEL CHINO, *Defendants***

**Adjudication Number: ADJ19034450
Anaheim District Office**

**OPINION AND ORDER
GRANTING PETITION FOR RECONSIDERATION
AND DECISION AFTER RECONSIDERATION**

Applicant seeks reconsideration of the November 6, 2025 Findings and Orders (F&O) issued by the workers' compensation administrative law judge (WCJ). By the F&O, as relevant here, the WCJ found that defendant was not subject to Labor Code section 5814 penalties, as defendant's payment to applicant of the settlement proceeds were not unreasonably delayed.

Applicant contends the WCJ erred because defendant failed to demonstrate that the delay in payment was not unreasonable, applicant did not contribute to the delay, and penalties and interest should be assessed against defendant.

We received an Answer from defendant. The WCJ issued a Report and Recommendation on Petition for Reconsideration (Report) recommending that the Petition be denied.

We have considered the allegations of the Petition for Reconsideration and Answer and the contents of the Report of the WCJ with respect thereto. Based on our review of the record, and for the reasons discussed below, we will grant the Petition. As our Decision After Reconsideration, while we agree with the WCJ's decision, we will rescind the F&O to substitute new Findings and Order to clarify that defendant's payment of compensation was not unreasonably delayed or refused.

FACTUAL BACKGROUND

On March 22, 2024, applicant filed an Application for Adjudication of Claim alleging injury arising out of and during the course of employment by defendant as a custodian on February 22, 2024.

Applicant's case was settled by way of Order Approving Compromise and Release (OAC&R), issued on April 2, 2025. On page one of the Compromise and Release (C&R), applicant's street address was struck out, and a different address was handwritten next to it on the same line. (C&R, April 2, 2025, p. 1.) By the terms of the C&R, defendant would pay applicant a settlement in the amount of \$42,500.00. (C&R, April 2, 2025, p. 6.) Also by the C&R, penalties and interest would be waived if payment was made within 30 days of receipt of the OAC&R. (C&R, April 2, 2025, p. 7.) The signature lines reflect applicant and applicant's attorney signed the C&R on April 1, 2025, and defendant's attorney signed the C&R afterwards on April 2, 2025. (C&R, April 2, 2025, p. 8.) The OAC&R was served by mail on April 3, 2025. Thirty days from April 3, 2025 was May 2, 2025.

On May 5, 2025, defendant's attorney advised applicant's attorney by way of email that the payment had been sent out. (Def. Exh. D, May 5, 2025.) On May 9, 2025, applicant's attorney advised defendant's attorney by way of email that applicant had not received payment. Defendant's attorney replied that payment had been sent. Thereafter, applicant's attorney inquired as to whether payment was sent to the address on the C&R. (Def. Exh. E, May 9, 2025.) On May 12, 2025, applicant's attorney advised defendant's attorney by way of an email that they had confirmed that applicant's current address was the one on the C&R. Defendant's attorney responded, requesting that applicant complete an affidavit. Applicant's attorney responded that the check should be sent to the address on the C&R. However, defendant's attorney then responded that the affidavit was required. (Def. Exh. G, May 12, 2025.) On May 13, 2025, applicant filed a notice of address change, and applicant's attorney sent it by way of email to defendant's attorney. (Def. Exh. B, May 13, 2025.) On May 14, 2025, applicant's attorney reiterated that the check should have been sent to the address on the C&R and that the affidavit could not be completed in full because applicant never received the check. Defendant's attorney agreed to complete the form. (Def. Exh. I, May 14, 2025.)

On May 20, 2025, applicant's attorney confirmed that the check had been received. (Def. Exh. K, May 20, 2025.)

The WCJ detailed the following additional facts in the Report:

The issues submitted for decision were whether Defendants were subject to Labor Code §5814 penalties for failure to issue timely payment of the Order Approving Compromise and Release, whether any delay in payment was unreasonable, whether Applicant's failure to file a change of address contributed to the delay, and whether Applicant's delay in returning a signed affidavit regarding non-receipt of the settlement check contributed to the delay.

(Report, December 1, 2025, pp. 2-3.)

On November 6, 2025, the WCJ issued the F&O that is the subject of the Petition for Reconsideration herein denying applicant's June 19, 2025 Petition for Penalties, Costs and Sanctions.

Thereafter, applicant sought reconsideration of the F&O.

DISCUSSION

I.

Former Labor Code section 5909 provided that a petition for reconsideration was deemed denied unless the Appeals Board acted on the petition within 60 days from the date of filing. (Lab. Code, § 5909.) Effective July 2, 2024, Labor Code section 5909 was amended to state in relevant part that:

- (a) A petition for reconsideration is deemed to have been denied by the appeals board unless it is acted upon within 60 days from the date a trial judge transmits a case to the appeals board.
- (b)
 - (1) When a trial judge transmits a case to the appeals board, the trial judge shall provide notice to the parties of the case and the appeals board.
 - (2) For purposes of paragraph (1), service of the accompanying report, pursuant to subdivision (b) of Section 5900, shall constitute providing notice.

Under Labor Code section 5909(a), the Appeals Board must act on a petition for reconsideration within 60 days of transmission of the case to the Appeals Board. Transmission is reflected in Events in the Electronic Adjudication Management System (EAMS). Specifically, in Case Events, under Event Description is the phrase "Sent to Recon" and under Additional Information is the phrase "The case is sent to the Recon board."

Here, according to Events, the case was transmitted to the Appeals Board on December 1, 2025, and 60 days from the date of transmission is January 30, 2026. This decision is issued by or on January 30, 2026, so that we have timely acted on the petition as required by Labor Code section 5909(a).

Labor Code section 5909(b)(1) requires that the parties and the Appeals Board be provided with notice of transmission of the case. Transmission of the case to the Appeals Board in EAMS provides notice to the Appeals Board. Thus, the requirement in subdivision (1) ensures that the parties are notified of the accurate date for the commencement of the 60-day period for the Appeals Board to act on a petition. Labor Code section 5909(b)(2) provides that service of the Report and Recommendation shall be notice of transmission.

Here, according to the proof of service for the Report and Recommendation by the workers' compensation administrative law judge, the Report was served on December 1, 2025, and the case was transmitted to the Appeals Board on December 1, 2025. Service of the Report and transmission of the case to the Appeals Board occurred on the same day. Thus, we conclude that the parties were provided with the notice of transmission required by Labor Code section 5909(b)(1) because service of the Report in compliance with Labor Code section 5909(b)(2) provided them with actual notice as to the commencement of the 60-day period on December 1, 2025.

II.

The Appeals Board may award penalties for a party's unreasonable delay or refusal to pay compensation. Labor Code section 5814(a) provides as follows:

When payment of compensation has been unreasonably delayed or refused, either prior to or subsequent to the issuance of an award, the amount of the payment unreasonably delayed or refused shall be increased up to 25 percent or up to ten thousand dollars (\$10,000), whichever is less. In any proceeding under this section, the appeals board shall use its discretion to accomplish a fair balance and substantial justice between the parties.

(Lab. Code, § 5814 (a).)

In *Ramirez v. Drive Financial Services (Ramirez)* (2008) 73 Cal.Comp.Cases 1324, 1328-1329 (Appeals Board en banc),¹ we emphasized that Labor Code section 5814 affords a WCJ

¹ In support of their position, applicant incorrectly applies a burden shifting approach to determine whether a delay in payment of compensation is reasonable. (See, Petition, November 13, 2025, p. 2, lines 24-27.) As discussed herein,

discretion in determining the penalty which should be assessed, with a primary view towards the goals of encouraging the prompt payment of benefits by making delays costly on defendants, and of ameliorating the effects of any delays on the injured worker.

To that end, in *Ramirez*, we listed several factors the WCJ might consider in assessing a Labor Code section 5814 penalty, making clear that any such penalty is discretionary rather than automatic. The factors listed in *Ramirez* are: (1) evidence of the amount of the payment delayed; (2) evidence of the length of the delay; (3) evidence of whether the delay was inadvertent and promptly corrected; (4) evidence of whether there was a history of delayed payments or, instead, whether the delay was a solitary instance of human error; (5) evidence of whether there was any statutory, regulatory, or other requirement (e.g., an order or a stipulation of the parties) providing that payment was to be made within a specified number of days; (6) evidence of whether the delay was due to the realities of the business of processing claims for benefits or the legitimate needs of administering workers' compensation insurance; (7) evidence of whether there was institutional neglect by the defendant, such as whether the defendant provided a sufficient number of adjusters to handle the workload, provided sufficient training to its staff, or otherwise configured its office or business practices in a way that made errors unlikely or improbable; (8) evidence of whether the employee contributed to the delay by failing to promptly notify the defendant of it; and (9) evidence of the effect of the delay on the injured employee. (*Id.* at pp.1329-1330.)

In this case, applicant contends defendant unreasonably delayed payment of the settlement proceeds, such that a Labor Code section 5814 penalty is warranted. The WCJ “. . . found that Defendants are not subject to Labor Code §5814 penalties as the delay in dispersing the settlement proceeds was not unreasonable and the delay was promptly corrected.” (Report, December 1, 2025, p. 4, ¶ 2). We agree but for the reasons discussed below.

Preliminarily, we observe that defendant's attorney signed the C&R after both applicant and applicant's attorney, and it is reasonable to conclude that applicant's address change was reflected on the C&R at the time defendant's attorney signed the C&R. As such, defendant was likely bound by the terms of the C&R, including the address change, as a matter of contract law. However, whether a delay in payment is reasonable is not subject to a strict liability standard. Accordingly, the analysis does not stop at the four corners of the C&R, and, instead, we must

the appropriate analysis is for the WCJ to consider various factors in assessing the reasonableness of a delay, as clarified in *Ramirez*.

consider whether defendant's actions were reasonable, keeping in mind the factors outlined in *Ramirez*.

Turning to the circumstances of this case, several factors weigh in favor of finding no unreasonable delay by defendant in issuing the settlement proceeds, including evidence of the length of the delay, evidence of whether the delay was inadvertent and promptly corrected, evidence of whether there was a history of delayed payments or, instead, whether the delay was a solitary instance of human error, and evidence of whether the delay was due to the realities of the business of processing claims for benefits.² As noted by the WCJ in the Report:

... In this case the payment was due on May 2, 2025. Defendant initially issued payment on April 23, 2025 (Defendant's Exhibit A). Defendant was made aware that the check was sent to Applicant's old address on May 9, 2025 (Defendant's Exhibit E). The payment was ultimately made on May 16, 2025 (Defendant's Exhibit A).

When discovered, the delay in payment was promptly corrected, there was no evidence of past delayed payments, it appears the delay was a solitary instance of human error. As stated above in Section 1, based on the timeline, Applicant received his settlement proceeds 14 days after they were due and 7 days after informing Defendant of the delay due to Applicant's change of address. Based on the facts and evidence, the promptness of Defendant's action when the delay was discovered and the ultimate payment of the settlement proceeds was not unreasonably delayed.

(Report, December 1, 2025, p. 4, ¶ 3-p. 5, ¶ 2.)

To expand on the WCJ's rationale, we point out that defendant timely *issued* payment to applicant (Def. Exh. D, May 5, 2025), but the delay in applicant's *receipt* of such payment was inadvertently caused by the settlement check being sent to applicant's prior address, which was also his official address of record. Despite applicant's new address being handwritten on the C&R, it appears to be a reasonable mistake that defendant did not notice the handwritten address change, and, as a result, it is foreseeable that defendant sent the check to applicant's official address of record.

Upon notification by applicant's attorney that the settlement was in fact not received by applicant, defendant's attorney promptly tried to determine what caused the nonreceipt and worked with applicant's attorney to reissue payment to applicant, such that we find there was no unreasonable action that would warrant a penalty. (Def. Exhs. D; E; F; G; I; J; K.) The series of

² We did not focus on those factors that had limited or no applicability in the instant case.

events supports finding the delay in applicant receiving the settlement check was not an intentional attempt by defendant to evade compensating applicant but was due to an instance of human error.

Additionally, the fact that defendant timely issued applicant's attorney's fees, which were timely received, demonstrates a history of punctual payments. (Def. Exh. G, May 12, 2025, p. 2.)

Although applicant received the settlement proceeds 14 days after they were due and 7 days after defendant was first apprised of the delay, the length of delay appears reasonable under defendant's procedures that required applicant to sign an affidavit under penalty of perjury before reissuing a settlement check, especially given the amount of the check. We note that at trial, applicant could have called the adjuster to testify in an effort to highlight issues with defendant's internal procedures but did not do so.

Applicant provided no evidence of the effect of the delay other than missing the 30-day timeline set forth in the C&R. By the terms of the C&R, penalties and interest would be waived if payment was made within 30 days of receipt of the OAC&R (C&R, April 2, 2025, p. 7), but the inquiry of whether a delay in compensation is reasonable is not one of strict liability. Payment of compensation after 30 days does not in and of itself automatically warrant a Labor Code section 5814 penalty.

Contrary to the WCJ's findings, the record is insufficient to establish that applicant's failure to file a change of address until May 13, 2025 contributed to the delay. Even if applicant had updated his official address of record prior to May 13, 2025, without the adjuster's testimony it is unclear whether that change would have affected the timeliness of the settlement check. And, without testimony by the adjuster, it is not clear how the handwritten address change on the C&R would or should have been addressed. We observe that applicant would have had a stronger argument that the delay was unreasonable if applicant's attorney brought the address change to defendant or defendant's counsel's attention sooner.

For the aforementioned reasons, we conclude that the record as a whole does not support finding defendant unreasonably delayed or refused the issuance of the settlement proceeds to warrant Labor Code section 5814 penalties.

Finally, we rescind and substitute the F&O to omit reference to whether applicant's actions contributed to the delay in payment of compensation for Labor Code section 5814 penalties, as without more evidence, it is not clear what role they played. As explained above, the appropriate inquiry for determining whether a payment was unreasonably delayed considers the totality of the

circumstances whereby applicant's conduct in only one of several factors a WCJ must consider, and applicant's conduct is not the determinative factor.

Accordingly, we grant the Petition for Reconsideration and rescind the F&O and substitute a new Findings and Order that clarifies that defendant's payment of compensation was not unreasonably delayed or refused, and that denies applicant's petition for penalties.

For the foregoing reasons,

IT IS ORDERED that the Petition for Reconsideration of the Findings and Orders issued by the WCJ on November 6, 2025 is **GRANTED**.

IT IS FURTHER ORDERED as the Decision After Reconsideration of the Workers' Compensation Appeals Board that the Findings and Order issued by the WCJ on November 6, 2025 is **RESCINDED** and the following Findings and Order is **SUBSTITUTED** therefor:

FINDINGS OF FACT

1. Payment of compensation by defendant pursuant to the Compromise and Release was not unreasonably delayed or refused.
2. Defendant is not subject to Labor Code section 5814 penalties.

ORDER

A. **IT IS ORDERED** that Applicant's June 19, 2025 Petition for Penalties, Costs and Sanction is denied.

WORKERS' COMPENSATION APPEALS BOARD

/s/ LISA A. SUSSMAN, DEPUTY COMMISSIONER

I CONCUR,

/s/ CRAIG L. SNELLINGS, COMMISSIONER

/s/ JOSÉ H. RAZO, COMMISSIONER



DATED AND FILED AT SAN FRANCISCO, CALIFORNIA

JANUARY 30, 2026

SERVICE MADE ON THE ABOVE DATE ON THE PERSONS LISTED BELOW AT THEIR ADDRESSES SHOWN ON THE CURRENT OFFICIAL ADDRESS RECORD.

**RICARDO GUZMAN AYALA
ALI LAW GROUP, P.C.
MORGAN & LEAHY, LLP**

DC/cs

I certify that I affixed the official seal of the Workers' Compensation Appeals Board to this original decision on this date.
KL