Pursuant to Labor Code section 129(e), the Administrative Director of the Division of Workers' Compensation (DWC) submits this 17th annual workers' compensation report summarizing the results of audits conducted by the DWC Audit Unit.

**2007 Audit Results**

Profile Audit Review (PAR) standard - 1.83201 / Full Compliance Audit (FCA) standard - 2.21982

Assembly Bill 749, enacted into law in 2002, brought material changes to the audit program of the Division of Workers’ Compensation. Labor Code sections 129 and 129.5 provide the framework for oversight and enforcement of the regulations of the Administrative Director for the prompt and accurate provision of workers’ compensation benefits.

The performance of any insurer, self-insurer or third party administrator is rated for action in specific areas of benefit provision. Of foremost importance is the payment of all indemnity owed to the injured worker for an industrial injury. The timeliness of all initial and subsequent indemnity payments; timeliness for provision of notice for a qualified or agreed medical evaluation; and timeliness of notice for potential eligibility for vocational rehabilitation are also measurable factors for performance.

The DWC Audit Unit completed a total of 79 profile audit reviews (PAR audits). Of the PAR audits, 76 were routinely selected and three were target audits conducted based upon results from audits concluded calendar years 2004 and 2005. The total number of PAR audit subjects included 22 insurance companies, 16 self-administered, self-insured employers, 37 third-party administrators (TPA), three insurance company / third-party administrator combined claims adjusting locations, and one self-insured self-administered/third party administrator combined adjusting location. In addition to the PAR audits, the investigative section of the Audit Unit is conducting investigation/audits for administering locations for alleged business practices for failure to comply with the law and the regulations of the Administrative Director.

At all audits, claim files were selected for review on a random basis, with the number of indemnity and denied cases being selected based on the numbers of claims reported in each of those populations for the audit subject. 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).
Pursuant to Title 8, California Code of Regulations, Section 10107.1(c) and (d), either a "PAR sample" of up to 59 or a "full compliance audit (FCA) sample" of up to 138 of indemnity claims is audited, depending on the claims administrator's performance as measured in the key areas after the PAR sample is audited. Title 8, California Code of Regulations, Section 10107.1(e), provides for a "sample" of up to 67 denied claims may be audited, depending on the claims administrator's performance as measured in specific areas of benefit provision after the review of the indemnity claims in the "FCA stage 1 sample" are audited.

In 2007, within the PAR/FCA audits, compliance officers audited 4,195 claim files, of which 3,962 were randomly selected claims in which some form of indemnity benefits were paid. Five audits included 80 randomly selected claims in which the employer or insurer denied all liability. Targeted claims audited included 128 based on complaints received by the DWC. Fifty-nine 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 PAR/FCA audits conducted during the calendar year 2007, the Audit Unit found and cited 5,399 administrative violations against claims administrators totaling $1,904,160 (Statewide Exhibit 1). However, under the Labor Code, no penalties are assessed on those "cited" violations unless the audit subject fails the audit at a specific level.

If an audit subject passes the Performance Audit Review (PAR), which is the first level of audit, and if they fail the PAR but pass the second level, or Full Compliance Audit (FCA) stage 1, under the law, penalties are not assessed for violations related to issues of compliance with administrative functions such as the provision of notices for salary continuation, advice for agreed or qualified medical examination or notice of potential eligibility for vocational rehabilitation. However, penalties are assessed against audit subjects failing the PAR and passing the FCA stage 1 audit, for violations related to the provision of indemnity in these cases. If an audit subject does not pass the FCA stage 1 audit, the file review will proceed to a full compliance audit of the indemnity files plus a sample of denied claims. At this stage, in accordance with the Labor Code, a comprehensive file review is conducted and penalties are applied for all violations found.

Statewide Exhibit 2 provides a detailed analysis of all penalties assessable, by type. In accordance with Labor Code section 129.5(c) and regulatory authority, the Audit Unit did not assess $1,254,320 of the cited violations. The violations which, by law, were not assessed occurred within 65 of the audits that met or exceeded the PAR performance
standard, and six audits that met or exceeded the FCA Stage 1 performance standard. All violations cited in the eight audits that failed the FCA Stage 2 standard were assessed. The assessed penalties subject to collection from claims administrators for PAR/FCA audits were $649,840. The following table provides an analysis of violations cited and penalties assessed and collected in the PAR/FCA audit process for years 2003 through 2007:

### Penalty Assessments and Collections for 2003-2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Penalties Cited</th>
<th>Penalties Not Subject to Assessment</th>
<th>Penalties Assessed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>$500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>$1,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>$1,500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>$2,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$2,500,000</td>
</tr>
</tbody>
</table>

The administrative penalties subject to assessment for collection for routine and target audits conducted in 2007 total $649,840 (Statewide Exhibit 1).

### Unpaid Compensation Due to Employees

In the review of files for the PAR/FCA audits and target investigation/audit, there were 667 claims in which injured workers were owed unpaid compensation, 648 of these claims were randomly selected and the remaining 19 claims were audited because of complaints received by the Audit Unit. The total compensation cited to be paid was $663,625.80 (Statewide Exhibit 3), an average of $994.94 per file in which there was unpaid compensation. The unpaid compensation is broken down as follows:

- $310,055.79 in temporary disability indemnity and salary continuation in lieu of temporary disability (46.721% of the unpaid compensation)
- $257,177.26 in permanent disability indemnity (38.753% of the unpaid compensation)
• $523.99 in vocational rehabilitation maintenance allowance (0.008% of the unpaid compensation)
• $93,226.41 in 10% self-imposed increases for late indemnity payments (14.048% of the unpaid compensation)
• $40.00 in death benefits (0.006% of the unpaid compensation)
• $2,602.35 in interest and penalty and/or failure to reimburse medical expenses (0.392% 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 appealed in accordance with Title 8, California Code of Regulations Section 10115.

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 DWC for payment of moneys deposited by claims administrators into this fund. For audits conducted in 2007, $6,796.25 was paid into this fund because the injured workers could not be located.

The following table provides an analysis of undisputed compensation found due in routine and target audits conducted since 2003. In the years 2003 through 2005 of the PAR/FCA process the average compensation due per file increased annually. In 2006, the average decreased but in 2007, the average compensation found due has again increased.

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Compensation Due Per File</th>
<th>Notices</th>
<th>Files</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$756.03</td>
<td>490</td>
<td>3,421</td>
</tr>
<tr>
<td>2004</td>
<td>$1,136.21</td>
<td>559</td>
<td>3,276</td>
</tr>
<tr>
<td>2005</td>
<td>$1,251.70</td>
<td>498</td>
<td>3,168</td>
</tr>
<tr>
<td>2006</td>
<td>$920.74</td>
<td>759</td>
<td>4,718</td>
</tr>
<tr>
<td>2007</td>
<td>$994.94</td>
<td>667</td>
<td>4,195</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Compensation Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$370,454.80</td>
</tr>
<tr>
<td>2004</td>
<td>$635,141.31</td>
</tr>
<tr>
<td>2005</td>
<td>$623,346.08</td>
</tr>
<tr>
<td>2006</td>
<td>$698,839.60</td>
</tr>
<tr>
<td>2007</td>
<td>$663,625.80</td>
</tr>
</tbody>
</table>
Performance Ratings of Audit Subjects

The Audit Unit has been conducting profile audit reviews since 2003. The performance for the 79 audit subjects in 2007 is broken down as follows:

- Sixty-five audit subjects (82.28%) met or exceeded the PAR 2007 performance standard thereby having all penalty citations not assessed 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.

- Fourteen audit subjects (17.72%) failed to meet or exceed the PAR standard with the audit expanding into the FCA-I pursuant to Labor Code section 129.5(c) and Title 8, California Code of Regulations section 10107.1(d). Six of these audit subjects (7.59%) then met or exceeded the FCA-I 2007 standard. For these six 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).

- Eight of the 79 audit subjects (10.13%) that failed the PAR also failed the FCA-I and the FCA-2 performance standards thereby demonstrating poor performance and these claims administrators will be subject to a return target audit within two 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 2007 Audit Results Ranking Report** (Statewide Exhibit 4) is part of this annual report and the complete list of the performance standard scores for the 79 audit subjects can be reviewed in order, from the best to worst performer. The Ranking Report also give an accounting of the number of Notice(s) of Compensation Due issued for the individual adjusting locations.

The specifics for the performance of individual adjusting locations are presented within this report. For each audit conducted in 2007, there will be record(s) for the performance rating of the audit subject, an analysis of the types of violations cited by type and amount subject to collection, and, an analysis for the individual Notice(s) of Compensation Due of the type(s) of indemnity for due and unpaid to the injured employees.

The following table provides a synopsis of audit performance since the inception of the PAR process.
PAR and FCA Standards Comparison

In reviewing the results of the PAR audit process, it should be noted that for those administrators passing PAR, the sample of indemnity files subject to audit is based on the population reported by the administrator. The individual audit exhibits within this report provide a record of the number of files audited (at PAR from one to 59 indemnity; at FCA stage 1 from one to 138; at FCA stage 2 indemnity as noted in FCA stage 1, plus one to 67 denials).

Following are calculations combining all individual audit findings within each of the three audit performances levels for the average rating within each level.

- PAR standard (1.83201)
  2007 average score of the 65 audit subjects passing PAR: 1.17051
  2007 average score of the 14 audit subjects failing PAR: 5.46308

- FCA-1 standard (2.21982)
  2007 average score of the six audit subjects passing FCA stage-1: 1.89699
  2007 average score of the eight audit subjects failing FCA stage-1: 7.71507

- FCA-2 standard (2.21982)
  2007 average score of the eight audit subjects failing FCA stage-2: 8.15830
It should be noted that within the eight administrators failing at the FCA stage 2 level, three of the eight had performance in five or fewer claims subject to consideration for the performance rating. A more realistic average for performance at this level is 4.44015, the average rating of the five remaining administrators at FCA stage 2.

Appeals

In 2007, there was an appeal to the PAR/FCA findings for three assessments cited for failure to pay indemnity. Subsequent to filing the Notice of Appeal the audit subject concurred with the audit findings and withdrew its appeal.

Civil Penalty Issues

Civil Penalty Under Post-2003 Labor Code section 129.5(e)

A claims administrator identified for a return target audit because of failure of a PAR/FCA audit in conducted 2003 or later, may be subject to a civil penalty under Labor Code section 129.5(e) which reads 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.

In 2007, the investigative section of the Audit Unit completed two return target audits for administrators who failed at the FCA stage 2 level of their prior audits. In each audit, the administrator passed at the PAR level demonstrating correction of past problems.
The investigative section is involved in ongoing investigations for issues related to potential business practices for lack of compliance in the administration of claims.

Other Issues

Penalty Pursuant to Labor Code Section 5814.6

The regulations for administrative penalties pursuant to Labor Code § 5814.6, Title 8, California Code of Regulations, sections 10225, 10225.1 and 10225.2, became effective May 26, 2007. By law, the administrative director may impose penalties in amounts up to $400,000 against employers and insurers who knowingly and unreasonably delay or refuse payment of compensation to injured workers in violation of Labor Code section 5814, with a frequency that indicates a general business practice.

The regulations implement, interpret and make specific the provisions of Labor Code section 5814.6 by:

- Defining particular entities subject to the administrative penalties
- Specifying criteria the DWC administrative director (AD) must consider in finding that violations were committed knowingly
- Specifying the criteria the AD must consider when determining the frequency of violations indicates the existence of a general business practice
- Establishing a schedule of penalties to be imposed based upon the nature, severity, frequency and duration of the relevant violations
- Specifying administrative procedures to be followed in assessing the administrative penalties and in appealing penalty assessments, allowing for due process.

The Audit Unit investigative section is currently reviewing records and awards related to the awarding of penalties pursuant to Labor Code section 5814. If necessary, on-site investigations may be scheduled. Penalties will be assessed as specified in the regulations and all penalties collected will be deposited into the Workers' Compensation Return-to-Work Fund, established to promote the early and sustained return to work of employees following work-related injuries or illnesses.

The Annual Report of Inventory

In accordance with Title 8, California Code of Regulations, section 10104, claims administrators are required to file an Annual Report of Inventory with the Administrative Director for all claims reported to each of their adjusting locations in the prior calendar year. The report is due by April 1st for any location adjusting California workers’ compensation claims and must be filed even if no claims were reported in the prior year.
Reports submitted in 2007 identify approximately 427 locations adjusting claims, of which 358 are in California and 69 are out-of-state.

Adjusting locations reporting all required elements for the Workers’ Compensation Information System (WCIS) may be exempt from submitting the Annual Report of Inventory beginning with the report due April 1, 2008. Title 8, California Code of Regulations, section 9702(i)(3) states in part:

“…a claims administrator’s obligation to submit an annual report of inventory pursuant to Title 8, California Code of Regulations, Section 10104 is satisfied upon determination by the Administrative Director that the claims administrator has demonstrated the capability to submit complete, valid, and accurate data as required…”

Reports submitted for claims reported in 2006 were reviewed in comparison with WCIS submissions for claims reported in that year. Compliance with the above regulation was not found for any of the reports submitted in 2007. Only 5% of the locations submitting the Annual Report of Inventory were accurate to within 4% of the total claims reported to the WCIS. The breakdown of the claims reported by type was not accurate for any administrator, a primary problem being the submission of the Subsequent Report of Injury (SROI) to WCIS for identification of the species of claim (indemnity, medical-only, denial).

The Audit Unit is working closely with the WCIS to confirm the accuracy for numbers of claims reported. The tracking of claims will be linked to the 9-digit postal code for the physical location of the claims administrator both in the log for the Annual Report of Inventory and in the WCIS reporting elements.

Profile Audit Performance Standards / Full Compliance Audit Standards for 2008

The PAR and FCA performance standards have been updated pursuant to Labor Code section 129(b) and Title 8, California Code of Regulations, section 10107.1(c), (d), and (e). This is accomplished by taking the 2006 audit results and using data for the five major keys subject to the profile audit review program. The results are then combined with the 2005 and 2004 performance rating scores to develop the 2008 PAR/FCA standards. **The PAR standard for 2008 is 1.82401 and the FCA standard is 2.14048.** Profile audit review audits (PAR audits) commencing after January 1, 2008 use 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.
Description of Statewide Exhibits

Statewide Exhibit 1 ~ Audit Penalty Assessments and Collections is a listing of audits conducted and provides a summary of all files audited by type, the numbers and amounts of penalties, amounts collected, balance due, and the number of appeals.

Statewide Exhibit 2 ~ Summary of Penalties for PAR/FCA Audits separates and describes 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 statewide audit finding.

Statewide Exhibit 3 ~ Statewide Summary of Notices of Compensation Due gives, by type of indemnity, the amounts unpaid compensation found in the 759 audited claims for which notices of compensation due were issued.

Statewide Exhibit 4 ~ The DWC Administrative Director's 2006 Audit Ranking Report is issued in accordance with Labor Code section 129(e). The report ranks all insurers, self-insured employers, and third-party administrators audited during 2006 according to their performance measured by the profile audit review and full compliance audit performance standards.
## Audit Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Audit Subject &amp; Location</th>
<th>Number of Files Audited</th>
<th># of AP's Cited</th>
<th>Total $ Penalties Cited</th>
<th>Total $ Penalties Not Subject to Assessment</th>
<th>$ Penalties Assessed</th>
<th>Balance $ Due</th>
<th>Appeals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PAR/FCA Audits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Y/N</td>
</tr>
<tr>
<td>AIG Domestic Claims, Inc / San Ramon</td>
<td>T TPA 58 0 16 0 74</td>
<td>70</td>
<td>$34,240</td>
<td>$34,240</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Alaska National Insurance / San Francisco</td>
<td>R INS 53 0 0 0 53 35</td>
<td>35</td>
<td>$7,400</td>
<td>$7,400</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>American Financial Group / Walnut Creek</td>
<td>R INS 42 0 0 0 42 62</td>
<td>62</td>
<td>$19,090</td>
<td>$19,090</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Balboa Insurance / Irvine</td>
<td>R INS 1 4 0 0 5 13</td>
<td>13</td>
<td>$8,125</td>
<td>$8,125</td>
<td>$0</td>
<td>$8,125</td>
<td>x</td>
</tr>
<tr>
<td>Berkeley Risk &amp; Insurance Services / Novato</td>
<td>R TPA 14 3 0 0 17 62</td>
<td>62</td>
<td>$23,450</td>
<td>$23,450</td>
<td>$0</td>
<td>$23,450</td>
<td>x</td>
</tr>
<tr>
<td>Broadsire / Fresno</td>
<td>R TPA 58 0 2 0 60</td>
<td>60</td>
<td>$28,420</td>
<td>$28,420</td>
<td>$0</td>
<td>$28,420</td>
<td>x</td>
</tr>
<tr>
<td>Chubb Group of Insurance Cos / Los Angeles</td>
<td>R INS 58 0 0 0 58 98</td>
<td>98</td>
<td>$35,800</td>
<td>$35,800</td>
<td>$0</td>
<td>$35,800</td>
<td>x</td>
</tr>
<tr>
<td>Chubb Services Corporation / Los Angeles</td>
<td>R TPA 56 0 3 0 59 150</td>
<td>150</td>
<td>$45,780</td>
<td>$45,780</td>
<td>$0</td>
<td>$45,780</td>
<td>x</td>
</tr>
<tr>
<td>City of Anaheim / Anaheim</td>
<td>R SI 48 0 0 0 48 27</td>
<td>27</td>
<td>$6,715</td>
<td>$6,715</td>
<td>$0</td>
<td>$6,715</td>
<td>x</td>
</tr>
<tr>
<td>City of Compton / Compton</td>
<td>R SI 31 0 1 0 32 53</td>
<td>53</td>
<td>$9,700</td>
<td>$9,700</td>
<td>$0</td>
<td>$9,700</td>
<td>x</td>
</tr>
<tr>
<td>City of Los Angeles-Dept of Water &amp; Power / Los Angeles</td>
<td>T SI 51 0 1 0 52 41</td>
<td>41</td>
<td>$14,580</td>
<td>$14,580</td>
<td>$0</td>
<td>$14,580</td>
<td>x</td>
</tr>
<tr>
<td>City of Oceanside / Oceanside</td>
<td>R SI 41 0 0 0 41 30</td>
<td>30</td>
<td>$7,470</td>
<td>$7,470</td>
<td>$0</td>
<td>$7,470</td>
<td>x</td>
</tr>
<tr>
<td>City of Pomona / Pomona</td>
<td>R SI 63 0 0 0 63 55</td>
<td>55</td>
<td>$24,360</td>
<td>$3,075</td>
<td>$21,285</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>City of Sacramento / Sacramento</td>
<td>R SI 54 0 0 0 54 10</td>
<td>10</td>
<td>$1,700</td>
<td>$1,700</td>
<td>$0</td>
<td>$1,700</td>
<td>x</td>
</tr>
<tr>
<td>Claimetrics (fmly Hallmark W/ C Srvcs) / Folsom</td>
<td>R TPA 98 0 0 0 98 174</td>
<td>174</td>
<td>$46,865</td>
<td>$5,400</td>
<td>$41,465</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Claimsquest / Walnut</td>
<td>R TPA 39 0 2 0 41</td>
<td>41</td>
<td>$22,905</td>
<td>$22,905</td>
<td>$0</td>
<td>$22,905</td>
<td>x</td>
</tr>
<tr>
<td>CNA Insurance / Lake Oswego, OR</td>
<td>R INS 21 0 2 0 23</td>
<td>23</td>
<td>$24,910</td>
<td>$24,910</td>
<td>$0</td>
<td>$24,910</td>
<td>x</td>
</tr>
<tr>
<td>CNA Insurance / San Francisco</td>
<td>R INS 57 0 0 0 57 73</td>
<td>73</td>
<td>$19,590</td>
<td>$19,590</td>
<td>$0</td>
<td>$19,590</td>
<td>x</td>
</tr>
<tr>
<td>Constitution State Services / Ft. Smith, AR</td>
<td>R TPA 35 0 0 0 35 43</td>
<td>43</td>
<td>$18,710</td>
<td>$18,710</td>
<td>$0</td>
<td>$18,710</td>
<td>x</td>
</tr>
<tr>
<td>Corporate Claims Management / Chesterfield, MO</td>
<td>R TPA 1 0 0 0 1 4</td>
<td>4</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$800</td>
<td>x</td>
</tr>
<tr>
<td>County of Santa Clara / San Jose</td>
<td>R SI 55 0 5 0 60 67</td>
<td>67</td>
<td>$28,805</td>
<td>$28,805</td>
<td>$0</td>
<td>$28,805</td>
<td>x</td>
</tr>
<tr>
<td>Crawford &amp; Company / Tarzana</td>
<td>R TPA 1 0 0 0 1 0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>ESIS / Woodland Hills</td>
<td>R TPA 59 0 13 0 72 148</td>
<td>148</td>
<td>$51,770</td>
<td>$51,770</td>
<td>$0</td>
<td>$51,770</td>
<td>x</td>
</tr>
<tr>
<td>Fontana USD / Fontana</td>
<td>R SI 38 0 0 0 38 37</td>
<td>37</td>
<td>$8,690</td>
<td>$8,690</td>
<td>$0</td>
<td>$8,690</td>
<td>x</td>
</tr>
<tr>
<td>Ford Motor Company / Rancho Cucamonga</td>
<td>R SI 5 0 0 0 5 8</td>
<td>8</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$0</td>
<td>$1,500</td>
<td>x</td>
</tr>
<tr>
<td>Frank Gates Service Company / El Dorado Hills</td>
<td>R TPA 59 0 4 0 63 94</td>
<td>94</td>
<td>$43,930</td>
<td>$43,930</td>
<td>$0</td>
<td>$43,930</td>
<td>x</td>
</tr>
<tr>
<td>GAB Robins Risk Management / Burbank</td>
<td>R TPA 52 0 0 0 52 46</td>
<td>46</td>
<td>$14,790</td>
<td>$14,790</td>
<td>$0</td>
<td>$14,790</td>
<td>x</td>
</tr>
<tr>
<td>Gallagher Basset / Aliso Viejo</td>
<td>R TPA 57 0 0 0 57 66</td>
<td>66</td>
<td>$30,420</td>
<td>$30,420</td>
<td>$0</td>
<td>$30,420</td>
<td>x</td>
</tr>
<tr>
<td>Gallagher Basset / Sacramento</td>
<td>R TPA 57 0 0 0 57 66</td>
<td>66</td>
<td>$21,510</td>
<td>$21,510</td>
<td>$0</td>
<td>$21,510</td>
<td>x</td>
</tr>
<tr>
<td>Gallagher Basset / Woodland Hills</td>
<td>R TPA 128 0 1 0 129 197</td>
<td>197</td>
<td>$97,380</td>
<td>$6,700</td>
<td>$90,680</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Garden Grove USD / Garden Grove</td>
<td>R SI 44 0 1 0 45 29</td>
<td>29</td>
<td>$13,035</td>
<td>$13,035</td>
<td>$0</td>
<td>$13,035</td>
<td>x</td>
</tr>
<tr>
<td>GuideOne Insurance Company / Rocklin</td>
<td>R INS 54 0 0 0 54 38</td>
<td>38</td>
<td>$10,375</td>
<td>$10,375</td>
<td>$0</td>
<td>$10,375</td>
<td>x</td>
</tr>
</tbody>
</table>
### Calendar Year 2007

#### Audit Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Audit Subject &amp; Location</th>
<th>R / T</th>
<th>INS/ TPA</th>
<th>Number of Files Audited</th>
<th># of AP's Cited</th>
<th>Total $ Penalties Cited</th>
<th>$ Penalties Not Subject to Assessment</th>
<th>$ Penalties Assessed</th>
<th>Balance $ Due</th>
<th>Appeals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovative Claims Solutions / Rancho Cordova</td>
<td>R TPA</td>
<td>49</td>
<td>40</td>
<td>$8,325</td>
<td>$8,325</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Intercare Insurance Services / Fresno</td>
<td>R TPA</td>
<td>32</td>
<td>31</td>
<td>$5,705</td>
<td>$5,705</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Intercare Insurance Services / Irvine</td>
<td>R TPA</td>
<td>53</td>
<td>74</td>
<td>$19,335</td>
<td>$19,335</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Intercare Insurance Services / Orange</td>
<td>R TPA</td>
<td>58</td>
<td>59</td>
<td>$16,665</td>
<td>$16,665</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Intercare Insurance Services / Pasadena</td>
<td>R TPA</td>
<td>43</td>
<td>47</td>
<td>$16,745</td>
<td>$16,745</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>J &amp; T Integrated Resources / Ontario</td>
<td>R TPA</td>
<td>56</td>
<td>49</td>
<td>$8,075</td>
<td>$8,075</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Keenan &amp; Associates / Redwood City</td>
<td>R TPA</td>
<td>51</td>
<td>24</td>
<td>$1,915</td>
<td>$1,915</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Keenan &amp; Associates / San Jose</td>
<td>R TPA</td>
<td>57</td>
<td>62</td>
<td>$20,345</td>
<td>$20,345</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Metro Risk Management / Wilmington</td>
<td>R TPA</td>
<td>1</td>
<td>2</td>
<td>$2,500</td>
<td>$2,500</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Municipal Pooling Authority / Walnut Creek</td>
<td>R SI/TPA</td>
<td>49</td>
<td>49</td>
<td>$960</td>
<td>$960</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>North Bay Schools Insurance Authority / Fairfield</td>
<td>R SI</td>
<td>52</td>
<td>52</td>
<td>$30,445</td>
<td>$30,445</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Pacific Gas &amp; Electric / San Francisco</td>
<td>R SI</td>
<td>57</td>
<td>52</td>
<td>$20,345</td>
<td>$20,345</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Petroleum Casualty Company / Houston, TX</td>
<td>R INS</td>
<td>19</td>
<td>21</td>
<td>$7,390</td>
<td>$7,390</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Redwood Empire Schools Insurance Group / Windsor</td>
<td>R SI</td>
<td>50</td>
<td>53</td>
<td>$13,280</td>
<td>$13,280</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Republic Indemnity Insurance Company / San Diego</td>
<td>R INS</td>
<td>52</td>
<td>52</td>
<td>$8,920</td>
<td>$8,920</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Robert's Transport / Corona</td>
<td>R SI</td>
<td>84</td>
<td>298</td>
<td>$73,120</td>
<td>$73,120</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Santa Ana USD / Santa Ana</td>
<td>R SI</td>
<td>64</td>
<td>65</td>
<td>$32,915</td>
<td>$32,915</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Sedgwick Claims Management / Albany, NY</td>
<td>R TPA</td>
<td>51</td>
<td>51</td>
<td>$20,935</td>
<td>$20,935</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Sedgwick Claims Management / Los Angeles</td>
<td>R TPA</td>
<td>56</td>
<td>54</td>
<td>$30,445</td>
<td>$30,445</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Sedgwick Claims Management / Oakland</td>
<td>R TPA</td>
<td>49</td>
<td>19</td>
<td>$6,575</td>
<td>$6,575</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Sedgwick Claims Management / Ontario</td>
<td>R TPA</td>
<td>56</td>
<td>114</td>
<td>$33,125</td>
<td>$33,125</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Sedgwick Claims Management / Orange</td>
<td>R TPA</td>
<td>21</td>
<td>7</td>
<td>$1,310</td>
<td>$1,310</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Sedgwick Claims Management / Pasadena</td>
<td>R TPA</td>
<td>31</td>
<td>31</td>
<td>$13,955</td>
<td>$13,955</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Sedgwick Claims Management / Roseville</td>
<td>R TPA</td>
<td>57</td>
<td>60</td>
<td>$7,760</td>
<td>$7,760</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Sentry Insurance / Parker Services / Scottsdale, AZ</td>
<td>R INS/TPA</td>
<td>57</td>
<td>59</td>
<td>$25,050</td>
<td>$25,050</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Sentry Insurance Company / Irvine</td>
<td>R INS</td>
<td>88</td>
<td>588</td>
<td>$168,965</td>
<td>$168,965</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Southland Claims Service / Garden Grove</td>
<td>R TPA</td>
<td>53</td>
<td>53</td>
<td>$51,830</td>
<td>$51,830</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>Springfield Insurance Company / Covina</td>
<td>R INS</td>
<td>55</td>
<td>54</td>
<td>$24,645</td>
<td>$24,645</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>St. Paul Travelers / Diamond Bar</td>
<td>R INS/TPA</td>
<td>59</td>
<td>73</td>
<td>$43,065</td>
<td>$43,065</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>St Paul Travelers / St. Paul, MN</td>
<td>R INS</td>
<td>124</td>
<td>127</td>
<td>$70,280</td>
<td>$70,280</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>State Compensation Insurance Fund-CMS / Monterey</td>
<td>R INS</td>
<td>54</td>
<td>60</td>
<td>$25,985</td>
<td>$25,985</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
<tr>
<td>State Compensation Insurance Fund-HCO / Santa Ana</td>
<td>R INS</td>
<td>32</td>
<td>33</td>
<td>$28,900</td>
<td>$28,900</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>x</td>
</tr>
</tbody>
</table>
### Audit Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Audit Subject &amp; Location</th>
<th>R / T</th>
<th>INS/ TPA</th>
<th>Number of Files Audited</th>
<th># of AP's Cited</th>
<th>Total $ Penalties Cited</th>
<th>$ Penalties Not Subject to Assessment</th>
<th>$ Penalties Assessed</th>
<th>Balance $ Due</th>
<th>Appeals</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Compensation Insurance Fund - Oxnard</td>
<td>R</td>
<td>TPA</td>
<td>58 0 8 0 66</td>
<td>79</td>
<td>$33,465</td>
<td>$33,465</td>
<td>$0</td>
<td>$0</td>
<td>X</td>
</tr>
<tr>
<td>State Compensation Insurance Fund / Bakersfield</td>
<td>R</td>
<td>INS</td>
<td>58 0 0 0 58</td>
<td>31</td>
<td>$14,820</td>
<td>$14,820</td>
<td>$0</td>
<td>$0</td>
<td>X</td>
</tr>
<tr>
<td>State Compensation Insurance Fund / Eureka</td>
<td>R</td>
<td>INS/TPA</td>
<td>58 0 0 0 58</td>
<td>30</td>
<td>$5,220</td>
<td>$5,220</td>
<td>$0</td>
<td>$0</td>
<td>X</td>
</tr>
<tr>
<td>State Compensation Insurance Fund / Riverside</td>
<td>R</td>
<td>INS</td>
<td>58 0 8 0 66</td>
<td>72</td>
<td>$31,895</td>
<td>$31,895</td>
<td>$0</td>
<td>$0</td>
<td>X</td>
</tr>
<tr>
<td>State Compensation Insurance Fund / Sacramento</td>
<td>R</td>
<td>INS</td>
<td>58 0 7 0 65</td>
<td>92</td>
<td>$23,580</td>
<td>$23,580</td>
<td>$0</td>
<td>$0</td>
<td>X</td>
</tr>
<tr>
<td>State Compensation Insurance Fund / Stockton</td>
<td>R</td>
<td>INS</td>
<td>59 0 8 0 67</td>
<td>41</td>
<td>$21,880</td>
<td>$21,880</td>
<td>$0</td>
<td>$0</td>
<td>X</td>
</tr>
<tr>
<td>State Farm Insurance / Bakersfield</td>
<td>R</td>
<td>INS</td>
<td>58 0 2 0 60</td>
<td>78</td>
<td>$35,675</td>
<td>$35,675</td>
<td>$0</td>
<td>$0</td>
<td>X</td>
</tr>
<tr>
<td>The Cities Group / Burlingame</td>
<td>R</td>
<td>TPA</td>
<td>43 0 2 0 45</td>
<td>32</td>
<td>$13,620</td>
<td>$13,620</td>
<td>$0</td>
<td>$0</td>
<td>X</td>
</tr>
<tr>
<td>TriStar Risk Management / Rancho Cordova</td>
<td>R</td>
<td>TPA</td>
<td>57 0 2 0 59</td>
<td>34</td>
<td>$7,085</td>
<td>$7,085</td>
<td>$0</td>
<td>$0</td>
<td>X</td>
</tr>
<tr>
<td>TriStar Risk Management / San Diego</td>
<td>R</td>
<td>TPA</td>
<td>58 0 1 0 59</td>
<td>45</td>
<td>$15,055</td>
<td>$15,055</td>
<td>$0</td>
<td>$0</td>
<td>X</td>
</tr>
<tr>
<td>Wausau Insurance / Beaverton, OR</td>
<td>R</td>
<td>INS</td>
<td>58 0 4 0 62</td>
<td>51</td>
<td>$21,310</td>
<td>$21,310</td>
<td>$0</td>
<td>$0</td>
<td>X</td>
</tr>
<tr>
<td>Weyerhaeuser / Sacramento</td>
<td>R</td>
<td>SI</td>
<td>51 39 0 25 115</td>
<td>240</td>
<td>$94,485</td>
<td>$0</td>
<td>$94,485</td>
<td>$0</td>
<td>X</td>
</tr>
<tr>
<td>Workers' Compensation Administrator / Santa Maria</td>
<td>R</td>
<td>TPA</td>
<td>51 0 0 0 51</td>
<td>17</td>
<td>$2,250</td>
<td>$2,250</td>
<td>$0</td>
<td>$0</td>
<td>X</td>
</tr>
<tr>
<td>Zurich North America / San Francisco</td>
<td>R</td>
<td>INS</td>
<td>58 0 9 0 67</td>
<td>92</td>
<td>$41,795</td>
<td>$41,795</td>
<td>$0</td>
<td>$0</td>
<td>X</td>
</tr>
<tr>
<td>Zurich North America / Schaumberg, IL</td>
<td>R</td>
<td>INS</td>
<td>21 0 0 0 21</td>
<td>23</td>
<td>$7,710</td>
<td>$7,710</td>
<td>$0</td>
<td>$0</td>
<td>X</td>
</tr>
</tbody>
</table>

**TOTALS:**

<table>
<thead>
<tr>
<th>I</th>
<th>D</th>
<th>C</th>
<th>A</th>
<th>Total</th>
<th>Number of Files Audited</th>
<th># of AP's Cited</th>
<th>Total $ Penalties Cited</th>
<th>$ Penalties Not Subject to Assessment</th>
<th>$ Penalties Assessed</th>
<th>Balance $ Due</th>
<th>Appeals</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,962</td>
<td>80</td>
<td>128</td>
<td>25</td>
<td>4,195</td>
<td>5,399</td>
<td>$1,904,160</td>
<td>$1,254,320</td>
<td>$649,840</td>
<td>0</td>
<td>0</td>
<td>INS - Insurer 22</td>
</tr>
<tr>
<td>SI - Self-Insured Employer 16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TPA - Third Party Administrator 37</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I&amp;T - Insurer &amp; Third Party Administrator 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S&amp;T - Self-Insured &amp; Third Party Administrator 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL 79</td>
<td>TOTAL 79</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Statewide Summary of Penalties for PAR/FCA Audits

### Cited by Type of Penalty

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>1054</td>
<td>$419,380</td>
<td>$299,915</td>
<td>$119,465</td>
<td>$119,465</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>263</td>
<td>$149,454</td>
<td>$115,360</td>
<td>$34,094</td>
<td>$34,094</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>6</td>
<td>$9,125</td>
<td>$9,125</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>1423</td>
<td>$414,234</td>
<td>$282,370</td>
<td>$131,864</td>
<td>$131,864</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>4</td>
<td>$5,450</td>
<td>$0</td>
<td>$5,450</td>
<td>$5,450</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>467</td>
<td>$24,487</td>
<td>$17,200</td>
<td>$7,287</td>
<td>$7,287</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>73</td>
<td>$9,990</td>
<td>$6,900</td>
<td>$3,090</td>
<td>$3,090</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process.</td>
<td>514</td>
<td>$195,500</td>
<td>$186,500</td>
<td>$9,000</td>
<td>$9,000</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>452</td>
<td>$292,760</td>
<td>$174,900</td>
<td>$117,860</td>
<td>$117,860</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>112</td>
<td>$101,910</td>
<td>$66,950</td>
<td>$34,960</td>
<td>$34,960</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>379</td>
<td>$81,850</td>
<td>$50,200</td>
<td>$31,650</td>
<td>$31,650</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>22</td>
<td>$37,960</td>
<td>$34,600</td>
<td>$3,360</td>
<td>$3,360</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>6</td>
<td>$11,780</td>
<td>$10,300</td>
<td>$1,480</td>
<td>$1,480</td>
<td></td>
</tr>
</tbody>
</table>
### Statewide Summary of Penalties for PAR/FCA Audits

#### Cited by Type of Penalty

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to issue benefit notices other than specific notices for VR or denial.</td>
<td>107</td>
<td>$11,700</td>
<td>$0</td>
<td>$11,700</td>
<td>$11,700</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical treatment expense in the manner required by law or regulation.</td>
<td>173</td>
<td>$51,680</td>
<td>$0</td>
<td>$51,680</td>
<td>$51,680</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical-legal expense in the manner required by law or regulation.</td>
<td>5</td>
<td>$2,040</td>
<td>$0</td>
<td>$2,040</td>
<td>$2,040</td>
<td></td>
</tr>
<tr>
<td>Failure to timely assign a QRR to an employee after 90 aggregate days of total TD for injuries prior to 1/1/94.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide VR information after 90 aggregate days of total TD (injuries 1/1/94 thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely notify an injured employee of potential eligibility for VR (injuries thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of non-eligibility for VR.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide notices denying all liability or death benefits as required.</td>
<td>2</td>
<td>$1,080</td>
<td>$0</td>
<td>$1,080</td>
<td>$1,080</td>
<td></td>
</tr>
<tr>
<td>Failure to timely respond to a request to provide or authorize medical treatment.</td>
<td>2</td>
<td>$240</td>
<td>$0</td>
<td>$240</td>
<td>$240</td>
<td></td>
</tr>
<tr>
<td>Failure to include specific items or properly designate entries on a claim log.</td>
<td>26</td>
<td>$800</td>
<td>$0</td>
<td>$800</td>
<td>$800</td>
<td></td>
</tr>
<tr>
<td>Materially incomplete or inaccurate benefit notices including denial for all liability, other than specific vocational rehabilitation notices.</td>
<td>96</td>
<td>$16,160</td>
<td>$0</td>
<td>$16,160</td>
<td>$16,160</td>
<td></td>
</tr>
<tr>
<td>Failure to investigate.</td>
<td>7</td>
<td>$5,200</td>
<td>$0</td>
<td>$5,200</td>
<td>$5,200</td>
<td></td>
</tr>
<tr>
<td>Late payment of WCAB Orders or Awards or RU Orders for late payment of attorney fees and issues other than late payment of indemnity.</td>
<td>1</td>
<td>$600</td>
<td>$0</td>
<td>$600</td>
<td>$600</td>
<td></td>
</tr>
<tr>
<td>Penalties for failure to comply with any regulation of the AD not otherwise assessed.</td>
<td>193</td>
<td>$22,760</td>
<td>$0</td>
<td>$22,760</td>
<td>$22,760</td>
<td></td>
</tr>
<tr>
<td>Unsupported denial of all liability for a claim.</td>
<td>12</td>
<td>$38,020</td>
<td>$0</td>
<td>$38,020</td>
<td>$38,020</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>5399</strong></td>
<td><strong>$1,904,160</strong></td>
<td><strong>$1,254,320</strong></td>
<td><strong>$649,840</strong></td>
<td><strong>$649,840</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Statewide Summary of

667 Notices of Compensation Due

<table>
<thead>
<tr>
<th>Type of Compensation</th>
<th>Amount Found Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary Disability</td>
<td>$ 310,055.79</td>
</tr>
<tr>
<td>Permanent Disability</td>
<td>$ 257,177.26</td>
</tr>
<tr>
<td>V R M A</td>
<td>$ 523.99</td>
</tr>
<tr>
<td>Self-Imposed Increase</td>
<td>$ 93,226.41</td>
</tr>
<tr>
<td>Death Benefits</td>
<td>$ 40.00</td>
</tr>
<tr>
<td>Penalty, Interest or Other</td>
<td>$ 2,602.35</td>
</tr>
</tbody>
</table>

**Total Compensation Due:** $ 663,625.80
The following audit subjects under the Profile Audit Review (LC 129) met or exceeded the PAR standard (1.83201 or less). All administrative penalties were not assessed pursuant to Labor Code Section 129.5(c)(1).

The unpaid compensation found due injured workers within each claim file was ordered paid.

<table>
<thead>
<tr>
<th>Rank</th>
<th>AUDIT SUBJECT / LOCATION</th>
<th># Notices / $ Value</th>
<th>Unpaid Compensation Standard 1.83201</th>
<th>PAR</th>
<th>FCA Stage 1 Standard 2.21982</th>
<th>FCA Stage 2 Standard 2.21982</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Crawford &amp; Company / Tarzana</td>
<td>0 / $0.00</td>
<td>0.00000</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2</td>
<td>Sedgwick Claims Management / Orange</td>
<td>1 / $44.66</td>
<td>0.21173</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>3</td>
<td>City of Sacramento / Sacramento</td>
<td>1 / $248.81</td>
<td>0.22509</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>4</td>
<td>Municipal Pooling Authority / Walnut Creek</td>
<td>0 / $0.00</td>
<td>0.22917</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>5</td>
<td>Workers' Compensation Administrators / Santa Maria</td>
<td>0 / $0.00</td>
<td>0.43597</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>6</td>
<td>State Compensation Insurance Fund / Eureka</td>
<td>4 / $397.70</td>
<td>0.57331</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>7</td>
<td>TriStar Risk Management / San Diego</td>
<td>6 / $12,145.62</td>
<td>0.58764</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>8</td>
<td>State Compensation Insurance Fund / Bakersfield</td>
<td>2 / $2,254.32</td>
<td>0.61044</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>9</td>
<td>Sedgwick Claims Management / Roseville</td>
<td>3 / $605.87</td>
<td>0.62654</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>10</td>
<td>Keenan &amp; Associates / Redwood City</td>
<td>1 / $132.00</td>
<td>0.65497</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>11</td>
<td>Republic Indemnity Insurance Company / San Diego</td>
<td>2 / $476.41</td>
<td>0.69755</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>12</td>
<td>City of Anaheim / Anaheim</td>
<td>2 / $50.49</td>
<td>0.77393</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>13</td>
<td>TriStar Risk Management / Rancho Cordova</td>
<td>5 / $1,507.31</td>
<td>0.78256</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>14</td>
<td>GuideOne Insurance Company / Rocklin</td>
<td>1 / $166.88</td>
<td>0.80810</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>15</td>
<td>Alaska National Insurance / San Francisco</td>
<td>6 / $1,712.47</td>
<td>0.84459</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>16</td>
<td>Sedgwick Claims Management / Oakland</td>
<td>1 / $2,105.72</td>
<td>0.86787</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>17</td>
<td>North Bay Schools Insurance Authority / Fairfield</td>
<td>0 / $0.00</td>
<td>0.89795</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>18</td>
<td>Keenan &amp; Associates / San Jose</td>
<td>4 / $13,261.46</td>
<td>0.91078</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>19</td>
<td>State Compensation Insurance Fund / Riverside</td>
<td>6 / $9,012.96</td>
<td>0.92830</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>20</td>
<td>State Compensation Insurance Fund / Stockton</td>
<td>8 / $3,549.81</td>
<td>0.95738</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>21</td>
<td>Gallagher Bassett Services / Aliso Viejo</td>
<td>14 / $7,143.41</td>
<td>1.01224</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>22</td>
<td>Innovative Claims Solutions / Rancho Cordova</td>
<td>5 / $6,025.32</td>
<td>1.05477</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>23</td>
<td>Intercare Insurance Services / Pasadena</td>
<td>6 / $2,442.03</td>
<td>1.07688</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Rank</td>
<td>AUDIT SUBJECT / LOCATION</td>
<td>Unpaid Compensation</td>
<td>PAR</td>
<td>FCA Stage 1</td>
<td>FCA Stage 2</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>--------------------------</td>
<td>---------------------</td>
<td>-----</td>
<td>-------------</td>
<td>-------------</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Garden Grove USD / Garden Grove</td>
<td>11 / $11,199.05</td>
<td>1.08717</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>The Cities Group / Burlingame</td>
<td>5 / $11,811.44</td>
<td>1.09302</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>City of Oceanside / Oceanside</td>
<td>5 / $9,603.65</td>
<td>1.11577</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>County of Santa Clara / San Jose</td>
<td>13 / 1,275.68</td>
<td>1.11806</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Broadspire / Fresno</td>
<td>8 / $3,185.25</td>
<td>1.14255</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Redwood Empire Schools Insurance Group / Windsor</td>
<td>2 / $142.22</td>
<td>1.14739</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>St. Paul Travelers &amp; Constitution / Diamond Bar</td>
<td>13 / $11,822.18</td>
<td>1.18753</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Intercare Insurance Services / Fresno</td>
<td>5 / $573.29</td>
<td>1.18833</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Intercare Insurance Services / Irvine</td>
<td>8 / $2,983.26</td>
<td>1.21996</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>Sedgwick Claims Management / Pasadena</td>
<td>4 / $795.47</td>
<td>1.24492</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>AIG Domestic Claims / San Ramon</td>
<td>8 / $2,687.09</td>
<td>1.24511</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>State Compensation Insurance Fund / Sacramento</td>
<td>10 / $1,956.87</td>
<td>1.25247</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>CNA Insurance / San Francisco</td>
<td>9 / $1,132.11</td>
<td>1.28667</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>State Compensation Insurance Fund CMS / Monterey Park</td>
<td>7 / $7,973.85</td>
<td>1.29151</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>GAB Robins Risk Management / Burbank</td>
<td>8 / $13,755.43</td>
<td>1.29816</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>JT² Integrated Services / Ontario</td>
<td>4 / $700.28</td>
<td>1.32395</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>Sedgwick Claims Management / Albany, NY</td>
<td>6 / $6,913.37</td>
<td>1.32662</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>City of Los Angeles Dept of Water &amp; Power / Los Angeles</td>
<td>4 / $3,394.59</td>
<td>1.33072</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>Wausau Insurance / Beaverton, OR</td>
<td>12 / $4,330.38</td>
<td>1.33956</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>Petroleum Casualty Company / Houston, TX</td>
<td>3 / $5,330.75</td>
<td>1.37353</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>Sentry Insurance &amp; Parker Services / Scottsdale, AZ</td>
<td>9 / $3,570.65</td>
<td>1.37433</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>Springfield Insurance Company / Covina</td>
<td>16 / $14,176.76</td>
<td>1.40242</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>46</td>
<td>Intercare Insurance Services / Orange</td>
<td>7 / $21,209.55</td>
<td>1.43633</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>47</td>
<td>Sedgwick Claims Management / Los Angeles</td>
<td>10 / $10,378.10</td>
<td>1.46965</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>48</td>
<td>Zurich North America / Schaumberg, IL</td>
<td>2 / $157.70</td>
<td>1.47797</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>49</td>
<td>Sedgwick Claims Management / Ontario</td>
<td>10 / $8,004.22</td>
<td>1.48300</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>Zurich North America / San Francisco</td>
<td>14 / $13,225.49</td>
<td>1.50654</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
</tbody>
</table>
**DWC ADMINISTRATIVE DIRECTOR’S 2007 AUDIT RANKING REPORT**

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

### 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)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Audit Subject / Location</th>
<th>Unpaid Compensation</th>
<th>PAR Standard</th>
<th>FCA Stage 1 Standard</th>
<th>FCA Stage 2 Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>All Claim Files # Notices / $ Value</td>
<td>1.83201</td>
<td>2.21982</td>
<td>2.21982</td>
</tr>
<tr>
<td>51</td>
<td>Fontana USD / Fontana</td>
<td>7 / $3,358.52</td>
<td>1.54116</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>52</td>
<td>State Farm Insurance / Bakersfield</td>
<td>6 / $18,108.54</td>
<td>1.54421</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>53</td>
<td>American Financial Group / Walnut Creek</td>
<td>11 / $3,696.25</td>
<td>1.61408</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>54</td>
<td>Gallagher Bassett Services / Sacramento</td>
<td>9 / $5,492.47</td>
<td>1.61827</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>55</td>
<td>Southland Claims Service / Garden Grove</td>
<td>15 / $10,929.45</td>
<td>1.62938</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>56</td>
<td>Constitution State Services / Fort Smith, AR</td>
<td>6 / $8,866.65</td>
<td>1.67313</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>57</td>
<td>Ford Motor Company / Rancho Cucamonga</td>
<td>2 / $358.86</td>
<td>1.67570</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>58</td>
<td>CNA Insurance / Lake Oswego, OR</td>
<td>5 / $1,196.87</td>
<td>1.73324</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>59</td>
<td>Chubb Group of Insurance Companies / Los Angeles</td>
<td>10 / $9,713.21</td>
<td>1.76307</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>60</td>
<td>ClaimsQuest / Walnut</td>
<td>11 / $5,960.67</td>
<td>1.76686</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>61</td>
<td>State Compensation Insurance Fund / Oxnard</td>
<td>8 / $7,089.95</td>
<td>1.77370</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>62</td>
<td>ESIS / Woodland Hills</td>
<td>24 / $25,045.82</td>
<td>1.78307</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>63</td>
<td>Chubb Services Corporation / Los Angeles</td>
<td>11 / $4,092.90</td>
<td>1.78809</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>64</td>
<td>Frank Gates Service Company / El Dorado Hills</td>
<td>20 / $11,489.29</td>
<td>1.82229</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>65</td>
<td>Pacific Gas &amp; Electric Company / San Francisco</td>
<td>10 / $28,845.03</td>
<td>1.83082</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>66</td>
<td>St. Paul Travelers / St. Paul, MN</td>
<td>24 / $18,019.66</td>
<td>1.90640</td>
<td>1.77660</td>
<td>n/a</td>
</tr>
<tr>
<td>67</td>
<td>City of Compton / Compton</td>
<td>11 / $4,848.81</td>
<td>1.94943</td>
<td>1.76187</td>
<td>n/a</td>
</tr>
<tr>
<td>68</td>
<td>Gallagher Bassett Services / Woodland Hills</td>
<td>29 / $32,394.56</td>
<td>2.17685</td>
<td>2.14465</td>
<td>n/a</td>
</tr>
<tr>
<td>69</td>
<td>City of Pomona / Pomona</td>
<td>12 / 20,496.30</td>
<td>2.27120</td>
<td>1.76443</td>
<td>n/a</td>
</tr>
<tr>
<td>70</td>
<td>Santa Ana USD / Santa Ana</td>
<td>11 / $9,734.75</td>
<td>2.37842</td>
<td>2.06009</td>
<td>n/a</td>
</tr>
<tr>
<td>71</td>
<td>Claimetrics (formerly Hallmark W/C Services) / Folsom</td>
<td>19 / $8,749.52</td>
<td>2.48686</td>
<td>1.87348</td>
<td>n/a</td>
</tr>
</tbody>
</table>

*Fourteen audit subjects under the Profile Audit Review (LC 129) failed to meet or exceed the PAR standard (1.83201 or less). The audit proceeded to the Full Compliance Audit Stage 1 (LC 129(b)(2)) and six of the fourteen met or exceeded the FCA standard (2.21982 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.*
Eight audit subjects under the Profile Audit Review (LC 129) failed to meet or exceed the PAR standard (2.21982 or less) and proceeded to the Full Compliance Audit Stage 1 [LC 129(b)(2)] where they failed to meet or exceed the FCA standard (2.21982 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.

<table>
<thead>
<tr>
<th>Rank</th>
<th>AUDIT SUBJECT / LOCATION</th>
<th># Notices / $ Value</th>
<th>PAR</th>
<th>FCA Stage 1</th>
<th>FCA Stage 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>72</td>
<td>Robert's Transport / Corona</td>
<td>36 / $30,498.04</td>
<td>2.44179</td>
<td>2.61232</td>
<td>3.15686</td>
</tr>
<tr>
<td>73</td>
<td>State Compensation Insurance Fund (HCO) / Santa Ana</td>
<td>12 / $8,565.84</td>
<td>2.53171</td>
<td>2.47284</td>
<td>2.42348</td>
</tr>
<tr>
<td>74</td>
<td>Corporate Claims Management / Chesterfield, MO</td>
<td>1 / $146.31</td>
<td>2.74480</td>
<td>2.74480</td>
<td>2.74480</td>
</tr>
<tr>
<td>75</td>
<td>Weyerhaeuser / Sacramento</td>
<td>18 / $70,988.33</td>
<td>3.73159</td>
<td>3.24886</td>
<td>6.64534</td>
</tr>
<tr>
<td>76</td>
<td>Berkley Risk &amp; Insurance Services / Novato</td>
<td>7 / $9,924.94</td>
<td>4.46102</td>
<td>4.83270</td>
<td>5.12014</td>
</tr>
<tr>
<td>77</td>
<td>Sentry Insurance Company &amp; Parker Services / Irvine</td>
<td>39 / $66,312.49</td>
<td>7.08282</td>
<td>5.48815</td>
<td>4.85493</td>
</tr>
<tr>
<td>78</td>
<td>Balboa Insurance / Irvine</td>
<td>1 / $1,083.63</td>
<td>14.92266</td>
<td>14.92266</td>
<td>14.92266</td>
</tr>
<tr>
<td>79</td>
<td>Metro Risk Management / Wilmington</td>
<td>1 / $2,045.91</td>
<td>25.39819</td>
<td>25.39819</td>
<td>25.39819</td>
</tr>
</tbody>
</table>
Description of Individual Audit Exhibits

Individual Exhibit 1A ~ Profile Audit Review Performance Rating of Randomly Selected Claims is the worksheet to calculate the audit findings to a score that determines the PAR performance standard factor for the audit subject. It includes the number of indemnity files audited for each of the five major areas of violations and the number of those files wherein one or more of the violations were found.

Individual Exhibit 1B ~ Full Compliance Audit Performance Rating of Randomly Selected Claims is the worksheet to calculate the audit findings to a score that determines the FCA Stage 1 performance standard factor for this audit subject. It includes the expanded number of indemnity files audited for each of the five major areas of violations and the number of those files wherein one or more of the violations were found.

Individual Exhibit 1C ~ Full Compliance Audit Performance Rating of Randomly Selected Claims is the worksheet to calculate the audit findings to a score that determines the FCA Stage 2 performance standard factor for this audit subject. It includes the number of indemnity files and denied claim files audited for each of the five major areas of violations and the number of those files wherein one or more of the violations were found.

Individual Exhibit 2 ~ Penalty Assessments and Collections 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.

Individual Exhibit 3 ~ Notices of Compensation Due 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.
### Profile Audit Review Performance Rating of Randomly Selected Claims

**Audit No:** OAK-13-07-T1-5  
**Subject:** AIG Domestic Claims, Inc.  
**Location:** San Ramon

#### 1. Factor for Failure to Pay Accrued and Undisputed Indemnity

<table>
<thead>
<tr>
<th>Component Description</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency Rate</td>
<td># claims with unpd indemn 8 divide by # claims with payable indemn 58</td>
<td>0.13793</td>
</tr>
<tr>
<td>Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</td>
<td>Total unpd indemn. = $2,687.09 divide by # of claims with obligation to pay indemn. 58</td>
<td>Avg Unpd Indem $46.33</td>
</tr>
<tr>
<td>Severity Rate</td>
<td>Avg Unpd Indem $46.33 divide by avg unpd indemn 2003-2005 of $167.71</td>
<td>0.27625</td>
</tr>
<tr>
<td>Modifier of 2</td>
<td>Frequency rate 0.13793 X Severity rate 0.27625 X modifier of 2</td>
<td>0.07621</td>
</tr>
</tbody>
</table>

#### 2. Factor for Late First Payment of Temporary Disability or First Notice of SC

<table>
<thead>
<tr>
<th>Component Description</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late 1st TD</td>
<td>19 divide by # with TD payments 57</td>
<td></td>
</tr>
<tr>
<td># claims with late first SC notice</td>
<td>0 divide by # with salary continuation 1</td>
<td>Totals 19 divide by Totals 58 = 0.32759</td>
</tr>
</tbody>
</table>

#### 3. Factor for Late First Payment of Permanent Disability, VRMA, and Death Benefits

<table>
<thead>
<tr>
<th>Component Description</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first PD</td>
<td>1 divide by # with first PD 8</td>
<td></td>
</tr>
<tr>
<td># claims with late first VRMA</td>
<td>0 divide by # with first VRMA 0</td>
<td></td>
</tr>
<tr>
<td># claims with late first DB</td>
<td>0 divide by # with first DB paid 0</td>
<td>Totals 1 divide by Totals 8 = 0.12500</td>
</tr>
</tbody>
</table>

#### 4. Factor for Late Subsequent Indemnity Payments

<table>
<thead>
<tr>
<th>Component Description</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late subsequent payments</td>
<td>9 divide by # with subsequent payments 34</td>
<td></td>
</tr>
</tbody>
</table>

#### 5. Factor for Provision of AME/QME Notices and Notices of Potential Eligibility for Vocational Rehabilitation

<table>
<thead>
<tr>
<th>Component Description</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with AME/QME notice violations</td>
<td>14 divide by # requiring notices 31</td>
<td></td>
</tr>
<tr>
<td># claims with VR potential eligibility notice violations</td>
<td>0 divide by # requiring notices 0</td>
<td>Totals 14 divide by Totals 31 = 0.45161</td>
</tr>
</tbody>
</table>

**Profile Audit Review Performance Rating - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>25</td>
<td>$11,585</td>
<td>$11,585</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>4</td>
<td>$1,145</td>
<td>$1,145</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>16</td>
<td>$12,460</td>
<td>$12,460</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>15</td>
<td>$4,800</td>
<td>$4,800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>4</td>
<td>$2,900</td>
<td>$2,900</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>2</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>4</td>
<td>$550</td>
<td>$550</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>70</strong></td>
<td><strong>$34,240</strong></td>
<td><strong>$34,240</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Notices of Compensation Due

#### Calendar Year: 2007

#### Individual Exhibit 3

**Audit No:** OAK-13-07-T1-5  
**Subject:** AIG Domestic Claims, Inc.  
**Location:** San Ramon  
**Type:** TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$14.41</td>
<td></td>
<td></td>
<td>$14.41</td>
</tr>
<tr>
<td>2</td>
<td>$1,112.07</td>
<td></td>
<td></td>
<td>$60.00</td>
<td></td>
<td></td>
<td>$1,112.07</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>$79.01</td>
<td></td>
<td>$7.89</td>
<td></td>
<td></td>
<td>$86.90</td>
</tr>
<tr>
<td>4</td>
<td>$156.48</td>
<td></td>
<td></td>
<td>$179.95</td>
<td></td>
<td></td>
<td>$336.43</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>$34.27</td>
<td></td>
<td></td>
<td>$34.27</td>
</tr>
<tr>
<td>6</td>
<td>$806.76</td>
<td></td>
<td></td>
<td>$80.68</td>
<td></td>
<td></td>
<td>$887.44</td>
</tr>
<tr>
<td>7</td>
<td>$151.04</td>
<td></td>
<td></td>
<td>$4.53</td>
<td></td>
<td></td>
<td>$155.57</td>
</tr>
</tbody>
</table>

**TOTAL** $2,226.35 $79.01 $0.00 $381.73 $0.00 $0.00 $2,687.09
Profile Audit Review Performance Rating of Randomly Selected Claims

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

Subject: Alaska National Insurance Company

Location: San Francisco

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
<th># claims with unpd indemn 6 divide by # claims with payable indemn 53 = 0.11321</th>
</tr>
</thead>
</table>

| B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity |
| Total unpd indemn. = $1,712.47 divide by # of claims with obligation to pay indemn. = $32.31 |
| Avg Unpd Ind |

| C. Severity Rate |
| $32.31 divide by avg unpd indemn 2003-2005 of $167.71 = 0.19266 |
| C. Severity Rate |

| D. Factor for Failure to pay Undisputed Accrued Indemnity |
| Frequency rate 0.11321 X Severity rate 0.19266 X modifier of 2 = 0.04362 |

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

| # claims with late 1st TD 13 divide by # with TD payments 49 = 0.26531 |
| # claims with late first SC notice 0 divide by # with salary continuation 0 |
| Totals 13 divide by Totals 49 = 0.26531 |

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

| # claims with late first PD 3 divide by # with first PD 15 |
| # claims with late first VRMA 0 divide by # with first VRMA 0 |
| # claims with late first DB 0 divide by # with first DB paid 0 |
| Totals 3 divide by Totals 15 = 0.20000 |

### 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 4 divide by # requiring notices 22 |
| # claims with VR potential eligibility notice violations 0 divide by # requiring notices 0 |
| Totals 4 divide by Totals 22 = 0.18182 |

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

**Calendar Year:** 2007  
**Individual Exhibit 2**

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>53</th>
<th>Audit No:</th>
<th>OAK-04-07-R1-1</th>
<th><strong>Subject:</strong> Alaska National Insurance Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>53</td>
<td>Location:</td>
<td>San Francisco</td>
<td>Type: INS</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complaints</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>15</td>
<td>$2,640</td>
<td>$2,640</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>3</td>
<td>$600</td>
<td>$600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>5</td>
<td>$860</td>
<td>$860</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>5</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>6</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>1</td>
<td>$500</td>
<td>$500</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>35</td>
<td>$7,400</td>
<td>$7,400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Notices of Compensation Due

**Calendar Year:** 2007  
**Individual Exhibit 3**

**Audit No:** OAK-04-07-R1-1

**Subject:** Alaska National Insurance Company

**Location:** San Francisco  
**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$523.06</td>
<td>$10.42</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$533.48</td>
</tr>
<tr>
<td>2</td>
<td>$162.04</td>
<td>$8.29</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$170.33</td>
</tr>
<tr>
<td>3</td>
<td>$30.25</td>
<td>$3.01</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$33.26</td>
</tr>
<tr>
<td>4</td>
<td>$125.17</td>
<td>$449.40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$449.40</td>
</tr>
<tr>
<td>5</td>
<td>$368.17</td>
<td>$32.66</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$400.83</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$1,208.69</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$503.78</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$1,712.47</td>
</tr>
</tbody>
</table>
Calendar Year: 2007

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No:  OAK-10-07-R1-1

Subject: American Financial Group

Location: Walnut Creek

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   \[
   \text{# claims with unpd indemn} \div \text{# claims with payable indemn} = 11 \div 42 = 0.26190
   \]

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[
   \text{Avg Unpd Ind} = \frac{\text{Total unpd indem.}}{\text{# of claims with obligation to pay indemn.}} = \frac{3,696.25}{42} = 88.01
   \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   \[
   \text{# claims with late 1st TD} \div \text{# with TD payments} = \frac{13}{42} = 0.30952
   \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[
   \text{# claims with late first PD} \div \text{14} = 0.07143
   \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[
   \text{# claims with late subsequent payments} \div \text{29} = 0.37931
   \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[
   \text{# claims with AME/QME notice violations} \div \text{19} = 0.57895
   \]

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>15</td>
<td>$4,225</td>
<td>$4,225</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>1</td>
<td>$320</td>
<td>$320</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>19</td>
<td>$3,845</td>
<td>$3,845</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>11</td>
<td>$4,800</td>
<td>$4,800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>14</td>
<td>$5,300</td>
<td>$5,300</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>2</td>
<td>$600</td>
<td>$600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>62</td>
<td>$19,090</td>
<td>$19,090</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
## Notices of Compensation Due

### Calendar Year: 2007  
### Individual Exhibit 3

**Audit No:** OAK-10-07-R1-1  
**Subject:** American Financial Group

**Location:** Walnut Creek  
**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$30.40</td>
<td></td>
<td></td>
<td>$1.30</td>
<td></td>
<td></td>
<td>$31.70</td>
</tr>
<tr>
<td>2</td>
<td>$1,031.20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,031.20</td>
</tr>
<tr>
<td>3</td>
<td>$17.58</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$17.58</td>
</tr>
<tr>
<td>4</td>
<td>$621.25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$621.25</td>
</tr>
<tr>
<td>5</td>
<td>$29.16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$29.16</td>
</tr>
<tr>
<td>6</td>
<td>$1,080.41</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,080.41</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td>$31.67</td>
<td></td>
<td></td>
<td>$31.67</td>
</tr>
<tr>
<td>8</td>
<td>$68.19</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$68.19</td>
</tr>
<tr>
<td>9</td>
<td>$12.68</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$12.68</td>
</tr>
<tr>
<td>10</td>
<td>$73.78</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$73.78</td>
</tr>
<tr>
<td>11</td>
<td>$547.91</td>
<td></td>
<td></td>
<td>$150.72</td>
<td></td>
<td></td>
<td>$698.63</td>
</tr>
</tbody>
</table>

**TOTAL:** $3,512.56 | $0.00 | $0.00 | $183.69 | $0.00 | $0.00 | $3,696.25
**Profile Audit Review Performance Rating of Randomly Selected Claims**

**Audit No:** LAO-09-07-R3-1  
**Subject:** Balboa Insurance Group  
**Location:** Irvine

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
<th># claims with unpd indem</th>
<th>1</th>
<th>divide by</th>
<th># claims with payable indem</th>
<th>1</th>
<th>=</th>
<th>1.00000</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</td>
<td>Total unpd indemn.</td>
<td>$ 1,083.63</td>
<td>divide by</td>
<td># of claims with obligation to pay indemn.</td>
<td>1</td>
<td>Avg Unpd Ind</td>
<td>$ 1,083.63</td>
</tr>
<tr>
<td>C. Severity Rate</td>
<td>Avg Unpd Indem</td>
<td>$ 1,083.63</td>
<td>divide by</td>
<td>avg unpd indemn 2003-2005 of</td>
<td>$ 167.71</td>
<td>=</td>
<td>6.46133</td>
</tr>
</tbody>
</table>

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

| # claims with late 1st TD | 1 | divide by | # with TD payments | 1 |
| # claims with late first SC notice | 0 | divide by | # with salary continuation | 0 |
| Totals | 1 | divide by | Totals | 1 |

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

| # claims with late first PD | 0 | divide by | # with first PD | 0 |
| # claims with late first VRMA | 0 | divide by | # with first VRMA | 0 |
| # claims with late first DB | 0 | divide by | # with first DB paid | 0 |
| Totals | 0 | divide by | Totals | 0 |

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subsequent payments | 1 | divide by | # with subsequent payments | 1 |

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

| # claims with AME/QME notice violations | 0 | divide by | # requiring notices | 0 |
| # claims with VR potential eligibility notice violations | 0 | divide by | # requiring notices | 0 |
| Totals | 0 | divide by | Totals | 0 |

**Profile Audit Review Performance Rating - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: LAO-09-07-R3-1

Subject: Balboa Insurance Group

Location: Irvine

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   
   **A. Frequency Rate**
   
   \[
   \frac{\text{# claims with unpd indem}}{\text{# claims with payable indem}} = 1.00000
   \]

   **B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity**
   
   \[
   \text{Total unpd indem} = \$1,083.63 \quad \text{divide by} \quad \text{# of claims with obligation to pay indem.} = 1
   \]
   
   \[
   \text{Avg Unpd Ind} = \$1,083.63
   \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   
   \[
   \frac{\text{# claims with late 1st TD}}{\text{# claims with 1st PD}} = 1
   \]

   \[
   \frac{\text{# claims with late first SC notice}}{\text{# claims with salary continuation}} = 0
   \]

   \[
   \text{Totals} = 1
   \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   
   \[
   \frac{\text{# claims with late first PD}}{\text{# claims with first PD}} = 0
   \]

   \[
   \frac{\text{# claims with late first VRMA}}{\text{# claims with first VRMA}} = 0
   \]

   \[
   \frac{\text{# claims/late first death benefits}}{\text{# claims with first death ben paid}} = 0
   \]

   \[
   \text{Totals} = 0
   \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   
   \[
   \frac{\text{# claims with late subseq payments}}{\text{# claims with subseq payments}} = 1
   \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   
   \[
   \frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = 0
   \]

   \[
   \frac{\text{# claims with VR potential eligibility notice violations}}{\text{# requiring notices}} = 0
   \]

   \[
   \text{Totals} = 0
   \]

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007

Full Compliance Audit Performance Rating of indemnity files of 2.21983 or greater is a failing score.
Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: LAO-09-07-R3-1

Subject: Balboa Insurance Group

Location: Irvine

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   \[
   \frac{\text{# claims with unpd indem}}{\text{# claims with payable indem}} = 1.00000
   \]

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[
   \frac{\text{Total unpd indem}}{\text{# of claims with obligation to pay indem.}} = 1.00000
   \]
   \[
   \text{Avg Unpd Ind} = \frac{\$1,083.63}{1} = \$1,083.63
   \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE
   \[
   \frac{\text{# claims with late 1st TD}}{\text{# claims with 1st TD}} = 1.00000
   \]
   \[
   \frac{\text{# claims with late first SC notice}}{\text{# claims with salary continuation}} = 0.00000
   \]
   \[
   \frac{\text{Totals}}{\text{Totals}} = 1.00000
   \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[
   \frac{\text{# claims with late first PD}}{\text{# claims with first PD}} = 0.00000
   \]
   \[
   \frac{\text{# claims with late first VRMA}}{\text{# claims with first VRMA}} = 0.00000
   \]
   \[
   \frac{\text{# claims/late first death benefits}}{\text{# claims/first death ben paid}} = 0.00000
   \]
   \[
   \frac{\text{Totals}}{\text{Totals}} = 0.00000
   \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[
   \frac{\text{# claims with late subseq payments}}{\text{# claims with subseq payments}} = 1.00000
   \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[
   \frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = 0.00000
   \]
   \[
   \frac{\text{# claims with VR potential eligibility notice violations}}{\text{# requiring notices}} = 0.00000
   \]
   \[
   \frac{\text{Totals}}{\text{Totals}} = 0.00000
   \]

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007

Full Compliance Audit Performance Rating for indemnity and denied files of 2.21983 or greater is a failing score.
### Penalty Assessments and Collections

**Calendar Year:** 2007  
**Audit No:** LAO-09-07-R3-1

**Subject:** Balboa Insurance Group  
**Location:** Irvine  
**Type:** INS

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>1</td>
<td>$4,000</td>
<td>$0</td>
<td>$4,000</td>
<td>$4,000</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>2</td>
<td>$200</td>
<td>$0</td>
<td>$200</td>
<td>$200</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>2</td>
<td>$125</td>
<td>$0</td>
<td>$125</td>
<td>$125</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>1</td>
<td>$2,000</td>
<td>$0</td>
<td>$2,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>2</td>
<td>$300</td>
<td>$0</td>
<td>$300</td>
<td>$300</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
## Penalty Assessments and Collections

### Files Audited
- **Indemnity:** 1
- **Medical Only:** 0
- **Denied:** 4
- **Complaints:** 0
- **Additional:** 0

### Audit No.
- **LAO-09-07-R3-1**

### Subject
- **Balboa Insurance Group**

### Location
- **Irvine**

### Type
- **INS**

### Type of Violation

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to issue benefit notices other than specific notices for VR or denial.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical treatment expense in the manner required by law or regulation.</td>
<td>5</td>
<td>$1,500</td>
<td>$0</td>
<td>$1,500</td>
<td>$1,500</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical-legal expense in the manner required by law or regulation.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely assign a QRR to an employee after 90 aggregate days of total TD for injuries prior to 1/1/94.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide VR information after 90 aggregate days of total TD (injuries 1/1/94 thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely notify an injured employee of potential eligibility for VR (injuries thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of non-eligibility for VR.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide notices denying all liability or death benefits as required.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely respond to a request to provide or authorize medical treatment.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to include specific items or properly designate entries on a claim log.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Materially incomplete or inaccurate benefit notices including denial for all liability, other than specific vocational rehabilitation notices.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to investigate.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late payment of WCAB Orders or Awards or RU Orders for late payment of attorney fees and issues other than late payment of indemnity.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Penalties for failure to comply with any regulation of the AD not otherwise assessed.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Unsupported denial of all liability for a claim.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

### Total
- **13**
- **$8,125**
- **$0**
- **$8,125**
- **$8,125**

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: LAO-09-07-R3-1

Subject: Balboa Insurance Group

<table>
<thead>
<tr>
<th>Location: Irvine</th>
<th>Type: INS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item Number</td>
<td>Temporary Disability</td>
</tr>
<tr>
<td>1</td>
<td>$913.12</td>
</tr>
</tbody>
</table>

TOTAL $913.12 $0.00 $0.00 $170.51 $0.00 $0.00 $1,083.63
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: OAK-11-07-R3-5

Subject: Berkley Risk & Insurance Services

Location: Novato

<table>
<thead>
<tr>
<th>1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Frequency Rate</td>
</tr>
<tr>
<td># claims with unpd indemn 5 divide by # claims with payable indemn 12 = 0.41667</td>
</tr>
<tr>
<td>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</td>
</tr>
<tr>
<td>Total unpd indemn. = $ 7,966.26 divide by # of claims with obligation to pay indemn. 12</td>
</tr>
<tr>
<td>Avg Unpd Ind = $ 663.86</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. Severity Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg Unpd Indem = $ 663.86 divide by avg unpd indem 2003-2005 of $ 167.71 = 3.95835</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D. Factor for Failure to pay Undisputed Accrued Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency rate 0.41667 X Severity rate 3.95835 X modifier of 2 = 3.29863</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late 1st TD 4 divide by # with TD payments 12 =</td>
</tr>
<tr>
<td># claims with late first SC notice 1 divide by # with salary continuation 1 =</td>
</tr>
<tr>
<td>Totals 5 divide by Totals 13 = 0.38462</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first PD 0 divide by # with first PD 3 = 0.00000</td>
</tr>
<tr>
<td># claims with late first VRMA 0 divide by # with first VRMA 0 = 0</td>
</tr>
<tr>
<td># claims with late first DB 0 divide by # with first DB paid 0 = 0</td>
</tr>
<tr>
<td>Totals 0 divide by Totals 3 = 0.00000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late subsequent payments 4 divide by # with subsequent payments 9 = 0.44444</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with AME/QME notice violations 2 divide by # requiring notices 6 = 0.33333</td>
</tr>
<tr>
<td># claims with VR potential eligibility notice violations 0 divide by # requiring notices 0 =</td>
</tr>
<tr>
<td>Totals 2 divide by Totals 6 = 0.33333</td>
</tr>
</tbody>
</table>

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: OAK-11-07-R3-5

Subject: Berkley Risk & Insurance Services

Location: Novato

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate
# claims with unpd indem 6 divide by # claims with payable indem 14 = 0.42857

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
Total unpd indem = $9,448.72 divide by # of claims with obligation to pay indem. 14
Avg Unpd Ind = $674.91

C. Severity Rate
Avg Unpd Ind. $674.91 divide by avg unpd indem 2003-2005 of $167.71 = 4.02426

D. Factor for Failure to pay Undisputed Accrued Indemnity
Frequency rate 0.42857 X Severity rate 4.02426 X modifier of 2 = 3.44937

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

# claims with late 1st TD 5 divide by # with TD payments 14 = 0.35714
# claims with late first SC notice 1 divide by # with salary continuation 1 = 1
Totals 6 divide by Totals 15 = 0.40000

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

# claims with late first PD 1 divide by # with first PD 4 = 0.25000
# claims with late first VRMA 0 divide by # with first VRMA 0 = 0
# claims/late first death benefits 0 divide by # with first death ben paid 0 = 0
Totals 1 divide by Totals 4 = 0.25000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

# claims with late subseq payments 4 divide by # with subseq payments 10 = 0.40000

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

# claims with AME/QME notice violations 2 divide by # requiring notices 6 = 0.33333
# claims with VR potential eligibility notice violations 0 divide by # requiring notices = 0
Totals 2 divide by Totals 6 = 0.33333

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007
Full Compliance Audit Performance Rating of indemnity files of 2.21983 or greater is a failing score.

Form DWC-AU-860B (Rev 12/06)
Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: OAK-11-07-R3-5

Subject: Berkley Risk & Insurance Services

Location: Novato

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate
# claims with unpd indem 7 divide by # claims with payable indem 15 = 0.46667

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
Total unpd indem = $9,924.94 divide by # of claims with obligation to pay indem. 15
Avg Unpd Ind = $661.66

C. Severity Rate
Avg Unpd Ind. $661.66 divide by avg unpd indem 2003-2005 of $167.71 = 3.94528

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

# claims with late 1st TD 5 divide by # with TD payments 14 = 0.35714
# claims with late first SC notice 1 divide by # with salary continuation 1 = 1.00000
Totals 6 divide by Totals 15 = 0.40000

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

# claims with late first PD 1 divide by # with first PD 4 = 0.25000
# claims with late first VRMA 0 divide by # with first VRMA 0 = 0
# claims/late first death benefits 0 divide by # with first death ben paid 0 = 0
Totals 1 divide by Totals 4 = 0.25000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

# claims with late subseq payments 5 divide by # with subseq payments 11 = 0.45455

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

# claims with AME/QME notice violations 2 divide by # requiring notices 6 = 0.33333
# claims with VR potential eligibility notice violations 0 divide by # requiring notices 0 = 0
Totals 2 divide by Totals 6 = 0.33333

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007

Full Compliance Audit Performance Rating for indemnity and denied files of 2.21983 or greater is a failing score.
<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>5</td>
<td>$3,400</td>
<td>$0</td>
<td>$3,400</td>
<td>$3,400</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>1</td>
<td>$100</td>
<td>$0</td>
<td>$100</td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>12</td>
<td>$1,920</td>
<td>$0</td>
<td>$1,920</td>
<td>$1,920</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>5</td>
<td>$255</td>
<td>$0</td>
<td>$255</td>
<td>$255</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process.</td>
<td>2</td>
<td>$1,000</td>
<td>$0</td>
<td>$1,000</td>
<td>$1,000</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>5</td>
<td>$6,600</td>
<td>$0</td>
<td>$6,600</td>
<td>$6,600</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>3</td>
<td>$1,600</td>
<td>$0</td>
<td>$1,600</td>
<td>$1,600</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>1</td>
<td>$50</td>
<td>$0</td>
<td>$50</td>
<td>$50</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>
## Penalty Assessments and Collections

**Files Audited:** 17  
**Indemnity:** 14  
**Medical Only:** 0  
**Denied:** 3  
**Complaints:** 0  
**Additional:** 0

**Audit No:** OAK-11-07-R3-5  
**Subject:** Berkley Risk & Insurance Services  
**Location:** Novato  
**Type:** TPA

### Type of Violation

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to issue benefit notices other than specific notices for VR or denial.</td>
<td>7</td>
<td>$700</td>
<td>$0</td>
<td>$700</td>
<td>$700</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical treatment expense in the manner required by law or regulation.</td>
<td>6</td>
<td>$1,600</td>
<td>$0</td>
<td>$1,600</td>
<td>$1,600</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical-legal expense in the manner required by law or regulation.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely assign a QRR to an employee after 90 aggregate days of total TD for injuries prior to 1/1/94.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide VR information after 90 aggregate days of total TD (injuries 1/1/94 thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely notify an injured employee of potential eligibility for VR (injuries thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of non-eligibility for VR.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide notices denying all liability or death benefits as required.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely respond to a request to provide or authorize medical treatment.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to include specific items or properly designate entries on a claim log.</td>
<td>1</td>
<td>$25</td>
<td>$0</td>
<td>$25</td>
<td>$25</td>
<td></td>
</tr>
<tr>
<td>Materially incomplete or inaccurate benefit notices including denial for all liability, other than specific vocational rehabilitation notices.</td>
<td>2</td>
<td>$200</td>
<td>$0</td>
<td>$200</td>
<td>$200</td>
<td></td>
</tr>
<tr>
<td>Failure to investigate.</td>
<td>1</td>
<td>$1,000</td>
<td>$0</td>
<td>$1,000</td>
<td>$1,000</td>
<td></td>
</tr>
<tr>
<td>Late payment of WCAB Orders or Awards or RU Orders for late payment of attorney fees and issues other than late payment of indemnity.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Penalties for failure to comply with any regulation of the AD not otherwise assessed.</td>
<td>10</td>
<td>$1,000</td>
<td>$0</td>
<td>$1,000</td>
<td>$1,000</td>
<td></td>
</tr>
<tr>
<td>Unsupported denial of all liability for a claim.</td>
<td>1</td>
<td>$4,000</td>
<td>$0</td>
<td>$4,000</td>
<td>$4,000</td>
<td></td>
</tr>
</tbody>
</table>

### TOTAL

|               | 62       | $23,450           | $0                          | $23,450                       | $23,450                   |        |

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Calendar Year: 2007

#### Notices of Compensation Due

**Audit No:** OAK-11-07-R3-5

**Subject:** Berkley Risk & Insurance Services

**Location:** Novato

**Type:** TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$28.57</td>
<td></td>
<td></td>
<td>$2.85</td>
<td></td>
<td></td>
<td>$31.42</td>
</tr>
<tr>
<td>2</td>
<td>$252.74</td>
<td></td>
<td></td>
<td>$359.48</td>
<td></td>
<td></td>
<td>$3,954.26</td>
</tr>
<tr>
<td>3</td>
<td>$3,594.78</td>
<td></td>
<td></td>
<td>$62.55</td>
<td></td>
<td></td>
<td>$476.22</td>
</tr>
<tr>
<td>4</td>
<td>$413.67</td>
<td></td>
<td></td>
<td>$82.92</td>
<td></td>
<td></td>
<td>$912.20</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>$829.28</td>
<td></td>
<td>$134.77</td>
<td></td>
<td></td>
<td>$1,482.46</td>
</tr>
</tbody>
</table>

**TOTAL** $4,289.76 $4,992.61 $0.00 $642.57 $0.00 $0.00 $9,924.94
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: SAC-18-07-R1-5

Subject: Broadspire, a Crawford Company

Location: Fresno

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   \[ \frac{8}{58} = 0.13793 \]
   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[ \frac{3,185.35}{58} = 54.92 \]
   C. Severity Rate
   \[ \frac{54.92}{167.71} = 0.32747 \]
   D. Factor for Failure to pay Undisputed Accrued Indemnity
   \[ 0.13793 \times 0.32747 \times 2 = 0.09034 \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   \[ \frac{24}{53} = 0.45283 \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[ \frac{2}{21} = 0.09524 \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[ \frac{5}{31} = 0.16129 \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[ \frac{12}{33} = 0.34286 \]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>28</td>
<td>$16,575</td>
<td>$16,575</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>3</td>
<td>$2,080</td>
<td>$2,080</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>10</td>
<td>$2,015</td>
<td>$2,015</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>12</td>
<td>$3,300</td>
<td>$3,300</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>7</td>
<td>$3,100</td>
<td>$3,100</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>1</td>
<td>$150</td>
<td>$150</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>1</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>63</strong></td>
<td><strong>$28,420</strong></td>
<td><strong>$28,420</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: SAC-18-07-R1-5

Subject: Broadspire, a Crawford Company

Location: Fresno

Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$80.43</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$80.43</td>
</tr>
<tr>
<td>2</td>
<td>$191.02</td>
<td></td>
<td></td>
<td></td>
<td>$58.67</td>
<td></td>
<td>$249.69</td>
</tr>
<tr>
<td>3</td>
<td>$198.59</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$198.59</td>
</tr>
<tr>
<td>4</td>
<td>$197.74</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$197.74</td>
</tr>
<tr>
<td>5</td>
<td>$208.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$208.00</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>$360.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$360.00</td>
</tr>
<tr>
<td>7</td>
<td>$1,262.25</td>
<td></td>
<td></td>
<td>$126.23</td>
<td></td>
<td></td>
<td>$1,388.48</td>
</tr>
<tr>
<td>8</td>
<td>$464.81</td>
<td></td>
<td></td>
<td>$37.61</td>
<td></td>
<td></td>
<td>$502.42</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$2,602.84</td>
<td>$360.00</td>
<td>$0.00</td>
<td>$222.51</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$3,185.35</td>
</tr>
</tbody>
</table>
Profile Audit Review Performance Rating of Randomly Selected Claims

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

Subject: Chubb Group of Insurance Companies

Location: Los Angeles

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   # claims with unpd indem 10 divide by # claims with payable indem 58 = 0.17241

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   Total unpd indem. = $9,713.21 divide by # of claims with obligation to pay indemn. 58
   Avg Unpd Ind = $167.47

   C. Severity Rate
   Avg Unpd Indem $167.47 divide by avg unpd indem 2003-2005 of $167.71 = 0.99856

   D. Factor for Failure to pay Undisputed Accrued Indemnity
   Frequency rate 0.17241 X Severity rate 0.99856 X modifier of 2
   = 0.34433

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   # claims with late 1st TD 18 divide by # with TD payments 54
   # claims with late first SC notice 0 divide by # with salary continuation 1
   Totals 18 divide by Totals 55 = 0.32727

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   # claims with late first PD 4 divide by # with first PD 16
   # claims with late first VRMA 0 divide by # with first VRMA 0
   # claims with late first DB 0 divide by # with first DB paid 0
   Totals 4 divide by Totals 16 = 0.25000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   # claims with late subsequent payments 21 divide by # with subsequent payments 42
   = 0.50000

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 41
   # claims with VR potential eligibility notice violations 0 divide by # requiring notices 0
   Totals 14 divide by Totals 41
   = 0.34146

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

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

### Audit No: VNO-04-07-R1-1
### Subject: Chubb Group of Insurance Companies
### Location: Los Angeles
### Type: INS

### Calendar Year: 2007

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits (TD)</td>
<td>24</td>
<td>$10,660</td>
<td>$10,660</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>4</td>
<td>$2,540</td>
<td>$2,540</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>40</td>
<td>$8,750</td>
<td>$8,750</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>14</td>
<td>$5,600</td>
<td>$5,600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>6</td>
<td>$2,900</td>
<td>$2,900</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>8</td>
<td>$1,950</td>
<td>$1,950</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>1</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

### TOTAL
- Files Audited: 58
- Total Files Audited: 98
- Total $ Violations Identified: $35,800
- Total $ Not Subject to Assessment: $35,800
- Total $ Subject to Assessment: $0
- Total $ Amount Collected: $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

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

Subject: Chubb Group of Insurance Companies

Location: Los Angeles

Type: INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$45.47</td>
<td></td>
<td></td>
<td>$4.55</td>
<td></td>
<td></td>
<td>$50.02</td>
</tr>
<tr>
<td>2</td>
<td>$27.89</td>
<td></td>
<td></td>
<td>$27.89</td>
<td></td>
<td></td>
<td>$27.89</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>$117.64</td>
<td></td>
<td>$117.64</td>
<td></td>
<td></td>
<td>$117.64</td>
</tr>
<tr>
<td>4</td>
<td>$98.58</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$98.58</td>
</tr>
<tr>
<td>5</td>
<td>$334.83</td>
<td>$33.48</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$368.31</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>$48.60</td>
<td></td>
<td>$48.60</td>
<td></td>
<td></td>
<td>$48.60</td>
</tr>
<tr>
<td>7</td>
<td>$145.98</td>
<td>$120.45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$266.43</td>
</tr>
<tr>
<td>8</td>
<td>$1,663.66</td>
<td>$660.00</td>
<td></td>
<td>$917.85</td>
<td></td>
<td></td>
<td>$3,241.51</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>$5,250.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$5,250.00</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td>$244.23</td>
<td></td>
<td></td>
<td>$244.23</td>
</tr>
</tbody>
</table>

TOTAL $2,316.41 $5,910.00 $0.00 $1,486.80 $0.00 $0.00 $9,713.21
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: VNO-02-07-R1-5

Subject: Chubb Services Corporation

Location: Los Angeles

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
<th># claims with unpd indem</th>
<th>11</th>
<th>divide by</th>
<th># claims with payable indem</th>
<th>56</th>
<th>=</th>
<th>0.19643</th>
</tr>
</thead>
</table>

| B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity |
|--------------------------|--------------------------|----------------------------------|
| Total unpd indem. | $ 4,092.90 | divide by | # of claims with obligation to pay indem. | 56 | = | $ 73.09 |
| Avg Unpd Indem | $ 73.09 | divide by avg unpd indem 2003-2005 | $ 167.71 | = | 0.43580 |

### C. Severity Rate

| Avg Unpd Indem | $ 73.09 | divide by avg unpd indem 2003-2005 | $ 167.71 | = | 0.43580 |

### D. Factor for Failure to pay Undisputed Accrued Indemnity

| Frequency rate | 0.19643 | X | Severity rate | 0.43580 | X | modifier of | 2 | = | 0.17121 |

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

| # claims with late 1st TD | 30 | divide by | # claims with TD payments | 55 | = | 0.54545 |
| # claims with late first SC notice | 0 | divide by | # with salary continuation | 0 | = | 0.54545 |
| Totals | 30 | divide by | Totals | 55 | = | 0.54545 |

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

| # claims with late first PD | 4 | divide by | # with first PD | 10 | = | 0.40000 |
| # claims with late first VRMA | 0 | divide by | # with first VRMA | 0 | = | 0.40000 |
| # claims with late first DB | 0 | divide by | # with first DB paid | 0 | = | 0.40000 |
| Totals | 4 | divide by | Totals | 10 | = | 0.40000 |

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subsequent payments | 16 | divide by | # with subsequent payments | 28 | = | 0.57143 |

### 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 | 40 | = | 0.10000 |
| # claims with VR potential eligibility notice violations | 0 | divide by | # requiring notices | 0 | = | 0.10000 |
| Totals | 4 | divide by | Totals | 40 | = | 0.10000 |

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>38</td>
<td>$13,590</td>
<td>$13,590</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>4</td>
<td>$1,100</td>
<td>$1,100</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>84</td>
<td>$23,190</td>
<td>$23,190</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>4</td>
<td>$1,300</td>
<td>$1,300</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>11</td>
<td>$4,900</td>
<td>$4,900</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>9</td>
<td>$1,700</td>
<td>$1,700</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 150 $45,780 $45,780 $0 $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007
Notices of Compensation Due

Audit No: VNO-02-07-R1-5
Subject: Chubb Services Corporation
Location: Los Angeles

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$640.45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$640.45</td>
</tr>
<tr>
<td>2</td>
<td>$70.29</td>
<td></td>
<td></td>
<td>$7.03</td>
<td></td>
<td></td>
<td>$77.32</td>
</tr>
<tr>
<td>3</td>
<td>$32.39</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$32.39</td>
</tr>
<tr>
<td>4</td>
<td>$1,125.74</td>
<td></td>
<td></td>
<td>$358.09</td>
<td></td>
<td></td>
<td>$1,483.83</td>
</tr>
<tr>
<td>5</td>
<td>$34.29</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$34.29</td>
</tr>
<tr>
<td>6</td>
<td>$404.24</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$404.24</td>
</tr>
<tr>
<td>7</td>
<td>$162.46</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$162.46</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td>$770.52</td>
<td></td>
<td></td>
<td>$770.52</td>
</tr>
<tr>
<td>9</td>
<td>$53.22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$53.22</td>
</tr>
<tr>
<td>10</td>
<td>$318.11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$318.11</td>
</tr>
<tr>
<td>11</td>
<td>$37.88</td>
<td></td>
<td></td>
<td>$78.19</td>
<td></td>
<td></td>
<td>$116.07</td>
</tr>
</tbody>
</table>

TOTAL: $2,879.07 $0.00 $0.00 $1,213.83 $0.00 $0.00 $4,092.90
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-12-07-R1-6

Subject: City of Anaheim

Location: Anaheim

A. Frequency Rate
# claims with unpd indem  2  divide by # claims with payable indem  48  =  0.04167

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
Total unpd indem.  =  $ 50.49  divide by  # of claims with obligation to pay indem.  48
Avg Unpd Ind =  $ 1.05

C. Severity Rate
Avg Unpd Indem  $ 1.05  divide by avg unpd indem 2003-2005 of  $ 167.71  =  0.00627

D. Factor for Failure to pay Undisputed Accrued Indemnity
Frequency rate  0.04167  X  Severity rate  0.00627  X  modifier of  2
=  0.00052

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
# claims with late 1st TD  0  divide by # with TD payments  14
# claims with late first SC notice  2  divide by # with salary continuation  31
Totals  2  divide by  Totals  45
=  0.04444

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
# claims with late first PD  5  divide by # with first PD  24
# claims with late first VRMA  0  divide by # with first VRMA  2
# claims with late first DB  0  divide by # with first DB paid  0
Totals  5  divide by  Totals  26
=  0.19231

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
# claims with late subsequent payments  4  divide by # with subsequent payments  22
=  0.18182

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  28
# claims with VR potential eligibility notice violations  2  divide by # requiring notices  3
Totals  11  divide by  Totals  31
=  0.35484

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits (TD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>6</td>
<td>$2,565</td>
<td>$2,565</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>6</td>
<td>$975</td>
<td>$975</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>2</td>
<td>$75</td>
<td>$75</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>2</td>
<td>$500</td>
<td>$500</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process.</td>
<td>9</td>
<td>$2,300</td>
<td>$2,300</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>1</td>
<td>$200</td>
<td>$200</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$100</td>
<td>$100</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

**Total** | 27 | $6,715 | $6,715 | $0 | $0 |

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: LAO-12-07-R1-6

Subject: City of Anaheim

Location: Anaheim  Type: SI

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$30.73</td>
<td></td>
<td></td>
<td>$30.73</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$30.73</td>
<td></td>
<td>$19.76</td>
</tr>
</tbody>
</table>

| TOTAL       | $19.76               | $0.00                | $0.00| $30.73                | $0.00          | $0.00                    | $50.49|
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-24-07-R2-6

Subject: City of Compton

Location: Compton

<table>
<thead>
<tr>
<th>1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Frequency Rate</strong></td>
</tr>
<tr>
<td># claims with unpd indemn 11 divide by # claims with payable indem 27 = 0.40741</td>
</tr>
<tr>
<td><strong>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</strong></td>
</tr>
<tr>
<td>Total unpd indemn. = $ 4,848.81 divide by # of claims with obligation to pay indemn. 27 = $ 179.59</td>
</tr>
</tbody>
</table>

| **C. Severity Rate**                                      |
| Avg Unpd Indem $ 179.59 divide by avg unpd indemn 2003-2005 of $ 167.71 = 1.07081 |

<table>
<thead>
<tr>
<th><strong>D. Factor for Failure to pay Undisputed Accrued Indemnity</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency rate 0.40741 X Severity rate 1.07081 X modifier of 2 = 0.87251</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late 1st TD 2 divide by # with TD payments 11 = 0.07692</td>
</tr>
<tr>
<td># claims with late first SC notice 0 divide by # with salary continuation 15</td>
</tr>
<tr>
<td>Totals 2 divide by Totals 26 =</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first PD 0 divide by # with first PD 0 = 0.00000</td>
</tr>
<tr>
<td># claims with late first VRMA 0 divide by # with first VRMA 0</td>
</tr>
<tr>
<td># claims with late first DB 0 divide by # with first DB paid 0</td>
</tr>
<tr>
<td>Totals 0 divide by Totals 0 =</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late subsequent payments 10 divide by # with subsequent payments 10 = 1.00000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with AME/QME notice violations 0 divide by # requiring notices 3 = 0.00000</td>
</tr>
<tr>
<td># claims with VR potential eligibility notice violations 0 divide by # requiring notices 0</td>
</tr>
<tr>
<td>Totals 0 divide by Totals 3 = 0.00000</td>
</tr>
</tbody>
</table>

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.

Profile Audit Review Performance Rating - 2007 1.94943
Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: LAO-24-07-R2-6

Subject: City of Compton

Location: Compton

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   \[
   \frac{11}{31} = 0.35484
   \]
   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[
   \frac{4,848.81}{31} = 156.41
   \]
   C. Severity Rate
   \[
   \frac{156.41}{167.71} = 0.93264
   \]
   D. Factor for Failure to pay Undisputed Accrued Indemnity
   \[
   0.35484 \times 0.93264 \times 2 = 0.66187
   \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   \[
   \frac{3}{30} = 0.10000
   \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[
   \frac{0}{0} = 0.00000
   \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[
   \frac{11}{11} = 1.00000
   \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[
   \frac{0}{4} = 0.00000
   \]

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007
Full Compliance Audit Performance Rating of indemnity files of 2.21983 or greater is a failing score.

Full Compliance Audit Performance Rating = 1.76187
**Calendar Year:** 2007

**Penalty Assessments and Collections**

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>32</th>
<th>Audit No:</th>
<th>LAO-24-07-R2-6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>31</td>
<td>Subject:</td>
<td>City of Compton</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
<td>Location:</td>
<td>Compton</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
<td>Type:</td>
<td>SI</td>
</tr>
<tr>
<td>Complaints</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>3</td>
<td>$400</td>
<td>$0</td>
<td>$400</td>
<td>$400</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>27</td>
<td>$3,700</td>
<td>$0</td>
<td>$3,700</td>
<td>$3,700</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>10</td>
<td>$3,800</td>
<td>$0</td>
<td>$3,800</td>
<td>$3,800</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>13</td>
<td>$1,800</td>
<td>$0</td>
<td>$1,800</td>
<td>$1,800</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**                                                                                                                          | 53              | $9,700                        | $0                         | $9,700                        | $9,700                     |        |

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: LAO-24-07-R2-6

Subject: City of Compton

Location: Compton

Type: SI

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$348.08</td>
<td></td>
<td></td>
<td>$121.83</td>
<td></td>
<td></td>
<td>$469.91</td>
</tr>
<tr>
<td>2</td>
<td>$244.56</td>
<td></td>
<td></td>
<td>$61.14</td>
<td></td>
<td></td>
<td>$305.70</td>
</tr>
<tr>
<td>3</td>
<td>$344.00</td>
<td></td>
<td></td>
<td>$120.40</td>
<td></td>
<td></td>
<td>$464.40</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td>$662.24</td>
<td></td>
<td></td>
<td>$662.24</td>
</tr>
<tr>
<td>5</td>
<td>$58.14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$58.14</td>
</tr>
<tr>
<td>6</td>
<td>$368.51</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$368.51</td>
</tr>
<tr>
<td>7</td>
<td>$473.41</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$473.41</td>
</tr>
<tr>
<td>8</td>
<td>$295.34</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$295.34</td>
</tr>
<tr>
<td>9</td>
<td>$105.56</td>
<td></td>
<td></td>
<td>$95.01</td>
<td></td>
<td></td>
<td>$200.57</td>
</tr>
<tr>
<td>10</td>
<td>$403.03</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$403.03</td>
</tr>
<tr>
<td>11</td>
<td>$1,147.56</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,147.56</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$3,788.19</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$1,060.62</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$4,848.81</strong></td>
</tr>
</tbody>
</table>
### Calendar Year: 2007

#### Individual Exhibit 1A

---

**Profile Audit Review Performance Rating of Randomly Selected Claims**

**Audit No:** VNO-09-07-T1-6

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

**Location:** Los Angeles

---

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with unpd indemn</td>
</tr>
<tr>
<td># claims with payable indemn</td>
</tr>
<tr>
<td>=</td>
</tr>
</tbody>
</table>

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

| Total unpd indemn. | $ 3,243.99 |
| divide by | # of claims with obligation to pay indemn. |
| = | 51 |
| Avg Unpd Ind | $ 63.61 |

**C. Severity Rate**

| Avg Unpd Indem | $ 63.61 |
| divide by avg unpd indem 2003-2005 of | $ 167.71 |
| = | 0.37927 |

**D. Factor for Failure to pay Undisputed Accrued Indemnity**

| Frequency rate | 0.05882 |
| X | Severity rate |
| | 0.37927 |
| X | modifier of |
| | 2 |
| = | 0.04462 |

---

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

| # claims with late 1st TD | 0 |
| divide by | # with TD payments |
| = | 12 |
| # claims with late first SC notice | 20 |
| divide by | # with salary continuation |
| = | 47 |
| Totals | 20 |
| divide by | Totals |
| = | 59 |
| = | 0.33898 |

---

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

| # claims with late first PD | 9 |
| divide by | # with first PD |
| = | 14 |
| # claims with late first VRMA | 0 |
| divide by | # with first VRMA |
| = | 0 |
| # claims with late first DB | 0 |
| divide by | # with first DB paid |
| = | 0 |
| Totals | 9 |
| divide by | Totals |
| = | 14 |
| = | 0.64286 |

---

### 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 | 2 |
| divide by | # requiring notices |
| = | 29 |
| # claims with VR potential eligibility notice violations | 0 |
| divide by | # requiring notices |
| = | 0 |
| Totals | 2 |
| divide by | Totals |
| = | 29 |
| = | 0.06897 |

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Calendar Year: 2007

**Penalty Assessments and Collections**

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>52</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>51</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
</tr>
<tr>
<td>Complaints</td>
<td>1</td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
</tr>
</tbody>
</table>

**Audit No:** VNO-09-07-T1-6

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

**Location:** Los Angeles

**Type:** SI

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>10</td>
<td>$7,840</td>
<td>$7,840</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>5</td>
<td>$1,660</td>
<td>$1,660</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>20</td>
<td>$1,130</td>
<td>$1,130</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>2</td>
<td>$600</td>
<td>$600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>1</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>1</td>
<td>$150</td>
<td>$150</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>1</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**                                                                                     | 41              | $14,580                      | $14,580                     | $0                           | $0                       |        |

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Notices of Compensation Due

#### Calendar Year: 2007

#### Individual Exhibit 3

**Audit No:** VNO-09-07-T1-6

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

**Location:** Los Angeles

**Type:** SI

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$2,817.81</td>
<td>$122.00</td>
<td></td>
<td>$281.78</td>
<td></td>
<td></td>
<td>$3,099.59</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$22.40</td>
<td></td>
<td>$122.00</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$22.40</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0.06</td>
<td>$150.60</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,817.81</strong></td>
<td><strong>$272.54</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$304.18</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$0.06</strong></td>
<td><strong>$3,394.59</strong></td>
</tr>
</tbody>
</table>
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-28-07-R1-6

Subject: City of Oceanside

Location: Oceanside

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

\[
\frac{\text{# claims with unpd indem}}{\text{# claims with payable indem}} = \frac{5}{41} = 0.12195
\]

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

\[
\text{Total unpd indem.} = \frac{\$9,603.65}{\text{# of claims with obligation to pay indem.}} = \frac{41}{\text{Avg Unpd Ind}} = \frac{\$234.24}{41} = 1.39667
\]

C. Severity Rate

\[
\text{Avg Unpd Indem} = \frac{234.24}{\text{avg unpd indem 2003-2005 of } \$167.71} = 1.39667
\]

D. Factor for Failure to pay Undisputed Accrued Indemnity

\[
\text{Frequency rate} \times \text{Severity rate} \times \text{modifier of 2} = 0.12195 \times 1.39667 \times 2 = 0.34065
\]

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

\[
\frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} = \frac{3}{10} = 0.30000
\]

\[
\frac{\text{# claims with late first SC notice}}{\text{# with salary continuation}} = \frac{4}{28} = 0.14286
\]

\[
\frac{\text{Totals}}{\text{Totals}} = \frac{7}{38} = 0.18421
\]

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

\[
\frac{\text{# claims with late first PD}}{\text{# with first PD}} = \frac{0}{6} = 0.00000
\]

\[
\frac{\text{# claims with late first VRMA}}{\text{# with first VRMA}} = \frac{0}{0} = 0.00000
\]

\[
\frac{\text{# claims with late first DB}}{\text{# with first DB paid}} = \frac{0}{0} = 0.00000
\]

\[
\frac{\text{Totals}}{\text{Totals}} = \frac{0}{6} = 0.00000
\]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

\[
\frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{6}{12} = 0.50000
\]

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

\[
\frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{3}{33} = 0.09091
\]

\[
\frac{\text{# claims with VR potential eligibility notice violations}}{\text{# requiring notices}} = \frac{0}{0} = 0.00000
\]

\[
\text{Totals} = \frac{3}{33} = 0.09091
\]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

### Calendar Year: 2007

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>4</td>
<td>$880</td>
<td>$880</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>9</td>
<td>$1,060</td>
<td>$1,060</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>4</td>
<td>$180</td>
<td>$180</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>3</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>2</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>3</td>
<td>$2,700</td>
<td>$2,700</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>5</td>
<td>$350</td>
<td>$350</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

**TOTAL** 30 $7,470 $7,470 $0 $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
**Calendar Year:** 2007  
**Individual Exhibit 3**  
**Notices of Compensation Due**

**Audit No:** LAO-28-07-R1-6  
**Subject:** City of Oceanside  
**Location:** Oceanside  
**Type:** SI

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$374.72</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$374.72</td>
</tr>
<tr>
<td>2</td>
<td>$856.69</td>
<td>$4,657.15</td>
<td></td>
<td></td>
<td>$691.05</td>
<td></td>
<td>$6,204.89</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>$205.14</td>
<td></td>
<td></td>
<td>$20.51</td>
<td></td>
<td>$225.65</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$15.40</td>
<td></td>
<td>$15.40</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>$2,529.99</td>
<td></td>
<td></td>
<td>$253.00</td>
<td></td>
<td>$2,782.99</td>
</tr>
</tbody>
</table>

**TOTAL** $1,231.41 $7,392.28 $0.00 $979.96 $0.00 $0.00 $9,603.65
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-04-07-R2-6

Subject: City of Pomona

Location: Pomona

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   # claims with unpd indem 7 divide by # claims with payable indem 39 = 0.17949
   
   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   Total unpd indem. = $20,053.63 divide by # of claims with obligation to pay indem. 39
   Avg Unpd Ind = $514.20
   
   C. Severity Rate
   Avg Unpd Indem $514.20 divide by avg unpd indem 2003-2005 of $167.71 = 3.06598

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   # claims with late 1st TD 3 divide by # with TD payments 7
   # claims with late first SC notice 9 divide by # with salary continuation 27
   Totals 12 divide by Totals 34
   = 0.35294

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   # claims with late first PD 3 divide by # with first PD 15
   # claims with late first VRMA 0 divide by # with first VRMA 0
   # claims with late first DB 0 divide by # with first DB paid 0
   Totals 3 divide by Totals 15
   = 0.20000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   # claims with late subsequent payments 7 divide by # with subsequent payments 14
   = 0.50000

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 32
   # claims with VR potential eligibility notice violations 0 divide by # requiring notices 2
   Totals 4 divide by Totals 34
   = 0.11765

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: LAO-04-07-R2-6

Subject: City of Pomona

Location: Pomona

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
<th># claims with unpd indemn</th>
<th>12 divide by # claims with payable indemn</th>
<th>63 =</th>
<th>0.19048</th>
</tr>
</thead>
</table>

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

| Total unpd indem | $ 20,496.30 divide by # of claims with obligation to pay indem. | 63 | Avg Unpd Ind = | $ 325.34 |

C. Severity Rate

| Avg Unpd Ind. | $ 325.34 divide by avg unpd indem 2003-2005 of $ 167.71 = | 1.93988 |

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.19048 X Severity rate 1.93988 X modifier of 2 = 0.73900

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

<table>
<thead>
<tr>
<th># claims with late 1st TD</th>
<th>3 divide by # with TD payments</th>
<th>8 =</th>
<th>0.29310</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first SC notice</td>
<td>14 divide by # with salary continuation</td>
<td>50</td>
<td>Totals 17 divide by Totals 58</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with late first PD</th>
<th>3 divide by # with first PD</th>
<th>23 =</th>
<th>0.16667</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first VRMA</td>
<td>0 divide by # with first VRMA</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td># claims/late first death benefits</td>
<td>1 divide by # with first death ben paid</td>
<td>1</td>
<td>Totals 4 divide by Totals 24</td>
</tr>
</tbody>
</table>

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subseq payments | 10 divide by # with subseq payments | 22 = | 0.45455 |

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

<table>
<thead>
<tr>
<th># claims with AME/QME notice violations</th>
<th>6 divide by # requiring notices</th>
<th>51 =</th>
<th>0.11111</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with VR potential eligibility notice violations</td>
<td>0 divide by # requiring notices</td>
<td>3</td>
<td>Totals 6 divide by Totals 54</td>
</tr>
</tbody>
</table>

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007

Full Compliance Audit Performance Rating of indemnity files of 2.21983 or greater is a failing score.

1.76443
## Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>3</td>
<td>$4,500</td>
<td>$4,500</td>
<td>$4,500</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>3</td>
<td>$250</td>
<td>$250</td>
<td>$250</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>13</td>
<td>$6,935</td>
<td>$6,935</td>
<td>$6,935</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>1</td>
<td>$100</td>
<td>$100</td>
<td>$100</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>15</td>
<td>$775</td>
<td>$775</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>6</td>
<td>$2,300</td>
<td>$2,300</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>1</td>
<td>$600</td>
<td>$600</td>
<td>$600</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>4</td>
<td>$6,400</td>
<td>$6,400</td>
<td>$6,400</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>8</td>
<td>$2,300</td>
<td>$2,300</td>
<td>$2,300</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>1</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
</tr>
</tbody>
</table>

**TOTAL:** 55 $24,360 $3,075 $21,285 $21,285

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$309.60</td>
<td></td>
<td></td>
<td>$309.60</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>$22.00</td>
<td></td>
<td></td>
<td>$22.00</td>
</tr>
<tr>
<td>3</td>
<td>$466.01</td>
<td>$3,400.00</td>
<td></td>
<td>$690.64</td>
<td></td>
<td></td>
<td>$4,556.65</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>$302.87</td>
<td></td>
<td>$30.29</td>
<td></td>
<td></td>
<td>$333.16</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>$28.29</td>
<td></td>
<td></td>
<td>$28.29</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td>$446.64</td>
<td></td>
<td></td>
<td>$446.64</td>
</tr>
<tr>
<td>7</td>
<td>$10,545.00</td>
<td>$1,054.50</td>
<td></td>
<td>$1,054.50</td>
<td></td>
<td></td>
<td>$11,599.50</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td>$29.01</td>
<td></td>
<td></td>
<td>$29.01</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td>$80.00</td>
<td></td>
<td></td>
<td>$80.00</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$40.00</td>
<td></td>
<td>$40.00</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td>$18.50</td>
<td></td>
<td></td>
<td>$18.50</td>
</tr>
<tr>
<td>12</td>
<td>$2,790.86</td>
<td>$242.09</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$3,032.95</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$466.01</td>
<td>$17,038.73</td>
<td>$0.00</td>
<td>$2,951.56</td>
<td>$40.00</td>
<td>$0.00</td>
<td>$20,496.30</td>
</tr>
</tbody>
</table>
## Profile Audit Review Performance Rating of Randomly Selected Claims

### Audit No: SAC-03-07-R1-6

**Subject:** City of Sacramento  
**Location:** Sacramento

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

**A. Frequency Rate**  
\[ \frac{\text{# claims with unpd indem}}{\text{# claims with payable indem}} = \frac{1}{54} = 0.01852 \]

**B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity**  
\[ \frac{\text{Total unpd indem.}}{\text{# of claims with obligation to pay indem.}} = \frac{248.81}{54} = 4.61 \]

**C. Severity Rate**  
\[ \frac{\text{Avg Unpd Ind}}{\text{avg unpd indem 2003-2005 of}} = \frac{4.61}{167.71} = 0.02747 \]

**D. Factor for Failure to pay Undisputed Accrued Indemnity**  
\[ \text{Frequency rate} \times \text{Severity rate} \times \text{modifier of} = 0.00102 \]

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

\[ \frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} = \frac{1}{7} = 0.07407 \]

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

\[ \frac{\text{# claims with late first PD}}{\text{# with first PD}} = \frac{0}{10} = 0.00000 \]

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

\[ \frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{0}{6} = 0.00000 \]

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

\[ \frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{6}{40} = 0.15000 \]

\[ \frac{\text{# claims with VR potential eligibility notice violations}}{\text{# requiring notices}} = \frac{0}{0} = 0.00000 \]

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**  
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

**Files Audited:** 54  
**Audit No:** SAC-03-07-R1-6  
**Subject:** City of Sacramento  
**Location:** Sacramento  
**Type:** SI

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>1</td>
<td>$100</td>
<td>$100</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>3</td>
<td>$100</td>
<td>$100</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>5</td>
<td>$1,100</td>
<td>$1,100</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**  | 10 | $1,700 | $1,700 | $0 | $0 |

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Calendar Year: 2007

#### Notices of Compensation Due

**Audit No:** SAC-03-07-R1-6

**Subject:** City of Sacramento

**Location:** Sacramento  
**Type:** SI

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$248.81</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>$248.81</td>
</tr>
</tbody>
</table>

**TOTAL**  $248.81  $0.00  $0.00  $0.00  $0.00  $0.00  $248.81
### Profile Audit Review Performance Rating of Randomly Selected Claims

**Audit No:** SAC-16-07-R2-5  
**Subject:** Claimetrics, LLC (formerly Hallmark Management)  
**Location:** Folsom

#### 1. Factor for failure to pay accrued and undisputed indemnity

| A. Frequency Rate |  
|--------------------|---|---|---|---|---|
| # claims with unpd indemn | 14 | divide by | # claims with payable indemn | 50 | = | 0.28000 |

#### B. Average amount of unpaid indemnity per claim with obligation to pay indemnity

| Total unpd indemn. | $ 7,829.90 | divide by | # of claims with obligation to pay indemn. | 50 | Avg Unpd Ind = | $ 156.60 |

#### C. Severity Rate

| Avg Unpd Indem | $ 156.60 | divide by avg unpd indemn 2003-2005 of | $ 167.71 | = | 0.93374 |

#### D. Factor for failure to pay undisputed accrued indemnity

| Frequency rate | 0.28000 | X | Severity rate | 0.93374 | X | modifier of | 2 | = | 0.52290 |

#### 2. Factor for late first payment of temporary disability or first notice of SC

| # claims with late 1st TD | 29 | divide by | # with TD payments | 45 | = | 0.64444 |
| # claims with late first SC notice | 0 | divide by | # with salary continuation | 0 |

#### 3. Factor for late first payment of permanent disability, VRMA, and death benefits

| # claims with late first PD | 4 | divide by | # with first PD | 7 |
| # claims with late first VRMA | 0 | divide by | # with first VRMA | 0 |
| # claims with late first DB | 0 | divide by | # with first DB paid | 0 |

| Totals | 4 | divide by | Totals | 7 | = | 0.57143 |

#### 4. Factor for late subsequent indemnity payments

| # claims with late subsequent payments | 11 | divide by | # with subsequent payments | 23 | = | 0.47826 |

#### 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 | 26 |
| # claims with VR potential eligibility notice violations | 0 | divide by | # requiring notices | 0 |

| Totals | 7 | divide by | Totals | 26 | = | 0.26923 |

**Profile Audit Review Performance Rating - 2007**  
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: SAC-16-07-R2-5

Subject: Claimetrics, LLC (formerly Hallmark Management)

Location: Folsom

<table>
<thead>
<tr>
<th>Factor for Failure to Pay Accrued and Undisputed Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Frequency Rate</td>
</tr>
<tr>
<td># claims with unpd indemn 19 divide by # claims with payable indemn 98 = 0.19388</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total unpd indemn = $ 8,749.52 divide by # of claims with obligation to pay indemn. 98</td>
</tr>
<tr>
<td>Avg Unpd Ind = $ 89.28</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Severity Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg Unpd Ind. = $ 89.28 divide by avg unpd indemn 2003-2005 of $ 167.71 = 0.53235</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Factor for Failure to Pay Undisputed Accrued Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency rate 0.19388 X Severity rate 0.53235 X modifier of 2 = 0.20642</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Factor for Late First Payment of Temporary Disability or First Notice of SC</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late 1st TD 45 divide by # with TD payments 92 = 0.48913</td>
</tr>
<tr>
<td># claims with late first SC notice 0 divide by # with salary continuation 0</td>
</tr>
<tr>
<td>Totals 45 divide by Totals 92 = 0.48913</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Factor for Late First Payment of Permanent Disability, VRMA, and Death Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first PD 6 divide by # with first PD 14</td>
</tr>
<tr>
<td># claims with late first VRMA 0 divide by # with first VRMA 1</td>
</tr>
<tr>
<td># claims/late first death benefits 0 divide by # with first death ben paid 0</td>
</tr>
<tr>
<td>Totals 6 divide by Totals 15 = 0.40000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Factor for Late Subsequent Indemnity Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late subseq payments 24 divide by # with subseq payments 49 = 0.48980</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Factor for Provision of AME/QME Notices and Notices of Potential Eligibility for Vocational Rehabilitation</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with AME/QME notice violations 16 divide by # requiring notices 58 = 0.28814</td>
</tr>
<tr>
<td># claims with VR potential eligibility notice violations 1 divide by # requiring notices 1</td>
</tr>
<tr>
<td>Totals 17 divide by Totals 59 = 0.28814</td>
</tr>
</tbody>
</table>

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007

Full Compliance Audit Performance Rating of indemnity files of 2.21983 or greater is a failing score.
## Calendar Year: 2007

### Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>98</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>98</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
</tr>
<tr>
<td>Complaints</td>
<td>0</td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Audit No:</th>
<th>SAC-16-07-R2-5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject:</td>
<td>Claimetrics, LLC (formerly Hallmark Management)</td>
</tr>
<tr>
<td>Location:</td>
<td>Folsom</td>
</tr>
<tr>
<td>Type:</td>
<td>TPA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $</th>
<th>$ Not Subject to Assessment</th>
<th>Total $</th>
<th>Total Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>55</td>
<td>$12,535</td>
<td>$0</td>
<td>$12,535</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>7</td>
<td>$4,580</td>
<td>$0</td>
<td>$4,580</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>67</td>
<td>$11,950</td>
<td>$0</td>
<td>$11,950</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>16</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>18</td>
<td>$10,000</td>
<td>$0</td>
<td>$10,000</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$800</td>
<td>$0</td>
<td>$800</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>9</td>
<td>$1,600</td>
<td>$0</td>
<td>$1,600</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** | 174 | $46,865 | $5,400 | $41,465 | $0 |

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Calendar Year: 2007

#### Notices of Compensation Due

**Audit No:** SAC-16-07-R2-5

**Subject:** Claimetrics, LLC (formerly Hallmark Management)

**Location:** Folsom

**Type:** XXX (ie., INS, SI, TPA)

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$106.25</td>
<td></td>
<td></td>
<td>$3.18</td>
<td></td>
<td></td>
<td>$109.43</td>
</tr>
<tr>
<td>2</td>
<td>$137.09</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$137.09</td>
</tr>
<tr>
<td>3</td>
<td>$128.06</td>
<td>$1,342.86</td>
<td></td>
<td>$21.95</td>
<td></td>
<td></td>
<td>$150.01</td>
</tr>
<tr>
<td>4</td>
<td>$4,354.29</td>
<td>$230.29</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$5,927.44</td>
</tr>
<tr>
<td>5</td>
<td>$189.77</td>
<td>$367.94</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$557.71</td>
</tr>
<tr>
<td>6</td>
<td>$97.14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$97.14</td>
</tr>
<tr>
<td>7</td>
<td>$205.68</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$205.68</td>
</tr>
<tr>
<td>8</td>
<td>$120.00</td>
<td>$2.91</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$122.91</td>
</tr>
<tr>
<td>9</td>
<td>$92.43</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$92.43</td>
</tr>
<tr>
<td>10</td>
<td>$25.05</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$25.05</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>$22.86</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$22.86</td>
</tr>
<tr>
<td>12</td>
<td>$102.85</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$48.41</td>
<td>$151.26</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$102.85</td>
</tr>
<tr>
<td>14</td>
<td>$21.22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$21.22</td>
</tr>
<tr>
<td>15</td>
<td>$38.40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$38.40</td>
</tr>
<tr>
<td>16</td>
<td>$85.72</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$85.72</td>
</tr>
<tr>
<td>17</td>
<td>$68.57</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$68.57</td>
</tr>
<tr>
<td>18</td>
<td>$818.09</td>
<td>$66.49</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$884.58</td>
</tr>
<tr>
<td>19</td>
<td>$52.02</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$52.02</td>
</tr>
</tbody>
</table>

**TOTAL**  

$6,642.63 $1,342.86 $0.00 $715.62 $0.00 $48.41 $8,749.52
### Profile Audit Review Performance Rating of Randomly Selected Claims

**Audit No:** LAO-14-07-R1-5  
**Subject:** Claimquest, Inc.  
**Location:** Walnut

#### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with unpd indem</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total unpd indem.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. Severity Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg Unpd Indem</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D. Factor for Failure to pay Undisputed Accrued Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency rate</td>
</tr>
</tbody>
</table>

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

| # claims with late Ist TD | 13 | divide by | # with TD payments | 35 |
| # claims with late first SC notice | 0 | divide by | # with salary continuation | 1 |
| Totals | 13 | divide by | Totals | 36 |
| = | 0.36111 |

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

| # claims with late first PD | 1 | divide by | # with first PD | 12 |
| # claims with late first VRMA | 0 | divide by | # with first VRMA | 0 |
| # claims with late first DB | 0 | divide by | # with first DB paid | 0 |
| Totals | 1 | divide by | Totals | 12 |
| = | 0.08333 |

#### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subsequent payments | 18 | divide by | # with subsequent payments | 30 |
| = | 0.60000 |

#### 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 | 24 |
| # claims with VR potential eligibility notice violations | divide by | # requiring notices | 
| Totals | 5 | divide by | Totals | 24 |
| = | 0.20833 |

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.

**Profile Audit Review Performance Rating of 1.76686**
### Penalty Assessments and Collections

**Calendar Year:** 2007

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>13</td>
<td>$11,460</td>
<td>$11,460</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>1</td>
<td>$320</td>
<td>$320</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>18</td>
<td>$3,075</td>
<td>$3,075</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>5</td>
<td>$2,400</td>
<td>$2,400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>10</td>
<td>$3,500</td>
<td>$3,500</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>5</td>
<td>$1,350</td>
<td>$1,350</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**Total** | 53 | $22,905 | $22,905 | $0 | $0 |

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

---

**Individual Exhibit 2**

**Penalty Assessments and Collections**

- **Audit No:** LAO-14-07-R1-5
- **Type:** TPA
- **Indemnity:** 39
- **Medical Only:** 0
- **Denied:** 0
- **Complaints:** 2
- **Location:** Walnut
- **Subject:** Claimquest, Inc.
Table:

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$80.27</td>
<td></td>
<td></td>
<td>$8.03</td>
<td></td>
<td></td>
<td>$88.30</td>
</tr>
<tr>
<td>2</td>
<td>$30.53</td>
<td></td>
<td></td>
<td>$2.96</td>
<td></td>
<td></td>
<td>$33.49</td>
</tr>
<tr>
<td>3</td>
<td>$1,026.15</td>
<td></td>
<td></td>
<td>$1,808.99</td>
<td></td>
<td></td>
<td>$2,835.14</td>
</tr>
<tr>
<td>4</td>
<td>$53.18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$53.18</td>
</tr>
<tr>
<td>5</td>
<td>$92.28</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$92.28</td>
</tr>
<tr>
<td>6</td>
<td>$114.28</td>
<td></td>
<td></td>
<td>$11.43</td>
<td></td>
<td></td>
<td>$125.71</td>
</tr>
<tr>
<td>7</td>
<td>$106.72</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$106.72</td>
</tr>
<tr>
<td>8</td>
<td>$744.37</td>
<td></td>
<td></td>
<td>$384.85</td>
<td></td>
<td></td>
<td>$1,129.22</td>
</tr>
<tr>
<td>9</td>
<td>$16.99</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$16.99</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>$1,408.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,408.00</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$71.64</td>
<td></td>
<td>$71.64</td>
</tr>
</tbody>
</table>

TOTAL: $2,264.77 $1,408.00 $0.00 $2,287.90 $0.00 $0.00 $5,960.67
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: OAK-23-07-R1-1
Subject: CNA Insurance
Location: Lake Oswego, OR

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate
# claims with unpd indem 4 divide by # claims with payable indem 21 = 0.19048

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
Total unpd indem. = $1,169.27 divide by # of claims with obligation to pay indem. 21
Avg Unpd Ind = $55.68

C. Severity Rate
Avg Unpd Indem $55.68 divide by avg unpd indem 2003-2005 of $167.71 = 0.33200

D. Factor for Failure to pay Undisputed Accrued Indemnity
Frequency rate 0.19048 X Severity rate 0.33200 X modifier of 2 = 0.12648

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

# claims with late 1st TD 6 divide by # with TD payments 21 = 0.28571
# claims with late first SC notice 0 divide by # with salary continuation 0 = 0
Totals 6 divide by Totals 21 = 0.28571

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

# claims with late first PD 6 divide by # with first PD 12 = 0.50000
# claims with late first VRMA 0 divide by # with first VRMA 0 = 0
# claims with late first DB 0 divide by # with first DB paid 0 = 0
Totals 6 divide by Totals 12 = 0.50000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

# claims with late subsequent payments 8 divide by # with subsequent payments 19 = 0.42105

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

# claims with AME/QME notice violations 2 divide by # requiring notices 5 = 0.40000
# claims with VR potential eligibility notice violations 0 divide by # requiring notices 0 = 0
Totals 2 divide by Totals 5 = 0.40000

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>10</td>
<td>$2,580</td>
<td>$2,580</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>8</td>
<td>$2,345</td>
<td>$2,345</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>40</td>
<td>$17,660</td>
<td>$17,660</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>2</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>3</td>
<td>$600</td>
<td>$600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>3</td>
<td>$725</td>
<td>$725</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>66</strong></td>
<td><strong>$24,910</strong></td>
<td><strong>$24,910</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Calendar Year: 2007

#### Notices of Compensation Due

**Audit No:** OAK-23-07-R1-1  
**Subject:** CNA Insurance  
**Location:** Lake Oswego, OR  
**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$74.83</td>
<td>$1.72</td>
<td>$76.55</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>$174.29</td>
<td></td>
<td>$912.08</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td>$60.64</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td>$27.60</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>$120.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**  
$369.12 $0.00 $0.00 $827.75 $0.00 $0.00 $1,196.87
### Profile Audit Review Performance Rating of Randomly Selected Claims

**Audit No**: OAK-17-07-R1-1  
**Subject**: CNA Insurance  
**Location**: San Francisco

#### 1. Factor for Failure to Pay Accrued and Undisputed Indemnity

<table>
<thead>
<tr>
<th>Category</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
</table>
| **A. Frequency Rate**                                     | \[
| \# claims with unpd indemn                              | 9 \quad \text{divide by} \quad \# claims with payable indemn \quad 57 \quad \Rightarrow \quad 0.15789 |
| **B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity** | \[
| Total unpd indemn. \quad $1,132.11 \quad \text{divide by} \quad \# of claims with obligation to pay indemn. \quad 57 \quad \Rightarrow \quad \text{Avg Unpd Ind} \quad $19.86 |
| **C. Severity Rate**                                     | \[
| Avg Unpd Indem \quad $19.86 \quad \text{divide by avg unpd indemn 2003-2005 of} \quad $167.71 \quad \Rightarrow \quad 0.11843 |

#### 2. Factor for Late First Payment of Temporary Disability or First Notice of SC

<table>
<thead>
<tr>
<th>Category</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
</table>
| **Late 1st TD**                                            | \[
| \# claims with late 1st TD \quad 22 \quad \text{divide by} \quad \# with TD payments \quad 55 \quad \Rightarrow \quad 0.40000 |
| **Late 1st SC Notice**                                     | \[
| \# claims with late first SC notice \quad 0 \quad \text{divide by} \quad \# with salary continuation \quad 0 \quad \Rightarrow \quad 0.40000 |

#### 3. Factor for Late First Payment of Permanent Disability, VRMA, and Death Benefits

<table>
<thead>
<tr>
<th>Category</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
</table>
| **Late 1st PD**                                            | \[
| \# claims with late first PD \quad 4 \quad \text{divide by} \quad \# with first PD \quad 20 \quad \Rightarrow \quad 0.20000 |
| **Late 1st VRMA**                                          | \[
| \# claims with late first VRMA \quad 0 \quad \text{divide by} \quad \# with first VRMA \quad 0 \quad \Rightarrow \quad 0.20000 |

#### 4. Factor for Late Subsequent Indemnity Payments

<table>
<thead>
<tr>
<th>Category</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
</table>
| **Late subsequent payments**                              | \[
| \# claims with late subsequent payments \quad 10 \quad \text{divide by} \quad \# with subsequent payments \quad 39 \quad \Rightarrow \quad 0.25641 |

#### 5. Factor for Provision of AME/QME Notices and Notices of Potential Eligibility for Vocational Rehabilitation

<table>
<thead>
<tr>
<th>Category</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
</table>
| **AME/QME notice violations**                              | \[
| \# claims with AME/QME notice violations \quad 11 \quad \text{divide by} \quad \# requiring notices \quad 28 \quad \Rightarrow \quad 0.39286 |
| **VR potential eligibility notice violations**             | \[
| \# claims with VR potential eligibility notice violations \quad 0 \quad \text{divide by} \quad \# requiring notices \quad 0 \quad \Rightarrow \quad 0.39286 |

### Profile Audit Review Performance Rating - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

**Files Audited:** 57  
**Audit No:** OAK-17-07-R1-1  
**Subject:** CNA Insurance  
**Location:** San Francisco  
**Type:** INS

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>29</td>
<td>$7,450</td>
<td>$7,450</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>4</td>
<td>$1,240</td>
<td>$1,240</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>19</td>
<td>$3,950</td>
<td>$3,950</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>11</td>
<td>$4,200</td>
<td>$4,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>5</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>4</td>
<td>$350</td>
<td>$350</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>73</td>
<td><strong>$19,590</strong></td>
<td><strong>$19,590</strong></td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
## 2007

### Notices of Compensation Due

**Audit No:** OAK-17-07-R1-1

**Subject:** CNA Insurance

**Location:** San Francisco

**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$196.94</td>
<td></td>
<td></td>
<td>$196.94</td>
</tr>
<tr>
<td>2</td>
<td>$23.60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$23.60</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>$70.60</td>
<td></td>
<td></td>
<td>$70.60</td>
</tr>
<tr>
<td>4</td>
<td>$22.90</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$22.90</td>
</tr>
<tr>
<td>5</td>
<td>$247.19</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$247.19</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>$188.57</td>
<td></td>
<td>$12.74</td>
<td></td>
<td></td>
<td>$12.74</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$188.57</td>
</tr>
<tr>
<td>8</td>
<td>$269.20</td>
<td></td>
<td></td>
<td>$26.92</td>
<td></td>
<td></td>
<td>$296.12</td>
</tr>
<tr>
<td>9</td>
<td>$73.45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$73.45</td>
</tr>
</tbody>
</table>

**TOTAL** $636.34 $188.57 $0.00 $307.20 $0.00 $0.00 $1,132.11
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: OAK-22-07-R1-5

Subject: Constitution States Services (St. Paul Company)

Location: Fort Smith, AR

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with unpd indemn</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total unpd indemn. = $ 8,866.65</td>
</tr>
<tr>
<td>Avg Unpd Ind = $ 253.33</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. Severity Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg Unpd Indem $253.33</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D. Factor for Failure to pay Undisputed Accrued Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency rate 0.17143</td>
</tr>
<tr>
<td>=</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with late 1st TD</th>
<th>7</th>
<th>divide by</th>
<th># with TD payments</th>
<th>34</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first SC notice</td>
<td>0</td>
<td>divide by</td>
<td># with salary continuation</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>7</td>
<td>divide by</td>
<td>Totals</td>
<td>34</td>
</tr>
<tr>
<td>=</td>
<td>0.20588</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with late first PD</th>
<th>4</th>
<th>divide by</th>
<th># with first PD</th>
<th>15</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first VRMA</td>
<td>0</td>
<td>divide by</td>
<td># with first VRMA</td>
<td>1</td>
</tr>
<tr>
<td># claims with late first DB</td>
<td>0</td>
<td>divide by</td>
<td># with first DB paid</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>4</td>
<td>divide by</td>
<td>Totals</td>
<td>16</td>
</tr>
<tr>
<td>=</td>
<td>0.25000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

<table>
<thead>
<tr>
<th># claims with late subsequent payments</th>
<th>3</th>
<th>divide by</th>
<th># with subsequent payments</th>
<th>27</th>
</tr>
</thead>
<tbody>
<tr>
<td>=</td>
<td>0.11111</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with AME/QME notice violations</th>
<th>8</th>
<th>divide by</th>
<th># requiring notices</th>
<th>15</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with VR potential eligibility notice violations</td>
<td>2</td>
<td>divide by</td>
<td># requiring notices</td>
<td>2</td>
</tr>
<tr>
<td>Totals</td>
<td>10</td>
<td>divide by</td>
<td>Totals</td>
<td>17</td>
</tr>
<tr>
<td>=</td>
<td>0.58824</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
Calendar Year: 2007

Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>8</td>
<td>$1,060</td>
<td>$1,060</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>6</td>
<td>$3,890</td>
<td>$3,890</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>7</td>
<td>$2,260</td>
<td>$2,260</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>2</td>
<td>$900</td>
<td>$900</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>8</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>7</td>
<td>$6,200</td>
<td>$6,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>5</td>
<td>$1,400</td>
<td>$1,400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

TOTAL: 43 $18,710 $18,710 $0 $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
## Notices of Compensation Due

**Calendar Year:** 2007

**Audit No:** OAK-22-07-R1-5

**Subject:** Constitution States Services (St. Paul Company)

**Location:** Fort Smith, AR  
**Type:** TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$53.35</td>
<td>$23.93</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$77.28</td>
</tr>
<tr>
<td>2</td>
<td>$6,939.26</td>
<td>$661.74</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$7,601.00</td>
</tr>
<tr>
<td>3</td>
<td>$128.63</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$128.63</td>
</tr>
<tr>
<td>4</td>
<td>$159.04</td>
<td>$239.33</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$398.37</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>$600.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$600.00</td>
</tr>
<tr>
<td>6</td>
<td>$61.37</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$61.37</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$7,341.65</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$1,525.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$8,866.65</td>
</tr>
</tbody>
</table>
### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

**A. Frequency Rate**

\[
\text{Frequency rate} = \frac{\text{# claims with unpd indemn}}{\text{# claims with payable indemn}} = \frac{1}{1} = 1.00000
\]

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

\[
\text{Total unpd indemn.} = \frac{146.31}{1} = 146.31
\]

**C. Severity Rate**

\[
\text{Avg Unpd Indem} = \frac{146.31}{167.71} = 0.87240
\]

**D. Factor for Failure to pay Undisputed Accrued Indemnity**

\[
\text{Frequency rate} \times \text{Severity rate} \times \text{modifier of } 2 = 1.00000 \times 0.87240 \times 2 = 1.74480
\]

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

\[
\text{Frequency rate} = \frac{\text{# claims with late 1st TD}}{\# claims with TD payments} = \frac{1}{1} = 1.00000
\]

\[
\text{Frequency rate} = \frac{\text{# claims with late first SC notice}}{\text{# with salary continuation}} = \frac{0}{0} = 0.00000
\]

\[
\text{Total} = \frac{1}{1} = 1.00000
\]

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

\[
\text{Frequency rate} = \frac{\text{# claims with late first PD}}{\text{# with first PD}} = \frac{0}{0} = 0.00000
\]

\[
\text{Frequency rate} = \frac{\text{# claims with late first VRMA}}{\text{# with first VRMA}} = \frac{0}{0} = 0.00000
\]

\[
\text{Frequency rate} = \frac{\text{# claims with late first DB}}{\text{# with first DB paid}} = \frac{0}{0} = 0.00000
\]

\[
\text{Total} = \frac{0}{0} = 0.00000
\]

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

\[
\text{Frequency rate} = \frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{0}{0} = 0.00000
\]

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

\[
\text{Frequency rate} = \frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{0}{0} = 0.00000
\]

\[
\text{Frequency rate} = \frac{\text{# claims with VR potential eligibility notice violations}}{\text{# requiring notices}} = \frac{0}{0} = 0.00000
\]

\[
\text{Total} = \frac{0}{0} = 0.00000
\]

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.

Profile Audit Review Performance Rating of 2.74480
### Full Compliance Audit Performance Rating of Randomly Selected Claims

**Audit No:** OAK-09-07-R3-5  
**Subject:** Corporate Claims Management, Inc.  
**Location:** Chesterfield, MO

#### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
<th># claims with unpd indem</th>
<th>1</th>
<th>divide by</th>
<th># claims with payable indem</th>
<th>1</th>
<th>=</th>
<th>1.00000</th>
</tr>
</thead>
</table>

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

| Total unpd indem | $ 146.31 | divide by | # of claims with obligation to pay indemn. | 1 | Avg Unpd Ind | $ 146.31 |

#### C. Severity Rate

| Avg Unpd Ind. | $ 146.31 | divide by avg unpd indemn 2003-2005 of | $ 167.71 | = | 0.87240 |

#### D. Factor for Failure to pay Undisputed Accrued Indemnity

| Frequency rate | 1.00000 | X | Severity rate | 0.87240 | X | modifier of | 2 | = | 1.74480 |

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

| # claims with late 1st TD | 1 | divide by | # with TD payments | 1 | = | 1.00000 |
| # claims with late first SC notice | 0 | divide by | # with salary continuation | 0 | = | 1.00000 |

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

| # claims with late first PD | 0 | divide by | # with first PD | 0 | = | 0.00000 |
| # claims with late first VRMA | 0 | divide by | # with first VRMA | 0 | = | 0.00000 |
| # claims/late first death benefits | 0 | divide by | # with first death ben paid | 0 | = | 0.00000 |

#### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subseq payments | 0 | divide by | # with subseq payments | 0 | = | 0.00000 |

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

| # claims with AME/QME notice violations | 0 | divide by | # requiring notices | 0 | = | 0.00000 |
| # claims with VR potential eligibility notice violations | 0 | divide by | # requiring notices | 0 | = | 0.00000 |

**FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007**  
Full Compliance Audit Performance Rating of indemnity files of 2.21983 or greater is a failing score.

---

Full Compliance Audit Performance Rating of Randomly Selected Claims
# Full Compliance Audit Performance Rating of Randomly Selected Claims

**Audit No:** OAK-09-07-R3-5  
**Subject:** Corporate Claims Management, Inc.  
**Location:** Chesterfield, MO

## 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with unpd indemn</td>
</tr>
</tbody>
</table>

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

| Total unpd indem | $ 146.31 | divide by # of claims with obligation to pay indemn. | 1 |

**Avg Unpd Ind** = $ 146.31

## C. Severity Rate

| Avg Unpd Ind. | $ 146.31 | divide by avg unpd indemn 2003-2005 of $ 167.71 | = | 0.87240 |

## D. Factor for Failure to pay Undisputed Accrued Indemnity

| Frequency rate | 1.00000 | X | Severity rate | 0.87240 | X | modifier of | 2 | = | 1.74480 |

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

| # claims with late 1st TD | 1 | divide by # with TD payments | 1 |
| # claims with late first SC notice | 0 | divide by # with salary continuation | 0 |

**Totals** | 1 | divide by | Totals | 1 | = | 1.00000 |

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

| # claims with late first PD | 0 | divide by # with first PD | 0 |
| # claims with late first VRMA | 0 | divide by # with first VRMA | 0 |
| # claims/late first death benefits | 0 | divide by # with first death ben paid | 0 |

**Totals** | 0 | divide by | Totals | 0 | = | 0.00000 |

## 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subseq payments | 0 | divide by # with subseq payments | 0 | = | 0.00000 |

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

| # claims with AME/QME notice violations | 0 | divide by # requiring notices | 0 |
| # claims with VR potential eligibility notice violations | 0 | divide by # requiring notices | 0 |

**Totals** | 0 | divide by | Totals | 0 | = | 0.00000 |

**FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007**

Full Compliance Audit Performance Rating for indemnity and denied files of 2.21983 or greater is a failing score.
<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>1</td>
<td>$400</td>
<td>$0</td>
<td>$400</td>
<td>$400</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of the procedure to evaluate PD.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>1</td>
<td>$200</td>
<td>$0</td>
<td>$200</td>
<td>$200</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>
### Penalty Assessments and Collections

#### Calendar Year: 2007

**Audit No:** OAK-09-07-R3-5  
**Subject:** Corporate Claims Management, Inc.  
**Location:** Chesterfield, MO  
**Type:** TPA

### Files Audited:

<table>
<thead>
<tr>
<th>Type</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>1</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
</tr>
<tr>
<td>Complaints</td>
<td>0</td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
</tr>
</tbody>
</table>

---

#### Type of Violation

<table>
<thead>
<tr>
<th>Violation Description</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to issue benefit notices other than specific notices for VR or denial.</td>
<td>2</td>
<td>$200</td>
<td>$0</td>
<td>$200</td>
<td>$200</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical treatment expense in the manner required by law.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical-legal expense in the manner required by law.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely assign a QRR to an employee after 90 aggregate days of total TD for injuries prior to 1/1/94.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide VR information after 90 aggregate days of total TD (injuries 1/1/94 thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely notify an injured employee of potential eligibility for VR (injuries thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of non-eligibility for VR.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide notices denying all liability or death benefits as required.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely respond to a request to provide or authorize medical treatment.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to include specific items or properly designate entries on a claim log.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Materially incomplete or inaccurate benefit notices including denial for all liability, other than specific vocational rehabilitation notices.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to investigate.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late payment of WCAB Orders or Awards or RU Orders for late payment of attorney fees and issues other than late payment of indemnity.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Penalties for failure to comply with any regulation of the AD not otherwise assessed.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Unsupported denial of all liability for a claim.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**Total**  

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4</td>
<td>$800</td>
<td>$0</td>
<td>$800</td>
<td>$800</td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007
Notices of Compensation Due

Audit No: OAK-09-07-R3-5

Subject: Corporate Claims Management, Inc.

Location: Chesterfield, MO  Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$146.31</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$146.31</td>
</tr>
</tbody>
</table>

TOTAL $146.31 $0.00 $0.00 $0.00 $0.00 $0.00 $146.31
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: OAK-16-07-R1-6

Subject: County of Santa Clara and Santa Clara County Central Fire District

Location: San Jose

<table>
<thead>
<tr>
<th>1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Frequency Rate</td>
</tr>
<tr>
<td># claims with unpd indem 13 divide by # claims with payable indem 55 = 0.23636</td>
</tr>
<tr>
<td>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</td>
</tr>
<tr>
<td>Total unpd indemn. = $1,275.68 divide by # of claims with obligation to pay indemn. 55</td>
</tr>
<tr>
<td>Avg Unpd Ind = $23.19</td>
</tr>
<tr>
<td>C. Severity Rate</td>
</tr>
<tr>
<td>Avg Unpd Indem = $23.19 divide by avg unpd indemn 2003-2005 of $167.71 = 0.13830</td>
</tr>
<tr>
<td>D. Factor for Failure to pay Undisputed Accrued Indemnity</td>
</tr>
<tr>
<td>Frequency rate 0.23636 X Severity rate 0.13830 X modifier of 2 = 0.06538</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late 1st TD 18 divide by # with TD payments 55</td>
</tr>
<tr>
<td># claims with late first SC notice 0 divide by # with salary continuation 1</td>
</tr>
<tr>
<td>Totals 18 divide by Totals 56 = 0.32143</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first PD 3 divide by # with first PD 11</td>
</tr>
<tr>
<td># claims with late first VRMA 0 divide by # with first VRMA 0</td>
</tr>
<tr>
<td># claims with late first DB 0 divide by # with first DB paid 0</td>
</tr>
<tr>
<td>Totals 3 divide by Totals 11 = 0.27273</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late subsequent payments 2 divide by # with subsequent payments 28 = 0.07143</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with AME/QME notice violations 12 divide by # requiring notices 31</td>
</tr>
<tr>
<td># claims with VR potential eligibility notice violations 0 divide by # requiring notices 0</td>
</tr>
<tr>
<td>Totals 12 divide by Totals 31 = 0.38710</td>
</tr>
</tbody>
</table>

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>55</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
</tr>
<tr>
<td>Complaints</td>
<td>5</td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
</tr>
</tbody>
</table>

### Audit No: OAK-16-07-R1-6

### Subject: County of Santa Clara and Santa Clara County Central Fire District

### Location: San Jose

### Type: SI

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>25</td>
<td>$6,165</td>
<td>$6,165</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>5</td>
<td>$2,965</td>
<td>$2,965</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>9</td>
<td>$13,025</td>
<td>$13,025</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>13</td>
<td>$3,600</td>
<td>$3,600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>10</td>
<td>$2,200</td>
<td>$2,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>4</td>
<td>$450</td>
<td>$450</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 67  $28,805  $28,805  $0  $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: OAK-16-07-R1-6

Subject: County of Santa Clara and Santa Clara County Central Fire District

Location: San Jose

Type: SI

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$132.00</td>
<td></td>
<td></td>
<td>$13.20</td>
<td></td>
<td></td>
<td>$145.20</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>$10.16</td>
<td></td>
<td></td>
<td>$10.16</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>$106.13</td>
<td></td>
<td></td>
<td>$106.13</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td>$96.00</td>
<td></td>
<td></td>
<td>$96.00</td>
</tr>
<tr>
<td>5</td>
<td>$56.72</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$56.72</td>
</tr>
<tr>
<td>6</td>
<td>$25.78</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$25.78</td>
</tr>
<tr>
<td>7</td>
<td>$37.74</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$37.74</td>
</tr>
<tr>
<td>8</td>
<td>$38.29</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$38.29</td>
</tr>
<tr>
<td>9</td>
<td>$80.28</td>
<td></td>
<td></td>
<td>$8.03</td>
<td></td>
<td></td>
<td>$88.31</td>
</tr>
<tr>
<td>10</td>
<td>$206.75</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$206.75</td>
</tr>
<tr>
<td>11</td>
<td>$140.33</td>
<td></td>
<td></td>
<td>$39.04</td>
<td></td>
<td></td>
<td>$179.37</td>
</tr>
<tr>
<td>12</td>
<td>$53.90</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$53.90</td>
</tr>
<tr>
<td>13</td>
<td>$231.33</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$231.33</td>
</tr>
</tbody>
</table>

TOTAL $871.12 $132.00 $0.00 $272.56 $0.00 $0.00 $1,275.68
## Profile Audit Review Performance Rating of Randomly Selected Claims

**Audit No:** VNO-06-07-R1-5  
**Subject:** Crawford & Company  
**Location:** Tarzana

### 1. Factor for Failure to Pay Accrued and Undisputed Indemnity

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td># claims with unpd indemn</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Total unpd indemn.</td>
</tr>
<tr>
<td>Avg Unpd Ind</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. Severity Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Avg Unpd Indem</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D. Factor for Failure to Pay Undisputed Accrued Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Frequency rate</td>
</tr>
</tbody>
</table>

### 2. Factor for Late First Payment of Temporary Disability or First Notice of SC

| # claims with late 1st TD | 0 | divide by # with TD payments | 0 |
| # claims with late first SC notice | 0 | divide by # with salary continuation | 0 |
| Totals | 0 | divide by | Totals | 0 | = | 0.00000 |

### 3. Factor for Late First Payment of Permanent Disability, VRMA, and Death Benefits

| # claims with late first PD | 0 | divide by # with first PD | 0 |
| # claims with late first VRMA | 0 | divide by # with first VRMA | 0 |
| # claims with late first DB | 0 | divide by # with first DB paid | 0 |
| Totals | 0 | divide by | Totals | 0 | = | 0.00000 |

### 4. Factor for Late Subsequent Indemnity Payments

| # claims with late subsequent payments | 0 | divide by # with subsequent payments | 0 | = | 0.00000 |

### 5. Factor for Provision of AME/QME Notices and Notices of Potential Eligibility for Vocational Rehabilitation

| # claims with AME/QME notice violations | 0 | divide by # requiring notices | 0 |
| # claims with VR potential eligibility notice violations | 0 | divide by # requiring notices | 0 |
| Totals | 0 | divide by | Totals | 0 | = | 0.00000 |

**Profile Audit Review Performance Rating - 2007**  
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any paid indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>0</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: VNO-06-07-R1-5

Subject: Crawford & Company

Location: Tarzana

Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

No Undisputed Compensation Was Found Unpaid
**Profile Audit Review Performance Rating of Randomly Selected Claims**

**Audit No:** VNO-03-07-R1-5  
**Subject:** ESIS  
**Location:** Woodland Hills

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

#### A. Frequency Rate

| # claims with unpd indemn | 17 | divide by # claims with payable indemn | 59 | = | 0.28814 |

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

| Total unpd indemn. | $ 6,580.40 | divide by # of claims with obligation to pay indemn. | 59 | Avg Unpd Ind | $ 111.53 |

#### C. Severity Rate

| Avg Unpd Indem | $ 111.53 | divide by avg unpd indemn 2003-2005 of | $ 167.71 | = | 0.66503 |

#### D. Factor for Failure to pay Undisputed Accrued Indemnity

| Frequency rate | 0.28814 | X | Severity rate | 0.66503 | X | modifier of | 2 | = | 0.38324 |

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

| # claims with late 1st TD | 25 | divide by # with TD payments | 57 | = | 0.43860 |
| # claims with late first SC notice | 0 | divide by # with salary continuation | 0 | = | |

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

| # claims with late first PD | 5 | divide by # with first PD | 15 | = | 0.33333 |
| # claims with late first VRMA | 0 | divide by # with first VRMA | 0 | = | |
| # claims with late first DB | 0 | divide by # with first DB paid | 0 | = | |

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subsequent payments | 19 | divide by # with subsequent payments | 43 | = | 0.44186 |

### 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 | 43 | = | 0.18605 |
| # claims with VR potential eligibility notice violations | 0 | divide by # requiring notices | 0 | = | |

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.

Profile Audit Review Performance Rating of **1.78307**
## Penalty Assessments and Collections

### Individual Exhibit 2

**Files Audited:** 72  
**Indemnity** 59  
**Medical Only** 0  
**Denied** 0  
**Complaints** 13  
**Additional** 0  

**Location:** Woodland Hills  
**Type:** TPA  

**Audit No:** VNO-03-07-R1-5  
**Subject:** ESIS  

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>29</td>
<td>$12,550</td>
<td>$12,550</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>10</td>
<td>$5,290</td>
<td>$5,290</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>64</td>
<td>$11,930</td>
<td>$11,930</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>8</td>
<td>$3,600</td>
<td>$3,600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>18</td>
<td>$9,300</td>
<td>$9,300</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>4</td>
<td>$4,000</td>
<td>$4,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>13</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>2</td>
<td>$3,100</td>
<td>$3,100</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 148  
**$51,770**  
**$51,770**  
**$0**  
**$0**  

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007
Notices of Compensation Due

Audit No: VNO-03-07-R1-5
Subject: ESIS
Location: Woodland Hills
Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$840.41</td>
<td></td>
<td></td>
<td>$84.04</td>
<td></td>
<td></td>
<td>$924.45</td>
</tr>
<tr>
<td>2</td>
<td>$239.16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$239.16</td>
</tr>
<tr>
<td>3</td>
<td>$492.76</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$492.76</td>
</tr>
<tr>
<td>4</td>
<td>$435.10</td>
<td></td>
<td></td>
<td>$88.44</td>
<td></td>
<td></td>
<td>$523.54</td>
</tr>
<tr>
<td>5</td>
<td>$928.44</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$928.44</td>
</tr>
<tr>
<td>6</td>
<td>$600.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$600.00</td>
</tr>
<tr>
<td>7</td>
<td>$47.41</td>
<td></td>
<td></td>
<td>$2.66</td>
<td></td>
<td></td>
<td>$50.07</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td>$387.20</td>
<td></td>
<td></td>
<td>$387.20</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td>$158.90</td>
<td></td>
<td></td>
<td>$158.90</td>
</tr>
<tr>
<td>10</td>
<td>$14.36</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$14.36</td>
</tr>
<tr>
<td>11</td>
<td>$141.34</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$141.34</td>
</tr>
<tr>
<td>12</td>
<td>$129.58</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$129.58</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td>$67.66</td>
<td></td>
<td></td>
<td>$67.66</td>
</tr>
<tr>
<td>14</td>
<td>$227.77</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$227.77</td>
</tr>
<tr>
<td>15</td>
<td>$54.17</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$54.17</td>
</tr>
<tr>
<td>16</td>
<td>$140.44</td>
<td></td>
<td></td>
<td>$5.18</td>
<td></td>
<td></td>
<td>$145.62</td>
</tr>
<tr>
<td>17</td>
<td>$1,359.44</td>
<td></td>
<td></td>
<td>$135.94</td>
<td></td>
<td></td>
<td>$1,495.38</td>
</tr>
<tr>
<td>18</td>
<td>$928.12</td>
<td></td>
<td></td>
<td>$92.81</td>
<td></td>
<td></td>
<td>$1,020.93</td>
</tr>
<tr>
<td>19</td>
<td>$11,364.28</td>
<td></td>
<td></td>
<td>$1,136.42</td>
<td></td>
<td></td>
<td>$12,500.70</td>
</tr>
<tr>
<td>20</td>
<td>$650.20</td>
<td></td>
<td></td>
<td>$123.34</td>
<td></td>
<td></td>
<td>$773.54</td>
</tr>
<tr>
<td>21</td>
<td>$129.43</td>
<td></td>
<td></td>
<td>$12.94</td>
<td></td>
<td></td>
<td>$142.37</td>
</tr>
</tbody>
</table>

TOTAL $7,228.70 $11,493.71 $0.00 $2,295.53 $0.00 $0.00 $21,017.94
Calendar Year: 2007

Audit No: VNO-03-07-R1-5

Subject: ESIS

Location: Woodland Hills

Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>$32.64</td>
<td></td>
<td></td>
<td>$3.26</td>
<td></td>
<td></td>
<td>$37.48</td>
</tr>
<tr>
<td>23</td>
<td></td>
<td>$132.00</td>
<td></td>
<td></td>
<td>$1.58</td>
<td>$132.00</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td></td>
<td>$3,829.03</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$3,858.40</td>
</tr>
</tbody>
</table>

SUBTOTAL: $32.64  $0.00  $0.00  $3,264.29  $0.00  $0.00  $3,297.88

SUBTOTAL: $7,228.70  $11,493.71  $0.00  $2,295.53  $0.00  $0.00  $21,017.94

TOTAL: $7,261.34  $11,493.71  $0.00  $6,259.82  $0.00  $30.95  $25,045.82
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-22-07-R1-6

Subject: Fontana Unified School District

Location: Fontana

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate
\[
\frac{\text{# claims with unpd indemnity}}{\text{# claims with payable indemnity}} = \frac{7}{38} = 0.18421
\]

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
\[
\text{Total unpd indemnity} = \frac{\$3,358.52}{38} = \$88.38
\]

C. Severity Rate
\[
\text{Avg Unpd Indem} = \frac{88.38}{\text{avg unpd indemnity 2003-2005 of } \$167.71} = 0.52699
\]

D. Factor for Failure to pay Undisputed Accrued Indemnity
\[
\text{Frequency rate} \times \text{Severity rate} \times \text{modifier of 2} = 0.18421 \times 0.52699 \times 2 = 0.19416
\]

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

\[
\frac{\text{# claims with late 1st TD}}{\text{# claims with TD payments}} = \frac{1}{2} = 0.5
\]

\[
\frac{\text{# claims with late first SC notice}}{\text{# with salary continuation}} = \frac{13}{36} = 0.36842
\]

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

\[
\frac{\text{# claims with late first PD}}{\text{# with first PD}} = \frac{5}{11} = 0.45455
\]

\[
\frac{\text{# claims with late first VRMA}}{\text{# requiring notices}} = \frac{0}{0} = 0
\]

\[
\frac{\text{# claims with late first DB}}{\text{# with first DB paid}} = \frac{0}{0} = 0
\]

\[
\text{Totals} = \frac{5}{11} = 0.45455
\]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

\[
\frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{6}{13} = 0.46154
\]

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

\[
\frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{2}{32} = 0.06250
\]

\[
\frac{\text{# claims with VR potential eligibility notice violations}}{\text{# requiring notices}} = \frac{0}{0} = 0
\]

\[
\text{Totals} = \frac{2}{32} = 0.06250
\]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Calendar Year: 2007

### Individual Exhibit 2

---

#### Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>1</td>
<td>$300</td>
<td>$300</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>5</td>
<td>$1,440</td>
<td>$1,440</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>6</td>
<td>$2,400</td>
<td>$2,400</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>16</td>
<td>$650</td>
<td>$650</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>2</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>3</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>4</td>
<td>$1,700</td>
<td>$1,700</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

**TOTAL** 37 $8,690 $8,690 $0 $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: LAO-22-07-R1-6

Subject: Fontana Unified School District

Location: Fontana

Type: SI

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$100.87</td>
<td></td>
<td></td>
<td>$100.87</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>$52.79</td>
<td></td>
<td></td>
<td>$52.79</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>$660.00</td>
<td></td>
<td>$66.00</td>
<td></td>
<td></td>
<td>$726.00</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>$1,200.00</td>
<td></td>
<td>$120.00</td>
<td></td>
<td></td>
<td>$1,320.00</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>$680.00</td>
<td></td>
<td>$216.00</td>
<td></td>
<td></td>
<td>$216.00</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td>$262.86</td>
<td></td>
<td></td>
<td>$262.86</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$0.00</td>
<td>$2,540.00</td>
<td>$0.00</td>
<td>$818.52</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$3,358.52</td>
</tr>
</tbody>
</table>
### Profile Audit Review Performance Rating of Randomly Selected Claims

**Audit No:** LAO-17-07-R1-2  
**Subject:** Ford Motor Company/Ontario HVC  
**Location:** Rancho Cucamonga

#### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>Description</th>
<th>Formula</th>
<th>Result</th>
</tr>
</thead>
</table>
| A. Frequency Rate | \[
\text{# claims with unpd indem} \div \text{# claims with payable indemn} = \frac{2}{5} = 0.40000
\] | 0.40000 |

<table>
<thead>
<tr>
<th>Description</th>
<th>Formula</th>
<th>Result</th>
</tr>
</thead>
</table>
| B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity | \[
\text{Total unpd indem.} = \frac{358.86}{5} = 71.77
\] | \$71.77 |

<table>
<thead>
<tr>
<th>Description</th>
<th>Formula</th>
<th>Result</th>
</tr>
</thead>
</table>
| C. Severity Rate | \[
\text{Avg Unpd Ind} = \frac{71.77}{167.71} = 0.42795
\] | 0.42795 |

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Formula</th>
<th>Result</th>
</tr>
</thead>
</table>
| # claims with late 1st TD | \[
\text{# claims with late first SC notice} \div \text{# with TD payments} = \frac{0}{3} = 0.00000
\] | 0.00000 |

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Formula</th>
<th>Result</th>
</tr>
</thead>
</table>
| # claims with late first PD | \[
\text{# claims with late first VRMA} \div \text{# requiring notices} = \frac{0}{0} = 0.00000
\] | 0.00000 |

#### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Formula</th>
<th>Result</th>
</tr>
</thead>
</table>
| # claims with late subsequent payments | \[
\text{# claims with late subsequent payments} \div \text{# requiring notices} = \frac{2}{3} = 0.66667
\] | 0.66667 |

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Formula</th>
<th>Result</th>
</tr>
</thead>
</table>
| # claims with AME/QME notice violations | \[
\text{# claims with VR potential eligibility notice violations} \div \text{# requiring notices} = \frac{0}{0} = 0.00000
\] | 0.00000 |

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**  
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.

**Profile Audit Review Performance Rating:** 1.67570

Form DWC-AU-860A (Rev 12/06)
## Penalty Assessments and Collections

### Files Audited:
- Indemnity: 5
- Medical Only: 0
- Denied: 0
- Complaints: 0
- Additional: 0

### Audit No:
LAO-17-07-R1-2

### Subject:
Ford Motor Company/Ontario HVC

### Location:
Rancho Cucamonga

### Type:
SI

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Not Subject to Assessment</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>2</td>
<td>$300</td>
<td>$300</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>3</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>3</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>8</strong></td>
<td><strong>$1,500</strong></td>
<td><strong>$1,500</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007
Notices of Compensation Due

Audit No: LAO-17-07-R1-2

Subject: Ford Motor Company/Ontario HVC

Location: Rancho Cucamonga Type: SI

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$0.00</td>
<td>$0.00</td>
<td></td>
<td>$276.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$276.00</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>$82.86</td>
<td></td>
<td></td>
<td>$82.86</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$0.00</td>
<td>$0.00</td>
<td></td>
<td>$358.86</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$358.86</td>
</tr>
</tbody>
</table>
Profile Audit Review Performance Rating of Randomly Selected Claims

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

Subject: Frank Gates Service Company

Location: El Dorado Hills

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   \[ \frac{\text{# claims with unpd indem}}{\text{# claims with payable indem}} \times \frac{\text{# claims with obligation to pay indem.}}{59} = 0.32203 \]

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[ \frac{\text{Total unpd indemn.}}{\text{Avg Unpd Ind}} = \frac{10,908.48}{184.89} = 59 \]

   C. Severity Rate
   \[ \frac{\text{Avg Unpd Indem}}{\text{Avg unpd indem 2003-2005}} = \frac{184.89}{167.71} = 1.10244 \]

   D. Factor for Failure to pay Undisputed Accrued Indemnity
   \[ \text{Frequency rate} \times \text{Severity rate} \times \text{modifier of} \times = 0.71004 \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   \[ \frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} \times \frac{\text{# claims with late first SC notice}}{\text{# with salary continuation}} = \frac{16}{55} = 0.28571 \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[ \frac{\text{# claims with late first PD}}{\text{# with first PD}} \times \frac{\text{# claims with late first VRMA}}{\text{# with first VRMA}} \times \frac{\text{# claims with late first DB}}{\text{# with first DB paid}} = \frac{6}{23} = 0.26087 \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[ \frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{9}{41} = 0.21951 \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[ \frac{\text{# claims with AME/QME notice violations}}{\text{requiring notices}} \times \frac{\text{# claims with VR potential eligibility notice violations}}{\text{requiring notices}} = \frac{9}{26} = 0.34615 \]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

**Calendar Year:** 2007  
**Individual Exhibit 2**

### Files Audited: 63  
**Audit No:** SAC-04-07-R1-5  
**Subject:** Frank Gates Service Company  
**Location:** El Dorado Hills  
**Type:** TPA

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>20</td>
<td>$8,250</td>
<td>$8,250</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>6</td>
<td>$7,760</td>
<td>$7,760</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>21</td>
<td>$5,870</td>
<td>$5,870</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>8</td>
<td>$3,300</td>
<td>$3,300</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>15</td>
<td>$12,800</td>
<td>$12,800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>2</td>
<td>$2,400</td>
<td>$2,400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>20</td>
<td>$2,350</td>
<td>$2,350</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>2</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**  94  $43,930  $43,930  $0  $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007
Individual Exhibit 3

Notices of Compensation Due

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

Subject: Frank Gates Service Company

Location: El Dorado Hills Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$647.72</td>
<td>$182.73</td>
<td></td>
<td>$182.73</td>
<td></td>
<td></td>
<td>$830.45</td>
</tr>
<tr>
<td>2</td>
<td>$34.42</td>
<td>$34.42</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$34.42</td>
</tr>
<tr>
<td>3</td>
<td>$48.92</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$48.92</td>
</tr>
<tr>
<td>4</td>
<td>$13.18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$34.27</td>
</tr>
<tr>
<td>5</td>
<td>$1,185.84</td>
<td>$610.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,795.84</td>
</tr>
<tr>
<td>6</td>
<td>$13.34</td>
<td></td>
<td></td>
<td></td>
<td>$876.43</td>
<td></td>
<td>$876.43</td>
</tr>
<tr>
<td>7</td>
<td>$13.34</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$13.34</td>
</tr>
<tr>
<td>8</td>
<td>$187.42</td>
<td></td>
<td></td>
<td></td>
<td>$187.42</td>
<td></td>
<td>$187.42</td>
</tr>
<tr>
<td>9</td>
<td>$38.55</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$38.55</td>
</tr>
<tr>
<td>10</td>
<td>$220.91</td>
<td></td>
<td>$107.28</td>
<td></td>
<td></td>
<td></td>
<td>$328.19</td>
</tr>
<tr>
<td>11</td>
<td>$404.56</td>
<td></td>
<td>$17.13</td>
<td></td>
<td></td>
<td></td>
<td>$421.69</td>
</tr>
<tr>
<td>12</td>
<td>$117.96</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$117.96</td>
</tr>
<tr>
<td>13</td>
<td>$3,708.91</td>
<td></td>
<td>$359.91</td>
<td></td>
<td></td>
<td></td>
<td>$4,068.82</td>
</tr>
<tr>
<td>14</td>
<td></td>
<td></td>
<td>$127.47</td>
<td></td>
<td></td>
<td></td>
<td>$127.47</td>
</tr>
<tr>
<td>15</td>
<td>$276.93</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$276.93</td>
</tr>
<tr>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$253.21</td>
<td>$253.21</td>
</tr>
<tr>
<td>17</td>
<td>$1,039.02</td>
<td></td>
<td>$99.42</td>
<td></td>
<td>$1,138.44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>$246.87</td>
<td></td>
<td>$14.19</td>
<td></td>
<td>$261.06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>$55.07</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$55.07</td>
</tr>
<tr>
<td>20</td>
<td></td>
<td>$468.00</td>
<td>$66.01</td>
<td>$46.80</td>
<td></td>
<td></td>
<td>$580.81</td>
</tr>
</tbody>
</table>

TOTAL $8,190.70 $1,078.00 $66.01 $1,901.37 $0.00 $253.21 $11,489.29
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No:  VNO-01-07-R1-5

Subject:  GAB Robins Risk Management

Location:  Burbank

1.  FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A.  Frequency Rate
   # claims with unpd indemn  8    divide by  # claims with payable indemn  52  =  0.15385

   B.  Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   Total unpd indemn. =  $13,755.43    divide by  # of claims with obligation to pay indemn.  52
   Avg Unpd Ind =  $264.53

   C.  Severity Rate
   Avg Unpd Indem $264.53    divide by avg unpd indemn 2003-2005 of $167.71 =  1.57729

2.  FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   # claims with late 1st TD 13    divide by  # with TD payments  36
   # claims with late first SC notice 0    divide by  # with salary continuation 0
   Totals 13    divide by  Totals 36
   =  0.36111

3.  FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   # claims with late first PD 3    divide by  # with first PD 23
   # claims with late first VRMA 1    divide by  # with first VRMA 1
   # claims with late first DB 0    divide by  # with first DB paid 0
   Totals 4    divide by  Totals 24
   =  0.16667

4.  FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   # claims with late subsequent payments 6    divide by  # with subsequent payments 35
   =  0.17143

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 41
   # claims with VR potential eligibility notice violations 1    divide by  # requiring notices 3
   Totals 5    divide by  Totals 44
   =  0.11364

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.

Form DWC-AU-860A (Rev 12/06)
## Penalty Assessments and Collections

**Calendar Year:** 2007  
**Audit No:** VNO-01-07-R1-5  
**Subject:** GAB Robins Risk Management  
**Location:** Burbank  
**Type:** TPA

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>14</td>
<td>$3,090</td>
<td>$3,090</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>3</td>
<td>$500</td>
<td>$500</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>1</td>
<td>$100</td>
<td>$100</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>12</td>
<td>$3,650</td>
<td>$3,650</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>1</td>
<td>$500</td>
<td>$500</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>4</td>
<td>$1,700</td>
<td>$1,700</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>4</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>2</td>
<td>$3,400</td>
<td>$3,400</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>5</td>
<td>$650</td>
<td>$650</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

**TOTAL** | 46 | $14,790 | $14,790 | $0 | $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Calendar Year: 2007
### Notices of Compensation Due

**Audit No:** VNO-01-07-R1-5

**Subject:** GAB Robins Risk Management

**Location:** Burbank

**Type:** TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$55.24</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$55.24</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>$10,885.71</td>
<td></td>
<td>$1,088.57</td>
<td></td>
<td></td>
<td>$11,974.28</td>
</tr>
<tr>
<td>3</td>
<td>$305.56</td>
<td></td>
<td></td>
<td>$26.52</td>
<td></td>
<td></td>
<td>$332.08</td>
</tr>
<tr>
<td>4</td>
<td>$92.09</td>
<td></td>
<td></td>
<td>$9.21</td>
<td></td>
<td></td>
<td>$101.30</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>$53.00</td>
<td></td>
<td></td>
<td>$53.00</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>$433.80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$433.80</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td>$654.30</td>
<td></td>
<td></td>
<td>$654.30</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td>$151.43</td>
<td></td>
<td></td>
<td>$151.43</td>
</tr>
</tbody>
</table>

**TOTAL** $452.89 $11,319.51 $0.00 $1,983.03 $0.00 $0.00 $13,755.43
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-01-07-R1-5

Subject: Gallagher Bassett Services, Inc.

Location: Aliso Viejo

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with unpd indemn</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total unpd indem. = $ 7,143.41</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. Severity Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg Unpd Indem</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D. Factor for Failure to pay Undisputed Accrued Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency rate</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with late 1st TD</th>
<th>14</th>
<th>divide by # with TD payments</th>
<th>55</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first SC notice</td>
<td>0</td>
<td>divide by # with salary continuation</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>14</td>
<td>divide by</td>
<td>Totals</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with late first PD</th>
<th>1</th>
<th>divide by # with first PD</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first VRMA</td>
<td>1</td>
<td>divide by # with first VRMA</td>
<td>1</td>
</tr>
<tr>
<td># claims with late first DB</td>
<td>0</td>
<td>divide by # with first DB paid</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>2</td>
<td>divide by</td>
<td>Totals</td>
</tr>
</tbody>
</table>

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subsequent payments | 7 | divide by # with subsequent payments | 37 | = | 0.18919 |

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

<table>
<thead>
<tr>
<th># claims with AME/QME notice violations</th>
<th>0</th>
<th>divide by # requiring notices</th>
<th>50</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with VR potential eligibility notice violations</td>
<td>1</td>
<td>divide by # requiring notices</td>
<td>1</td>
</tr>
<tr>
<td>Totals</td>
<td>1</td>
<td>divide by</td>
<td>Totals</td>
</tr>
</tbody>
</table>

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
Calendar Year: 2007

Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>16</td>
<td>$7,630</td>
<td>$7,630</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>1</td>
<td>$4,000</td>
<td>$4,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>19</td>
<td>$5,090</td>
<td>$5,090</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>16</td>
<td>$8,900</td>
<td>$8,900</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>2</td>
<td>$1,900</td>
<td>$1,900</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>10</td>
<td>$2,100</td>
<td>$2,100</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** | 66 | **$30,420** | **$30,420** | **$0** | **$0** | **|**

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
**Calendar Year:** 2007  
**Notices of Compensation Due**

**Audit No:** LAO-01-07-R1-5  
**Subject:** Gallagher Bassett Services, Inc.

**Location:** Aliso Viejo  
**Type:** TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$90.29</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$90.29</td>
</tr>
<tr>
<td>2</td>
<td>$108.92</td>
<td>$198.00</td>
<td></td>
<td>$95.16</td>
<td></td>
<td></td>
<td>$402.08</td>
</tr>
<tr>
<td>3</td>
<td>$1,116.60</td>
<td></td>
<td></td>
<td>$111.66</td>
<td></td>
<td></td>
<td>$1,228.26</td>
</tr>
<tr>
<td>4</td>
<td>$63.10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$63.10</td>
</tr>
<tr>
<td>5</td>
<td>$387.62</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$387.62</td>
</tr>
<tr>
<td>6</td>
<td>$249.84</td>
<td></td>
<td></td>
<td>$24.98</td>
<td></td>
<td></td>
<td>$274.82</td>
</tr>
<tr>
<td>7</td>
<td>$0.00</td>
<td></td>
<td></td>
<td>$141.16</td>
<td></td>
<td></td>
<td>$141.16</td>
</tr>
<tr>
<td>8</td>
<td>$1,289.15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,289.15</td>
</tr>
<tr>
<td>9</td>
<td>$16.07</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$16.07</td>
</tr>
<tr>
<td>10</td>
<td>$263.94</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$263.94</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td>$325.62</td>
<td></td>
<td></td>
<td>$325.62</td>
</tr>
<tr>
<td>12</td>
<td>$56.10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$56.10</td>
</tr>
<tr>
<td>13</td>
<td>$432.00</td>
<td>$1,740.00</td>
<td></td>
<td>$217.20</td>
<td></td>
<td></td>
<td>$2,389.20</td>
</tr>
<tr>
<td>14</td>
<td>$216.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$216.00</td>
</tr>
</tbody>
</table>

**TOTAL**  
$4,289.63  
$1,938.00  
$0.00  
$915.78  
$0.00  
$0.00  
$7,143.41
### Profile Audit Review Performance Rating of Randomly Selected Claims

**Audit No:** SAC-11-07-R1-5  
**Subject:** Gallagher Bassett Services, Inc.  
**Location:** Sacramento

#### 1. Factor for Failure to Pay Accrued and Undisputed Indemnity

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
<th># claims with unpaid indemnity: 9</th>
<th>divide by # claims with payable indemnity: 57</th>
<th>= 0.15789</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th>Total unpaid indemnity: $5,492.47</th>
<th>divide by # of claims with obligation to pay indemnity: 57</th>
<th>Avg Unpaid Indemnity: $96.36</th>
</tr>
</thead>
</table>

#### C. Severity Rate

<table>
<thead>
<tr>
<th>Avg Unpaid Indemnity: $96.36</th>
<th>divide by avg unpaid indemnity 2003-2005: $167.71</th>
<th>= 0.57456</th>
</tr>
</thead>
</table>

#### Frequency Rate

<table>
<thead>
<tr>
<th>0.15789</th>
<th>X</th>
<th>0.57456</th>
<th>X</th>
<th>Modifier of 2</th>
<th>= 0.18144</th>
</tr>
</thead>
</table>

#### 2. Factor for Late First Payment of Temporary Disability or First Notice of SC

<table>
<thead>
<tr>
<th># claims with late 1st TD: 20</th>
<th>divide by # with TD payments: 54</th>
<th>= 0.37500</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th># claims with late first SC notice: 1</th>
<th>divide by # with salary continuation: 2</th>
<th>=</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Totals: 21</th>
<th>divide by</th>
<th>Totals: 56</th>
<th>=</th>
</tr>
</thead>
</table>

#### 3. Factor for Late First Payment of Permanent Disability, VRMA, and Death Benefits

<table>
<thead>
<tr>
<th># claims with late first PD: 5</th>
<th>divide by # with first PD: 12</th>
<th>= 0.41667</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th># claims with late first VRMA: 0</th>
<th>divide by # with first VRMA: 0</th>
<th>=</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th># claims with late first DB: 0</th>
<th>divide by # with first DB paid: 0</th>
<th>=</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Totals: 5</th>
<th>divide by</th>
<th>Totals: 12</th>
<th>=</th>
</tr>
</thead>
</table>

#### 4. Factor for Late Subsequent Indemnity Payments

<table>
<thead>
<tr>
<th># claims with late subsequent payments: 1</th>
<th>divide by # with subsequent payments: 31</th>
<th>= 0.03226</th>
</tr>
</thead>
</table>

#### 5. Factor for Provision of AME/QME Notices and Notices of Potential Eligibility for Vocational Rehabilitation

<table>
<thead>
<tr>
<th># claims with AME/QME notice violations: 19</th>
<th>divide by # requiring notices: 31</th>
<th>= 0.61290</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th># claims with VR potential eligibility notice violations: 0</th>
<th>divide by # requiring notices: 0</th>
<th>=</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Totals: 19</th>
<th>divide by</th>
<th>Totals: 31</th>
<th>=</th>
</tr>
</thead>
</table>

#### Profile Audit Review Performance Rating - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Calendar Year: 2007  
#### Individual Exhibit 2

#### Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>57</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>57</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
</tr>
<tr>
<td>Complaints</td>
<td>0</td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Audit No:</th>
<th>SAC-11-07-R1-5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject:</td>
<td>Gallagher Bassett Services, Inc.</td>
</tr>
<tr>
<td>Location:</td>
<td>Sacramento</td>
</tr>
<tr>
<td>Type:</td>
<td>TPA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Not Subject to Assessment</th>
<th>Total $ Subject to Collection</th>
<th>Total $ Not Subject to Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits (TD)</td>
<td>26</td>
<td>$7,745</td>
<td>$7,745</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD)</td>
<td>6</td>
<td>$2,520</td>
<td>$2,520</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR)</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>1</td>
<td>$320</td>
<td>$320</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>1</td>
<td>$25</td>
<td>$25</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>19</td>
<td>$5,900</td>
<td>$5,900</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>6</td>
<td>$2,600</td>
<td>$2,600</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>3</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay anyVR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>4</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>66</td>
<td>$21,510</td>
<td>$21,510</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007  
Individual Exhibit 3  
Notices of Compensation Due

Audit No: SAC-11-07-R1-5  
Subject: Gallagher Bassett Services, Inc.

Location: Sacramento  
Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$395.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$395.00</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>$246.36</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$246.36</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>$400.00</td>
<td></td>
<td></td>
<td>$434.29</td>
<td></td>
<td>$834.29</td>
</tr>
<tr>
<td>4</td>
<td>$21.36</td>
<td></td>
<td></td>
<td></td>
<td>$31.85</td>
<td></td>
<td>$53.21</td>
</tr>
<tr>
<td>5</td>
<td>$175.97</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$175.97</td>
</tr>
<tr>
<td>6</td>
<td>$199.44</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$199.44</td>
</tr>
<tr>
<td>7</td>
<td>$1,697.04</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,697.04</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>$28.57</td>
<td></td>
<td></td>
<td>$1,124.23</td>
<td></td>
<td>$1,152.80</td>
</tr>
<tr>
<td>9</td>
<td>$738.36</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$738.36</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$3,227.17</td>
<td>$674.93</td>
<td>$0.00</td>
<td>$1,590.37</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$5,492.47</td>
</tr>
</tbody>
</table>
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: VNO-08-07-R2-5

Subject: Gallagher Bassett Services, Inc.

Location: Woodland Hills

A. Frequency Rate
# claims with unpd indem 12 divide by # claims with payable indem 57 = 0.21053

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
Total unpd indem. = $15,598.49 divide by # of claims with obligation to pay indem. 57
Avg Unpd Ind = $273.66

C. Severity Rate
Avg Unpd Indem $273.66 divide by avg unpd indem 2003-2005 of $167.71 = 1.63173

D. Factor for Failure to pay Undisputed Accrued Indemnity
Frequency rate 0.21053 X Severity rate 1.63173 X modifier of 2 = 0.68704

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
# claims with late 1st TD 30 divide by # with TD payments 50
# claims with late first SC notice 0 divide by # with salary continuation 2
Totals 30 divide by Totals 52 = 0.57692

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
# claims with late first PD 4 divide by # with first PD 10
# claims with late first VRMA 0 divide by # with first VRMA 0
# claims with late first DB 1 divide by # with first DB paid 1
Totals 5 divide by Totals 11 = 0.45455

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
# claims with late subsequent payments 12 divide by # with subsequent payments 36 = 0.33333

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 39
# claims with VR potential eligibility notice violations 1 divide by # requiring notices 1
Totals 5 divide by Totals 40 = 0.12500

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.

Form DWC-AU-860A (Rev 12/06)
Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: VNO-08-07-R2-5

Subject: Gallagher Bassett Services, Inc.

Location: Woodland Hills

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate
# claims with unpd indem 29 divide by # claims with payable indem 128 = 0.22656

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
Total unpd indem = $32,394.56 divide by # of claims with obligation to pay indem. 128
Avg Unpd Ind = $253.08

C. Severity Rate
Avg Unpd Ind. $253.08 divide by avg unpd indem 2003-2005 of $167.71 = 1.50905

D. Factor for Failure to pay Undisputed Accrued Indemnity
Frequency rate 0.22656 X Severity rate 1.50905 X modifier of 2 = 0.68379

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

# claims with late 1st TD 68 divide by # with TD payments 114
# claims with late first SC notice 0 divide by # with salary continuation 2
Totals 68 divide by Totals 116 = 0.58621

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

# claims with late first PD 12 divide by # with first PD 35
# claims with late first VRMA 0 divide by # with first VRMA 0
# claims/late first death benefits 1 divide by # with first death ben paid 1
Totals 13 divide by Totals 36 = 0.36111

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

# claims with late subseq payments 30 divide by # with subseq payments 89 = 0.33708

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 84
# claims with VR potential eligibility notice violations 1 divide by # requiring notices 1
Totals 15 divide by Totals 85 = 0.17647

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007
Full Compliance Audit Performance Rating of indemnity files of 2.21983 or greater is a failing score.

2.14465
Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>71</td>
<td>$25,050</td>
<td>$0</td>
<td>$25,050</td>
<td>$25,050</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>12</td>
<td>$8,060</td>
<td>$0</td>
<td>$8,060</td>
<td>$8,060</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>58</td>
<td>$37,220</td>
<td>$0</td>
<td>$37,220</td>
<td>$37,220</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>1</td>
<td>$300</td>
<td>$0</td>
<td>$300</td>
<td>$300</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>1</td>
<td>$200</td>
<td>$200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>16</td>
<td>$6,500</td>
<td>$6,500</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>15</td>
<td>$8,700</td>
<td>$0</td>
<td>$8,700</td>
<td>$8,700</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>9</td>
<td>$4,700</td>
<td>$0</td>
<td>$4,700</td>
<td>$4,700</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>13</td>
<td>$5,050</td>
<td>$0</td>
<td>$5,050</td>
<td>$5,050</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>1</td>
<td>$1,600</td>
<td>$0</td>
<td>$1,600</td>
<td>$1,600</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>197</strong></td>
<td><strong>$97,380</strong></td>
<td><strong>$6,700</strong></td>
<td><strong>$90,680</strong></td>
<td><strong>$90,680</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
## Notices of Compensation Due

### 2007

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$3,720.00</td>
<td></td>
<td></td>
<td>$648.00</td>
<td></td>
<td></td>
<td>$4,368.00</td>
</tr>
<tr>
<td>2</td>
<td>$319.99</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$319.99</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>$142.02</td>
<td></td>
<td>$346.80</td>
<td></td>
<td></td>
<td>$488.82</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>$3,204.40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$3,204.40</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>$1,392.00</td>
<td></td>
<td></td>
<td>$1,392.00</td>
</tr>
<tr>
<td>6</td>
<td>$360.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$360.00</td>
</tr>
<tr>
<td>7</td>
<td>$85.71</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$85.71</td>
</tr>
<tr>
<td>8</td>
<td>$360.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$360.00</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>$1,006.38</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,006.38</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>$25.57</td>
<td></td>
<td>$863.42</td>
<td></td>
<td></td>
<td>$888.99</td>
</tr>
<tr>
<td>11</td>
<td>$529.54</td>
<td></td>
<td></td>
<td>$885.34</td>
<td></td>
<td></td>
<td>$1,414.88</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>$1,622.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,622.00</td>
</tr>
<tr>
<td>13</td>
<td>$1,887.87</td>
<td>$172.50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,060.37</td>
</tr>
<tr>
<td>14</td>
<td></td>
<td>$997.05</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$997.05</td>
</tr>
<tr>
<td>15</td>
<td>$199.56</td>
<td></td>
<td></td>
<td>$99.71</td>
<td></td>
<td></td>
<td>$299.27</td>
</tr>
<tr>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0.00</td>
</tr>
<tr>
<td>17</td>
<td></td>
<td>$6,976.82</td>
<td></td>
<td>$325.29</td>
<td></td>
<td></td>
<td>$7,302.11</td>
</tr>
<tr>
<td>18</td>
<td></td>
<td></td>
<td></td>
<td>$697.68</td>
<td></td>
<td></td>
<td>$697.68</td>
</tr>
<tr>
<td>19</td>
<td>$34.87</td>
<td>$586.50</td>
<td></td>
<td>$148.31</td>
<td></td>
<td></td>
<td>$769.68</td>
</tr>
<tr>
<td>20</td>
<td></td>
<td></td>
<td></td>
<td>$58.65</td>
<td></td>
<td></td>
<td>$58.65</td>
</tr>
<tr>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td>$72.00</td>
<td></td>
<td></td>
<td>$72.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$414.26</td>
<td></td>
<td></td>
<td>$414.26</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$7,497.54</strong></td>
<td><strong>$14,733.24</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$5,951.46</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$28,182.24</strong></td>
</tr>
</tbody>
</table>
## Calendar Year: 2007

### Notices of Compensation Due

**Audit No:** VNO-08-07-R2-5  
**Subject:** Gallagher Bassett Services, Inc.  
**Location:** Woodland Hills  
**Type:** TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>$436.89</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$436.89</td>
</tr>
<tr>
<td>23</td>
<td>$83.17</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$83.17</td>
</tr>
<tr>
<td>24</td>
<td>$307.27</td>
<td></td>
<td></td>
<td>$168.37</td>
<td></td>
<td></td>
<td>$475.64</td>
</tr>
<tr>
<td>25</td>
<td></td>
<td></td>
<td></td>
<td>$145.60</td>
<td></td>
<td></td>
<td>$145.60</td>
</tr>
<tr>
<td>26</td>
<td>$321.84</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$321.84</td>
</tr>
<tr>
<td>27</td>
<td>$1,590.10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,590.10</td>
</tr>
<tr>
<td>28</td>
<td>$16.22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$16.22</td>
</tr>
<tr>
<td>29</td>
<td></td>
<td>$1,142.86</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,142.86</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 2</th>
<th>SUBTOTAL</th>
<th>$2,755.49</th>
<th>$1,142.86</th>
<th>$0.00</th>
<th>$313.97</th>
<th>$0.00</th>
<th>$0.00</th>
<th>$4,212.32</th>
</tr>
</thead>
<tbody>
<tr>
<td>Page 1</td>
<td>SUBTOTAL</td>
<td>$7,497.54</td>
<td>$14,733.24</td>
<td>$0.00</td>
<td>$5,951.46</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$28,182.24</td>
</tr>
<tr>
<td>TOTAL</td>
<td>SUBTOTAL</td>
<td>$10,253.03</td>
<td>$15,876.10</td>
<td>$0.00</td>
<td>$6,265.43</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$32,394.56</td>
</tr>
</tbody>
</table>
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-20-07-R1-6

Subject: Garden Grove Unified School District

Location: Garden Grove

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   \[ \frac{\# \text{ claims with unpd indem}}{\# \text{ claims with payable indem}} = 0.25000 \]

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[ \text{Total unpd indem.} = \frac{11,199.05}{44} \quad \text{Avg Unpd Ind} = \frac{254.52}{44} \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   \[ \frac{1}{\# \text{ with TD payments}} = 0.05769 \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[ \frac{1}{\# \text{ with first PD}} = 0.08333 \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[ \frac{4}{\# \text{ with subsequent payments}} = 0.18182 \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[ \frac{0}{\# \text{ with AME/QME notice violations}} = 0.00000 \]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: LAO-20-07-R1-6

Subject: Garden Grove Unified School District

Location: Garden Grove

Type: SI

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$1,112.85</td>
<td></td>
<td></td>
<td>$111.29</td>
<td></td>
<td></td>
<td>$1,461.65</td>
</tr>
<tr>
<td>2</td>
<td>$8,197.29</td>
<td></td>
<td></td>
<td>$230.88</td>
<td></td>
<td></td>
<td>$8,428.17</td>
</tr>
<tr>
<td>3</td>
<td>$73.94</td>
<td></td>
<td></td>
<td>$102.86</td>
<td></td>
<td></td>
<td>$176.80</td>
</tr>
<tr>
<td>4</td>
<td>$110.90</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$110.90</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0.00</td>
</tr>
<tr>
<td>6</td>
<td>$36.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$36.00</td>
</tr>
<tr>
<td>7</td>
<td>$26.80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$26.80</td>
</tr>
<tr>
<td>8</td>
<td>$109.38</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$109.38</td>
</tr>
<tr>
<td>9</td>
<td>$47.43</td>
<td></td>
<td></td>
<td>$33.31</td>
<td></td>
<td></td>
<td>$80.74</td>
</tr>
<tr>
<td>10</td>
<td>$367.08</td>
<td></td>
<td></td>
<td></td>
<td>$5.69</td>
<td></td>
<td>$372.77</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>$267.13</td>
<td></td>
<td></td>
<td>$128.71</td>
<td></td>
<td>$395.84</td>
</tr>
</tbody>
</table>

TOTAL $10,081.67 $267.13 $0.00 $607.05 $0.00 $243.20 $11,199.05
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: SAC-05-07-R1-1

Subject: GuideOne Insurance Company

Location: Rocklin

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

\[
\frac{1}{54} = 0.01852
\]

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

\[
\text{Avg Unpd Ind} = \frac{166.88}{54} = 3.09
\]

C. Severity Rate

\[
\frac{3.09}{167.71} = 0.01843
\]

D. Factor for Failure to pay Undisputed Accrued Indemnity

\[
0.01852 \times 0.01843 \times 2 = 0.00068
\]

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

\[
\frac{6}{41} = 0.18182
\]

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

\[
\frac{5}{21} = 0.23810
\]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

\[
\frac{6}{30} = 0.20000
\]

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

\[
\frac{6}{32} = 0.18750
\]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.

Profile Audit Review Performance Rating of Randomly Selected Claims

Profile Audit Review Performance Rating of 0.80810
## Calendar Year: 2007

### Individual Exhibit 2

#### Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>54</th>
<th>Audit No:</th>
<th>SAC-05-07-R1-1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>54</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complaints</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subject:</th>
<th>GuideOne Insurance Company</th>
<th>Location: Rocklin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type:</td>
<td>INS</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>6</td>
<td>$1,100</td>
<td>$1,100</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>5</td>
<td>$1,265</td>
<td>$1,265</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>1</td>
<td>$4,000</td>
<td>$4,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>15</td>
<td>$2,335</td>
<td>$2,335</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>4</td>
<td>$175</td>
<td>$175</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>1</td>
<td>$100</td>
<td>$100</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>5</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>1</td>
<td>$200</td>
<td>$200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any paid indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**                                                                 | 38             | **$10,375**                 | **$10,375**                   | $0                             | $0                      |

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: SAC-05-07-R1-1

Subject: GuideOne Insurance Company

Location: Rocklin

Type: INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$158.73</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$8.15</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$166.88</td>
</tr>
</tbody>
</table>

TOTAL $158.73 $0.00 $0.00 $8.15 $0.00 $0.00 $166.88
Profile Audit Review Performance Rating of Randomly Selected Claims

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

Subject:  Innovative Claim Solutions, Inc.

Location:  Rancho Cordova

<table>
<thead>
<tr>
<th>1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Frequency Rate</strong></td>
</tr>
<tr>
<td># claims with unpd indem</td>
</tr>
<tr>
<td><strong>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</strong></td>
</tr>
<tr>
<td>Total unpd indemn. =</td>
</tr>
<tr>
<td>Avg Unpd Ind =</td>
</tr>
<tr>
<td><strong>C. Severity Rate</strong></td>
</tr>
<tr>
<td>Avg Unpd Indem =</td>
</tr>
<tr>
<td><strong>D. Factor for Failure to pay Undisputed Accrued Indemnity</strong></td>
</tr>
<tr>
<td>Frequency rate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late 1st TD</td>
</tr>
<tr>
<td># claims with late first SC notice</td>
</tr>
<tr>
<td>Totals</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first PD</td>
</tr>
<tr>
<td># claims with late first VRMA</td>
</tr>
<tr>
<td># claims with late first DB</td>
</tr>
<tr>
<td>Totals</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late subsequent payments</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with AME/QME notice violations</td>
</tr>
<tr>
<td># claims with VR potential eligibility notice violations</td>
</tr>
<tr>
<td>Totals</td>
</tr>
</tbody>
</table>

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

### Original Data:

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>2</td>
<td>$300</td>
<td>$300</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>3</td>
<td>$1,090</td>
<td>$1,090</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>22</td>
<td>$1,035</td>
<td>$1,035</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>7</td>
<td>$1,900</td>
<td>$1,900</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>4</td>
<td>$2,800</td>
<td>$2,800</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>2</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

**TOTAL**                                                                                      | 40             | **$8,325**                         | **$8,325**                   | $0                       | $0     |

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
**Calendar Year:** 2007  
**Individual Exhibit 3**

**Notices of Compensation Due**

**Audit No:** SAC-07-07-R1-5  
**Subject:** Innovative Claim Solutions, Inc.

**Location:** Rancho Cordova  
**Type:** TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>$2,541.11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,541.11</td>
</tr>
<tr>
<td>2</td>
<td>$1,292.72</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,292.72</td>
</tr>
<tr>
<td>3</td>
<td>$94.32</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$94.32</td>
</tr>
<tr>
<td>4</td>
<td>$180.96</td>
<td></td>
<td></td>
<td></td>
<td>$18.10</td>
<td></td>
<td>$199.06</td>
</tr>
<tr>
<td>5</td>
<td>$1,405.25</td>
<td>$492.86</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,898.11</td>
</tr>
</tbody>
</table>

**TOTAL** $2,973.25  $3,033.97  $0.00  $18.10  $0.00  $0.00  $6,025.32
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No:  SAC-08-07-R1-5

Subject:  Intercare Insurance Services

Location:  Fresno

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate
   \[ \frac{5}{32} = 0.15625 \]

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[ \frac{573.29}{32} = 17.92 \]

C. Severity Rate
   \[ \frac{17.92}{167.71} = 0.10682 \]

D. Factor for Failure to pay Undisputed Accrued Indemnity
   \[ 0.15625 \times 0.10682 \times 2 = 0.03338 \]

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

   \[ \frac{10}{32} = 0.31250 \]

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

   \[ \frac{1}{3} = 0.33333 \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[ \frac{5}{13} = 0.38462 \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[ \frac{2}{16} = 0.12500 \]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

**Files Audited:** 32  
**Audit No:** SAC-08-07-R1-5  
**Subject:** Intercare Insurance Services  
**Location:** Fresno  
**Type:** TPA

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>10</td>
<td>$1,550</td>
<td>$1,550</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>1</td>
<td>$200</td>
<td>$200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>11</td>
<td>$1,805</td>
<td>$1,805</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>2</td>
<td>$200</td>
<td>$200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>4</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>3</td>
<td>$750</td>
<td>$750</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**  
31 | $5,705 | $5,705 | $0 | $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
## Calendar Year: 2007
### Individual Exhibit 3
#### Notices of Compensation Due

**Audit No:** SAC-08-07-R1-5  
**Subject:** Intercare Insurance Services  
**Location:** Fresno  
**Type:** TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$87.00</td>
<td></td>
<td></td>
<td>$87.00</td>
</tr>
<tr>
<td>2</td>
<td>$108.20</td>
<td></td>
<td></td>
<td>$10.82</td>
<td></td>
<td></td>
<td>$119.02</td>
</tr>
<tr>
<td>3</td>
<td>$22.00</td>
<td></td>
<td></td>
<td>$64.34</td>
<td></td>
<td></td>
<td>$86.34</td>
</tr>
<tr>
<td>4</td>
<td>$47.18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$47.18</td>
</tr>
<tr>
<td>5</td>
<td>$233.75</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$233.75</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$411.13</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$162.16</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$573.29</strong></td>
</tr>
</tbody>
</table>
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-11-07-R1-5

Subject: Intercare Insurance Services

Location: Irvine

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   \[ \frac{\text{# claims with unpd indem}}{\text{# claims with payable indem}} = 0.15094 \]

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[ \frac{\text{Total unpd indem.}}{\text{# of claims with obligation to pay indemn.}} = \frac{2,983.26}{53} = 56.29 \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   \[ \frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} = \frac{23}{39} = 0.58696 \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[ \frac{\text{# claims with late first PD}}{\text{# with first PD}} = \frac{1}{13} = 0.07692 \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[ \frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{3}{23} = 0.13043 \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[ \frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{12}{37} = 0.32432 \]

Profile Audit Review Performance Rating - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Calendar Year: 2007

### Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>53</th>
<th>Audit No:</th>
<th>LAO-11-07-R1-5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>53</td>
<td>Subject:</td>
<td>Intercare Insurance Services</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
<td>Location:</td>
<td>Irvine</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
<td>Type:</td>
<td>TPA</td>
</tr>
<tr>
<td>Complaints</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Collection</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>31</td>
<td>$5,600</td>
<td>$5,600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>2</td>
<td>$2,400</td>
<td>$2,400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>14</td>
<td>$2,225</td>
<td>$2,225</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>4</td>
<td>$260</td>
<td>$260</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>12</td>
<td>$4,200</td>
<td>$4,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>8</td>
<td>$3,800</td>
<td>$3,800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>2</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>1</td>
<td>$50</td>
<td>$50</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 74 $19,335 $19,335 $0 $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
## Calendar Year: 2007

### Notices of Compensation Due

**Audit No:** LAO-11-07-R1-5

**Subject:** Intercare Insurance Services

**Location:** Irvine

**Type:** TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$230.16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$230.16</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>$273.56</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$273.56</td>
</tr>
<tr>
<td>3</td>
<td>$371.53</td>
<td>$47.15</td>
<td></td>
<td>$66.06</td>
<td></td>
<td></td>
<td>$484.74</td>
</tr>
<tr>
<td>4</td>
<td>$144.00</td>
<td></td>
<td></td>
<td>$9.60</td>
<td></td>
<td></td>
<td>$153.60</td>
</tr>
<tr>
<td>5</td>
<td>$281.94</td>
<td></td>
<td></td>
<td>$28.19</td>
<td></td>
<td></td>
<td>$310.13</td>
</tr>
<tr>
<td>6</td>
<td>$348.29</td>
<td></td>
<td></td>
<td>$31.54</td>
<td></td>
<td></td>
<td>$379.83</td>
</tr>
<tr>
<td>7</td>
<td>$206.13</td>
<td></td>
<td></td>
<td>$0.00</td>
<td></td>
<td></td>
<td>$206.13</td>
</tr>
<tr>
<td>8</td>
<td>$887.03</td>
<td></td>
<td></td>
<td>$58.08</td>
<td></td>
<td></td>
<td>$945.11</td>
</tr>
</tbody>
</table>

| TOTAL       | $2,469.08            | $320.71              | $0.00| $193.47               | $0.00          | $0.00                     | $2,983.26 |
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-03-07-R1-5

Subject: Intercare Insurance Services (County of Los Angeles)

Location: Orange

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate
# claims with unpd indemn 7 divide by # claims with payable indemn 58 = 0.12069

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
Total unpd indemn. = $ 21,209.55 divide by # of claims with obligation to pay indemn. 58
Avg Unpd Ind = $ 365.68

C. Severity Rate
Avg Unpd Indem $ 365.68 divide by avg unpd indemn 2003-2005 of $ 167.71 = 2.18044

D. Factor for Failure to pay Undisputed Accrued Indemnity
Frequency rate 0.12069 X Severity rate 2.18044 X modifier of 2 = 0.52631

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

# claims with late 1st TD 2 divide by # with TD payments 6 =
# claims with late first SC notice 11 divide by # with salary continuation 53
Totals 13 divide by Totals 59 = 0.22034

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

# claims with late first PD 3 divide by # with first PD 14
# claims with late first VRMA 0 divide by # with first VRMA 0
# claims with late first DB 0 divide by # with first DB paid 0
Totals 3 divide by Totals 14 = 0.21429

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

# claims with late subsequent payments 6 divide by # with subsequent payments 17 =

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

# claims with AME/QME notice violations 6 divide by # requiring notices 48
# claims with VR potential eligibility notice violations 0 divide by # requiring notices 1
Totals 6 divide by Totals 49 = 0.12245

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
**Calendar Year:** 2007

**Penalty Assessments and Collections**

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>3</td>
<td>$1,050</td>
<td>$1,050</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>3</td>
<td>$2,880</td>
<td>$2,880</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>8</td>
<td>$2,445</td>
<td>$2,445</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>11</td>
<td>$590</td>
<td>$590</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>6</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>1</td>
<td>$200</td>
<td>$200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>5</td>
<td>$6,200</td>
<td>$6,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>2</td>
<td>$300</td>
<td>$300</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>39</strong></td>
<td><strong>$16,665</strong></td>
<td><strong>$16,665</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Notices of Compensation Due

**Audit No:** LAO-03-07-R1-5

**Subject:** Intercare Insurance Services (County of Los Angeles)

**Location:** Orange

**Type:** TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$181.63</td>
<td></td>
<td></td>
<td>$181.63</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>$5,280.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$5,280.00</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>$620.00</td>
<td></td>
<td>$62.00</td>
<td></td>
<td></td>
<td>$682.00</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>$1,032.86</td>
<td></td>
<td>$103.29</td>
<td></td>
<td></td>
<td>$1,136.15</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>$7,400.00</td>
<td></td>
<td>$740.00</td>
<td></td>
<td></td>
<td>$8,140.00</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>$5,150.13</td>
<td></td>
<td>$515.01</td>
<td></td>
<td></td>
<td>$5,665.14</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>$113.30</td>
<td></td>
<td>$11.33</td>
<td></td>
<td></td>
<td>$124.63</td>
</tr>
</tbody>
</table>

**TOTAL** | **$113.30** | **$19,482.99** | **$0.00** | **$1,613.26** | **$0.00** | **$0.00** | **$21,209.55** |
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-08-07-R1-5

Subject: Intercare Insurance Services

Location: Pasadena

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

   A. Frequency Rate
   \[
   \frac{\text{# claims with unpd indem}}{\text{# claims with payable indem}} = \frac{6}{43} = 0.13953
   \]

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[
   \frac{\text{Total unpd indem.}}{\text{# of claims with obligation to pay indem.}} = \frac{\$ 2,442.03}{43} = \$ 56.79
   \]

   C. Severity Rate
   \[
   \frac{\text{Avg Unpd Indem}}{\text{Avg unpd indemn 2003-2005 of}} = \frac{\$ 56.79}{\$ 167.71} = 0.33863
   \]

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

   \[
   \frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} = \frac{6}{23} = 0.26087
   \]

   \[
   \frac{\text{# claims with late first SC notice}}{\text{# with salary continuation}} = \frac{5}{22} = 0.22727
   \]

   Totals
   \[
   \frac{\text{11}}{\text{45}} = 0.24444
   \]

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

   \[
   \frac{\text{# claims with late first PD}}{\text{# with first PD}} = \frac{3}{15} = 0.20000
   \]

   \[
   \frac{\text{# claims with late first VRMA}}{\text{# requiring notices}} = \frac{0}{0}
   \]

   \[
   \frac{\text{# claims with late first DB}}{\text{# requiring notices}} = \frac{0}{0}
   \]

   Totals
   \[
   \frac{3}{15} = 0.20000
   \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

   \[
   \frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{10}{25} = 0.40000
   \]

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

   \[
   \frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{4}{29}
   \]

   \[
   \frac{\text{# claims with VR potential eligibility notice violations}}{\text{# requiring notices}} = \frac{0}{0}
   \]

   Totals
   \[
   \frac{4}{29} = 0.13793
   \]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Calendar Year: 2007

### Individual Exhibit 2

#### Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>Indemnity</th>
<th>Medical Only</th>
<th>Denied</th>
<th>Complaints</th>
<th>Additional</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>43</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Audit No:** LAO-08-07-R1-5

**Subject:** Intercare Insurance Services

**Location:** Pasadena

**Type:** TPA

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits (TD)</td>
<td>7</td>
<td>$4,850</td>
<td>$4,850</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>3</td>
<td>$2,640</td>
<td>$2,640</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>21</td>
<td>$4,855</td>
<td>$4,855</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>5</td>
<td>$250</td>
<td>$250</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>4</td>
<td>$1,400</td>
<td>$1,400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>3</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>4</td>
<td>$1,550</td>
<td>$1,550</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** | 47 | $16,745 | $16,745 | $0 | $0 |

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Calendar Year: 2007

**Notices of Compensation Due**

**Audit No:** LAO-08-07-R1-5

**Subject:** Intercare Insurance Services

**Location:** Pasadena

**Type:** TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$1,041.34</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,041.34</td>
</tr>
<tr>
<td>2</td>
<td>$525.71</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$525.71</td>
</tr>
<tr>
<td>3</td>
<td>$505.08</td>
<td></td>
<td></td>
<td></td>
<td>$50.51</td>
<td></td>
<td>$555.59</td>
</tr>
<tr>
<td>4</td>
<td>$128.70</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$128.70</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>$180.36</td>
<td></td>
<td></td>
<td>$180.36</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td>$10.33</td>
<td></td>
<td></td>
<td>$10.33</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,675.12</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$766.91</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$2,442.03</strong></td>
</tr>
</tbody>
</table>
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-13-07-R1-5

Subject: J.T.2 Integrated Resources

Location: Ontario

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   \[ \frac{\text{# claims with unpaid indemnity}}{\text{# claims with payable indemnity}} = \frac{4}{57} = 0.07018 \]

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[ \frac{\text{Total unpaid indemnity}}{\text{# of claims with obligation to pay indemnity}} = \frac{700.28\$}{57} = 12.29\$ \]

   C. Severity Rate
   \[ \frac{\text{Avg Unpaid Indemnity}}{\text{Avg Unpaid Indemnity 2003-2005}} = \frac{12.29\$}{167.71\$} = 0.07326 \]

   D. Factor for Failure to pay Undisputed Accrued Indemnity
   \[ \text{Frequency rate} \times \text{Severity rate} \times \text{modifier of 2} = 0.01028 \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   \[ \frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} = \frac{2}{15} = 0.27273 \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[ \frac{\text{# claims with late first PD}}{\text{# with first PD}} = \frac{3}{11} = 0.27273 \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[ \frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{10}{18} = 0.55556 \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[ \frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{8}{44} = 0.18182 \]

   PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
   Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

**Calendar Year:** 2007

**Individual Exhibit 2**

### Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>57</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>56</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
</tr>
<tr>
<td>Complaints</td>
<td>0</td>
</tr>
<tr>
<td>Additional</td>
<td>1</td>
</tr>
</tbody>
</table>

**Audit No:** LAO-13-07-R1-5

**Subject:** J.T.2 Integrated Resources

**Location:** Ontario

**Type:** TPA

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>2</td>
<td>$550</td>
<td>$550</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>4</td>
<td>$1,040</td>
<td>$1,040</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>16</td>
<td>$2,445</td>
<td>$2,445</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>15</td>
<td>$690</td>
<td>$690</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>8</td>
<td>$2,600</td>
<td>$2,600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>2</td>
<td>$600</td>
<td>$600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>2</td>
<td>$150</td>
<td>$150</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 49  $8,075  $8,075  $0  $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007  

Notices of Compensation Due

Audit No: LAO-13-07-R1-5

Subject: J.T.2 Integrated Resources

Location: Ontario  
Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Impossed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$17.14</td>
<td></td>
<td></td>
<td>$17.14</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>$16.24</td>
<td></td>
<td></td>
<td>$16.24</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td>$624.00</td>
<td></td>
<td></td>
<td></td>
<td>$624.00</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td>$42.90</td>
<td></td>
<td></td>
<td></td>
<td>$42.90</td>
</tr>
</tbody>
</table>

TOTAL $666.90 $0.00 $0.00 $33.38 $0.00 $0.00 $700.28
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: OAK-05-07-R1-5

Subject: Keenan & Associates

Location: Redwood City

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate
   
   \[
   \frac{\text{# claims with unpd indemn}}{\text{# claims with payable indemn}} = \frac{1}{51} = 0.01961
   \]

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

\[
\text{Avg Unpd Ind} = \frac{\text{Total unpd indemn.}}{\text{# of claims with obligation to pay indemn.}} = \frac{132.00}{51} = 2.59
\]

C. Severity Rate

\[
\text{Avg Unpd Indem} = \frac{2.59}{\text{Avg Unpd indemn 2003-2005 of } 167.71} = 0.01543
\]

D. Factor for Failure to pay Undisputed Accrued Indemnity

\[
\text{Frequency rate} \times \text{Severity rate} \times \text{modifier of} \quad 2 = \frac{0.01961 \times 0.01543 \times 2}{0.00061}
\]

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

\[
\frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} = \frac{0}{8} = 0.18182
\]

\[
\frac{\text{# claims with late first SC notice}}{\text{# with salary continuation}} = \frac{14}{46} = 0.25926
\]

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

\[
\frac{\text{# claims with late first PD}}{\text{# with first PD}} = \frac{2}{11} = 0.18182
\]

\[
\frac{\text{# claims with late first VRMA}}{\text{# with first VRMA}} = \frac{0}{0}
\]

\[
\frac{\text{# claims with late first DB}}{\text{# with first DB paid}} = \frac{0}{0}
\]

\[
\text{Totals} = \frac{2}{11} = 0.18182
\]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

\[
\frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{1}{13} = 0.07692
\]

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

\[
\frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{3}{22} = 0.13636
\]

\[
\frac{\text{# claims with VR potential eligibility notice violations}}{\text{# requiring notices}} = \frac{0}{0}
\]

\[
\text{Totals} = \frac{3}{22} = 0.13636
\]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

**Calendar Year:** 2007

**Audit No:** OAK-05-07-R1-5  
**Subject:** Keenan & Associates  
**Location:** Redwood City  
**Type:** TPA

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>3</td>
<td>$350</td>
<td>$350</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>2</td>
<td>$140</td>
<td>$140</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>15</td>
<td>$525</td>
<td>$525</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>3</td>
<td>$700</td>
<td>$700</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>1</td>
<td>$200</td>
<td>$200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**  
24  
$1,915  
$1,915  
$0  
$0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: OAK-05-07-R1-5

Subject: Keenan & Associates

Location: Redwood City

Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$120.00</td>
<td></td>
<td></td>
<td>$12.00</td>
<td></td>
<td></td>
<td>$132.00</td>
</tr>
</tbody>
</table>

TOTAL $120.00 $0.00 $0.00 $12.00 $0.00 $0.00 $132.00
Calendar Year: 2007  Individual Exhibit 1A

Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: OAK-19-07-R1-5

Subject: Keenan & Associates

Location: San Jose

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

\[
\frac{\text{# claims with unpd indemn}}{\text{# claims with payable indemn}} = \frac{2}{57} = 0.03509
\]

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

\[
\frac{\text{Total unpd indemn.}}{\text{# of claims with obligation to pay indemn.}} = \frac{513.20}{57} = \frac{9.00}{167.71} = 0.05368
\]

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

\[
\frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} = \frac{0}{8} = 0.38182
\]

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

\[
\frac{\text{# claims with late first PD}}{\text{# with first PD}} = \frac{1}{15} = 0.06667
\]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

\[
\frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{1}{14} = 0.07143
\]

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

\[
\frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{12}{31} = \frac{0}{0} = 0.38710
\]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Calendar Year: 2007

#### Individual Exhibit 2

**Penalty Assessments and Collections**

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th>Files Audited</th>
<th>Audit No: OAK-19-07-R1-5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Complaints</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

**Location:** San Jose  
**Type:** TPA

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Collection</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>1</td>
<td>$200</td>
<td>$200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>3</td>
<td>$1,060</td>
<td>$1,060</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>25</td>
<td>$1,360</td>
<td>$1,360</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>13</td>
<td>$4,900</td>
<td>$4,900</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>2</td>
<td>$5,200</td>
<td>$5,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>4</td>
<td>$1,550</td>
<td>$1,550</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**  

<table>
<thead>
<tr>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Collection</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>49</td>
<td>$16,270</td>
<td>$16,270</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007  
Notices of Compensation Due

Audit No: OAK-19-07-R1-5
Subject: Keenan & Associates
Location: San Jose  
Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$44.00</td>
<td></td>
<td></td>
<td>$44.00</td>
</tr>
<tr>
<td>2</td>
<td>$211.59</td>
<td></td>
<td>$620.61</td>
<td>$620.61</td>
<td>$519.08</td>
<td>$1,652.89</td>
<td>$0.00</td>
</tr>
<tr>
<td>3</td>
<td>$5,190.87</td>
<td></td>
<td>$6,206.11</td>
<td>$519.08</td>
<td>$469.20</td>
<td></td>
<td>$5,709.95</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$469.20</td>
</tr>
</tbody>
</table>

TOTAL $5,402.46 $6,206.11 $0.00 $1,652.89 $0.00 $0.00 $13,261.46
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: VNO-10-07-R3-5

Subject: Metro Risk Management/Metropolitan Stevedore

Location: Wilmington

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
<th># claims with unpd indem</th>
<th>1</th>
<th>divide by # claims with payable indem</th>
<th>1</th>
<th>=</th>
<th>1.00000</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th>Total unpd indem.</th>
<th>$ 2,045.91</th>
<th>divide by # of claims with obligation to pay indemn.</th>
<th>1</th>
<th>=</th>
<th>Avg Unpd Ind</th>
<th>$2,045.91</th>
</tr>
</thead>
</table>

#### C. Severity Rate

<table>
<thead>
<tr>
<th>Avg Unpd Indem</th>
<th>$ 2,045.91</th>
<th>divide by avg unpd indem 2003-2005 of</th>
<th>$ 167.71</th>
<th>=</th>
<th>12.19909</th>
</tr>
</thead>
</table>

#### D. Factor for Failure to pay Undisputed Accrued Indemnity

<table>
<thead>
<tr>
<th>Frequency rate</th>
<th>1.00000</th>
<th>X</th>
<th>Severity rate</th>
<th>12.19909</th>
<th>X</th>
<th>modifier of</th>
<th>2</th>
<th>=</th>
<th>24.39819</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th># claims with late 1st TD</th>
<th>0</th>
<th>divide by # with TD payments</th>
<th>1</th>
<th>=</th>
<th>0.00000</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th># claims with late first SC notice</th>
<th>0</th>
<th>divide by # with salary continuation</th>
<th>0</th>
<th>=</th>
<th>Totals</th>
<th>0</th>
<th>divide by</th>
<th>Totals</th>
<th>1</th>
<th>=</th>
<th>0.00000</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th># claims with late first PD</th>
<th>0</th>
<th>divide by # with first PD</th>
<th>1</th>
<th>=</th>
<th>0.00000</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th># claims with late first VRMA</th>
<th>0</th>
<th>divide by # with first VRMA</th>
<th>0</th>
<th>=</th>
<th>0.00000</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th># claims with late first DB</th>
<th>0</th>
<th>divide by # with first DB paid</th>
<th>0</th>
<th>=</th>
<th>0.00000</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Totals</th>
<th>0</th>
<th>divide by</th>
<th>Totals</th>
<th>1</th>
<th>=</th>
<th>0.00000</th>
</tr>
</thead>
</table>

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

<table>
<thead>
<tr>
<th># claims with late subsequent payments</th>
<th>0</th>
<th>divide by # with subsequent payments</th>
<th>1</th>
<th>=</th>
<th>0.00000</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th># claims with AME/QME notice violations</th>
<th>1</th>
<th>divide by # requiring notices</th>
<th>1</th>
<th>=</th>
<th>1.00000</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th># claims with VR potential eligibility notice violations</th>
<th>0</th>
<th>divide by # requiring notices</th>
<th>0</th>
<th>=</th>
<th>Totals</th>
<th>1</th>
<th>divide by</th>
<th>Totals</th>
<th>1</th>
<th>=</th>
<th>1.00000</th>
</tr>
</thead>
</table>

### PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
**Full Compliance Audit Performance Rating of Randomly Selected Claims**

**Audit No:** VNO-10-07-R3-5  
**Subject:** Metro Risk Management/Metropolitan Stevedore  
**Location:** Wilmington

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with unpd indemn</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>B.</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total unpd indemn</td>
<td>$ 2,045.91</td>
<td>divide by</td>
<td># of claims with obligation to pay indemn.</td>
</tr>
<tr>
<td>Avg Unpd Ind</td>
<td>$ 2,045.91</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### C. Severity Rate

| C. | Avg Unpd Ind. | $ 2,045.91 | divide by avg unpd indemn 2003-2005 of | $ 167.71 | = | 12.19909 |

### D. Factor for Failure to pay Undisputed Accrued Indemnity

| D. | Frequency rate | 1.00000 | X | Severity rate | 12.19909 | X | modifier of | 2 | = | 24.39819 |

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

| # claims with late 1st TD | 0 | divide by | # with TD payments | 1 |
| # claims with late first SC notice | 0 | divide by | # with salary continuation | 0 |
| Totals | 0 | divide by | Totals | 1 | = | 0.00000 |

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

| # claims with late first PD | 0 | divide by | # with first PD | 1 |
| # claims with late first VRMA | 0 | divide by | # with first VRMA | 0 |
| # claims/late first death benefits | 0 | divide by | # with first death ben paid | 0 |
| Totals | 0 | divide by | Totals | 1 | = | 0.00000 |

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subseq payments | 0 | divide by | # with subseq payments | 1 | = | 0.00000 |

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

| # claims with AME/QME notice violations | 1 | divide by | # requiring notices | 1 |
| # claims with VR potential eligibility notice violations | 0 | divide by | # requiring notices | 0 |
| Totals | 1 | divide by | Totals | 1 | = | 1.00000 |

**FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007**  
Full Compliance Audit Performance Rating of indemnity files of 2.21983 or greater is a failing score.
### Full Compliance Audit Performance Rating of Randomly Selected Claims

**Audit No:** VNO-10-07-R3-5  
**Subject:** Metro Risk Management/Metropolitan Stevedore  
**Location:** Wilmington

#### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>Category</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Frequency Rate</strong></td>
<td># claims with unpd indem / # claims with payable indem = 1.00000</td>
</tr>
<tr>
<td><strong>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</strong></td>
<td>Total unpd indemnity / # of claims with obligation to pay indemnity = $2,045.91</td>
</tr>
<tr>
<td><strong>C. Severity Rate</strong></td>
<td>Avg Unpd Indemnity = $2,045.91 / Avg unpd indemnity 2003-2005 of $167.71 = 12.19909</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late 1st TD</td>
<td>0 / # with TD payments = 1</td>
</tr>
<tr>
<td># claims with late first SC notice</td>
<td>0 / # with salary continuation = 0</td>
</tr>
<tr>
<td>Totals</td>
<td>0 / Totals = 0</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first PD</td>
<td>0 / # with first PD = 1</td>
</tr>
<tr>
<td># claims with late first VRMA</td>
<td>0 / # with first VRMA = 0</td>
</tr>
<tr>
<td># claims with late first death benefits</td>
<td>0 / # with first death ben paid = 0</td>
</tr>
<tr>
<td>Totals</td>
<td>0 / Totals = 1</td>
</tr>
</tbody>
</table>

#### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

<table>
<thead>
<tr>
<th>Category</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late subseq payments</td>
<td>0 / # with subseq payments = 1</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with AME/QME notice violations</td>
<td>1 / # requiring notices = 1</td>
</tr>
<tr>
<td># claims with VR potential eligibility notice violations</td>
<td>0 / # requiring notices = 0</td>
</tr>
<tr>
<td>Totals</td>
<td>1 / Totals = 1</td>
</tr>
</tbody>
</table>

**FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007**  
Full Compliance Audit Performance Rating for indemnity and denied files of 2.21983 or greater is a failing score.
### Penalty Assessments and Collections

**Calendar Year:** 2007  
**Penalty Assessments and Collections**

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>Indemnity</th>
<th>Medical Only</th>
<th>Denied</th>
<th>Complaints</th>
<th>Additional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit No:</td>
<td>VNO-10-07-R3-5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subject:</td>
<td>Metro Risk Management/Metropolitan Stevedore</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Location:</td>
<td>Wilmington</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type:</td>
<td>TPA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process.</td>
<td>1</td>
<td>$500</td>
<td>$0</td>
<td>$500</td>
<td>$500</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>1</td>
<td>$2,000</td>
<td>$0</td>
<td>$2,000</td>
<td>$2,000</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>
### Penalty Assessments and Collections

**Calendar Year:** 2007  
**Individual Exhibit 2**  
**Page 2 of 2**

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>1</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
</tr>
<tr>
<td>Complaints</td>
<td>0</td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Audit No:</th>
<th>VNO-10-07-R3-5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject:</td>
<td>Metro Risk Management/Metropolitan Stevedore</td>
</tr>
<tr>
<td>Location:</td>
<td>Wilmington</td>
</tr>
<tr>
<td>Type:</td>
<td>TPA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to issue benefit notices other than specific notices for VR or denial.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical treatment expense in the manner required by law or regulation.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical-legal expense in the manner required by law or regulation.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely assign a QRR to an employee after 90 aggregate days of total TD for injuries prior to 1/1/94.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide VR information after 90 aggregate days of total TD (injuries 1/1/94 thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely notify an injured employee of potential eligibility for VR (injuries thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of non-eligibility for VR.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide notices denying all liability or death benefits as required.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely respond to a request to provide or authorize medical treatment.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to include specific items or properly designate entries on a claim log.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Materially incomplete or inaccurate benefit notices including denial for all liability, other than specific vocational rehabilitation notices.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to investigate.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late payment of WCAB Orders or Awards or RU Orders for late payment of attorney fees and issues other than late payment of indemnity.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Penalties for failure to comply with any regulation of the AD not otherwise assessed.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Unsupported denial of all liability for a claim.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**  
| 2 | $2,500 | $0 | $0 | $2,500 |

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007  
Notices of Compensation Due

Audit No: VNO-10-07-R3-5

Subject: Metro Risk Management/Metropolitan Stevedore

Location: Wilmington  
Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$2,045.91</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$2,045.91</td>
</tr>
</tbody>
</table>

TOTAL $2,045.91 $0.00 $0.00 $0.00 $0.00 $0.00 $2,045.91
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No:  OAK-12-07-R1-3

Subject:  Municipal Pooling Authority

Location:  Walnut Creek

<table>
<thead>
<tr>
<th>1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Frequency Rate</td>
</tr>
<tr>
<td># claims with unpd indem 0 divide by # claims with payable indem 49 = 0.00000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total unpd indem. = $ - divide by # of claims with obligation to pay indem. 49</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. Severity Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg Unpd Indem $ - divide by avg unpd indem 2003-2005 of $ 167.71 = 0.00000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D. Factor for Failure to pay Undisputed Accrued Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency rate 0.00000 X Severity rate 0.00000 X modifier of 2 = 0.00000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late 1st TD 1 divide by # with TD payments 8</td>
</tr>
<tr>
<td># claims with late first SC notice 2 divide by # with salary continuation 37</td>
</tr>
<tr>
<td>Totals 3 divide by Totals 45 =</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first PD 0 divide by # with first PD 6</td>
</tr>
<tr>
<td># claims with late first VRMA 0 divide by # with first VRMA 0</td>
</tr>
<tr>
<td># claims with late first DB 0 divide by # with first DB paid 0</td>
</tr>
<tr>
<td>Totals 0 divide by Totals 6 =</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late subsequent payments 1 divide by # with subsequent payments 10 =</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with AME/QME notice violations 2 divide by # requiring notices 32</td>
</tr>
<tr>
<td># claims with VR potential eligibility notice violations 0 divide by # requiring notices 0</td>
</tr>
<tr>
<td>Totals 2 divide by Totals 32 =</td>
</tr>
</tbody>
</table>

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
**Calendar Year:** 2007

**Penalty Assessments and Collections**

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>1</td>
<td>$250</td>
<td>$250</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>1</td>
<td>$160</td>
<td>$160</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>2</td>
<td>$50</td>
<td>$50</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>2</td>
<td>$500</td>
<td>$500</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** | 6 | **$960** | **$960** | $0 | $0 |

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: OAK-12-07-R1-3

Subject: Municipal Pooling Authority

Location: Walnut Creek

Type: SI & TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

TOTAL $0.00 $0.00 $0.00 $0.00 $0.00 $0.00 $0.00
### Calendar Year: 2007

#### Individual Exhibit 1A

**Profile Audit Review Performance Rating of Randomly Selected Claims**

**Audit No:** OAK-01-07-R1-6

**Subject:** North Bay Schools Insurance Authority

**Location:** Fairfield

### 1. Factor for Failure to Pay Accrued and Undisputed Indemnity

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with unpd indem</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total unpd indem. = $ - divide by # of claims with obligation to pay indem.</td>
</tr>
<tr>
<td>Avg Unpd Ind = $ -</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. Severity Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg Unpd Indem = $ - divide by avg unpd indem 2003-2005 of $ 167.71 =</td>
</tr>
</tbody>
</table>

### 2. Factor for Late First Payment of Temporary Disability or First Notice of SC

<table>
<thead>
<tr>
<th># claims with late 1st TD</th>
<th>3 divide by # with TD payments</th>
<th>14</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first SC notice</td>
<td>10 divide by # with salary continuation</td>
<td>43</td>
</tr>
<tr>
<td>Totals</td>
<td>13 divide by Totals</td>
<td>57</td>
</tr>
</tbody>
</table>

### 3. Factor for Late First Payment of Permanent Disability, VRMA, and Death Benefits

<table>
<thead>
<tr>
<th># claims with late first PD</th>
<th>2 divide by # with first PD</th>
<th>12</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first VRMA</td>
<td>0 divide by # with first VRMA</td>
<td>0</td>
</tr>
<tr>
<td># claims with late first DB</td>
<td>0 divide by # with first DB paid</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>2 divide by Totals</td>
<td>12</td>
</tr>
</tbody>
</table>

### 4. Factor for Late Subsequent Indemnity Payments

| # claims with late subsequent payments | 4 divide by # with subsequent payments | 19 | = | 0.21053 |

### 5. Factor for Provision of AME/QME Notices and Notices of Potential Eligibility for Vocational Rehabilitation

<table>
<thead>
<tr>
<th># claims with AME/QME notice violations</th>
<th>12 divide by # requiring notices</th>
<th>41</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with VR potential eligibility notice violations</td>
<td>0 divide by # requiring notices</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>12 divide by Totals</td>
<td>41</td>
</tr>
</tbody>
</table>

**Profile Audit Review Performance Rating - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>3</td>
<td>$750</td>
<td>$750</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>2</td>
<td>$840</td>
<td>$840</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>4</td>
<td>$720</td>
<td>$720</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>10</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>12</td>
<td>$3,500</td>
<td>$3,500</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 31 $6,210 $6,210 $0 $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: OAK-01-07-R1-6

Subject: North Bay Schools Insurance Authority

Location: Fairfield

Type: SI

No Undisputed Compensation Was Found Unpaid

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

TOTAL $0.00  $0.00  $0.00  $0.00  $0.00  $0.00  $0.00
### Profile Audit Review Performance Rating of Randomly Selected Claims

**Audit No:** OAK-26-07-R1-2  
**Subject:** Pacific Gas & Electric Company  
**Location:** San Francisco

#### 1. Factor for Failure to Pay Accrued and Undisputed Indemnity

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency Rate</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td># claims with unpd indem</td>
<td>10</td>
</tr>
</tbody>
</table>

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

$$ \text{Total unpd indem.} = \frac{28,845.03}{57} = \$ 506.05$$

$$ \text{Avg Unpd Ind} = \frac{28,845.03}{57} = \$ 506.05$$

#### C. Severity Rate

$$ \text{Avg Unpd Indem} = 506.05$$

$$ \text{divide by avg unpd indem 2003-2005 of} \ 167.71 = 3.01743$$

$$ \text{Frequency rate} = \frac{0.17544 \times \text{Severity rate} 3.01743 \times \text{modifier of 2}}{1.05875}$$

#### 2. Factor for Late First Payment of Temporary Disability or First Notice of SC

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td># claims with late 1st TD</td>
<td>7</td>
</tr>
</tbody>
</table>

#### 3. Factor for Late First Payment of Permanent Disability, VRMA, and Death Benefits

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td># claims with late first PD</td>
<td>3</td>
</tr>
<tr>
<td># claims with late first VRMA</td>
<td>0</td>
</tr>
<tr>
<td># claims with late first DB</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>3</td>
</tr>
</tbody>
</table>

#### 4. Factor for Late Subsequent Indemnity Payments

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td># claims with late subsequent payments</td>
<td>9</td>
</tr>
</tbody>
</table>

#### 5. Factor for Provision of AME/QME Notices and Notices of Potential Eligibility for Vocational Rehabilitation

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td># claims with AME/QME notice violations</td>
<td>11</td>
</tr>
<tr>
<td># claims with VR potential eligibility notice violations</td>
<td>1</td>
</tr>
<tr>
<td>Totals</td>
<td>12</td>
</tr>
</tbody>
</table>

**Profile Audit Review Performance Rating - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Penalty Assessments and Collections

**Individual Exhibit 2**

**Calendar Year:** 2007

**Files Audited:** 58

| Subject: Pacific Gas & Electric Company | Location: San Francisco |

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>9</td>
<td>$1,995</td>
<td>$1,995</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>4</td>
<td>$2,810</td>
<td>$2,810</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>16</td>
<td>$3,990</td>
<td>$3,990</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>1</td>
<td>$100</td>
<td>$100</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>11</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>2</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>4</td>
<td>$7,300</td>
<td>$7,300</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits</td>
<td>5</td>
<td>$750</td>
<td>$750</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>52</strong></td>
<td><strong>$20,345</strong></td>
<td><strong>$20,345</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Notices of Compensation Due

**Audit No:** OAK-26-07-R1-2  
**Subject:** Pacific Gas & Electric Company  
**Location:** San Francisco  
**Type:** SI

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$411.45</td>
<td></td>
<td></td>
<td>$411.45</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>$528.00</td>
<td></td>
<td></td>
<td>$528.00</td>
</tr>
<tr>
<td>3</td>
<td>$536.39</td>
<td></td>
<td></td>
<td>$53.64</td>
<td></td>
<td></td>
<td>$590.03</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td>$142.90</td>
<td></td>
<td></td>
<td>$142.90</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>$15,663.80</td>
<td></td>
<td>$1,566.38</td>
<td></td>
<td></td>
<td>$17,230.18</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>$707.14</td>
<td></td>
<td>$70.71</td>
<td></td>
<td></td>
<td>$777.85</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td>$34.29</td>
<td></td>
<td></td>
<td>$34.29</td>
</tr>
<tr>
<td>8</td>
<td>$6,113.65</td>
<td></td>
<td></td>
<td>$611.37</td>
<td></td>
<td></td>
<td>$6,725.02</td>
</tr>
<tr>
<td>9</td>
<td>$1,590.00</td>
<td></td>
<td></td>
<td>$760.98</td>
<td></td>
<td></td>
<td>$2,350.98</td>
</tr>
<tr>
<td>10</td>
<td>$54.33</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$54.33</td>
</tr>
</tbody>
</table>

**TOTAL**  
$590.72 | $24,074.59 | $0.00 | $4,179.72 | $0.00 | $0.00 | $28,845.03
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: OAK-08-07-R1-1

Subject: Petroleum Casualty Company

Location: Houston, TX

<table>
<thead>
<tr>
<th>1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Frequency Rate</strong></td>
<td></td>
</tr>
<tr>
<td># claims with unpd indem 3 divide by # claims with payable indem 19 =</td>
<td>0.15789</td>
</tr>
<tr>
<td><strong>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</strong></td>
<td></td>
</tr>
<tr>
<td>Total unpd indemn. = $ 5,330.75 divide by # of claims with obligation to pay indemn. 19 Avg Unpd Ind = $ 280.57</td>
<td></td>
</tr>
<tr>
<td><strong>C. Severity Rate</strong></td>
<td></td>
</tr>
<tr>
<td>Avg Unpd Indem $ 280.57 divide by avg unpd indemn 2003-2005 of $ 167.71 =</td>
<td>1.67292</td>
</tr>
<tr>
<td><strong>D. Factor for Failure to pay Undisputed Accrued Indemnity</strong></td>
<td></td>
</tr>
<tr>
<td>Frequency rate 0.15789 X Severity rate 1.67292 X modifier of 2 =</td>
<td>0.52829</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late 1st TD 0 divide by # with TD payments 4</td>
<td></td>
</tr>
<tr>
<td># claims with late first SC notice 3 divide by # with salary continuation 10</td>
<td></td>
</tr>
<tr>
<td>Totals 3 divide by Totals 14</td>
<td>0.21429</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first PD 0 divide by # with first PD 16</td>
<td></td>
</tr>
<tr>
<td># claims with late first VRMA 0 divide by # with first VRMA 0</td>
<td></td>
</tr>
<tr>
<td># claims with late first DB 0 divide by # with first DB paid 1</td>
<td></td>
</tr>
<tr>
<td>Totals 0 divide by Totals 17</td>
<td>0.00000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late subsequent payments 3 divide by # with subsequent payments 14</td>
<td>0.21429</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with AME/QME notice violations 5 divide by # requiring notices 12</td>
<td></td>
</tr>
<tr>
<td># claims with VR potential eligibility notice violations 0 divide by # requiring notices 0</td>
<td></td>
</tr>
<tr>
<td>Totals 5 divide by Totals 12</td>
<td>0.41667</td>
</tr>
</tbody>
</table>

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Penalty Assessments and Collections

**Calendar Year:** 2007  
**Individual Exhibit 2**

**Files Audited:** 19  
**Audit No:** OAK-08-07-R1-1  
**Subject:** Petroleum Casualty Company  
**Location:** Houston, TX  
**Type:** INS

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>9</td>
<td>$2,385</td>
<td>$2,385</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>2</td>
<td>$105</td>
<td>$105</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>5</td>
<td>$1,600</td>
<td>$1,600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>4</td>
<td>$2,800</td>
<td>$2,800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>1</td>
<td>$500</td>
<td>$500</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>21</strong></td>
<td><strong>$7,390</strong></td>
<td><strong>$7,390</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
## Notices of Compensation Due

**Calendar Year:** 2007

**Audit No:** OAK-08-07-R1-1

**Subject:** Petroleum Casualty Company

**Location:** Houston, TX

**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$1,508.25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,508.25</td>
</tr>
<tr>
<td>2</td>
<td>$1,875.00</td>
<td></td>
<td></td>
<td></td>
<td>$187.50</td>
<td></td>
<td>$2,062.50</td>
</tr>
<tr>
<td>3</td>
<td>$1,600.00</td>
<td></td>
<td></td>
<td></td>
<td>$160.00</td>
<td></td>
<td>$1,760.00</td>
</tr>
</tbody>
</table>

**TOTAL**  $0.00  $4,983.25  $0.00  $347.50  $0.00  $0.00  $5,330.75
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No:  OAK-03-07-R1-6

Subject:  Redwood Empire Schools Insurance Group

Location:  Windsor

<table>
<thead>
<tr>
<th>1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Frequency Rate</td>
</tr>
<tr>
<td># claims with unpd indem 2  divide by # claims with payable indem 50  =  0.04000</td>
</tr>
<tr>
<td>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</td>
</tr>
<tr>
<td>Total unpd indem.  =  $ 142.22  divide by  # of claims with obligation to pay indem. 50</td>
</tr>
<tr>
<td>Avg Unpd Ind =  $ 2.84</td>
</tr>
<tr>
<td>C. Severity Rate</td>
</tr>
<tr>
<td>Avg Unpd Indem $ 2.84  divide by avg unpd indem 2003-2005 of $ 167.71  =  0.01696</td>
</tr>
<tr>
<td>D. Factor for Failure to pay Undisputed Accrued Indemnity</td>
</tr>
<tr>
<td>Frequency rate 0.04000  X  Severity rate 0.01696  X  modifier of 2  =  0.00136</td>
</tr>
</tbody>
</table>

| 2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC  |
| # claims with late 1st TD 5  divide by # with TD payments 8  |
| # claims with late first SC notice 18  divide by # with salary continuation 43  |
| Totals 23  divide by  Totals 51  =  0.45098  |

| 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 0  divide by # with first VRMA 0  |
| # claims with late first DB 0  divide by # with first DB paid 0  |
| Totals 3  divide by  Totals 13  =  0.23077  |

| 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS  |
| # claims with late subsequent payments 0  divide by # with subsequent payments 8  =  0.00000  |

| 5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION  |
| # claims with AME/QME notice violations 13  divide by # requiring notices 28  |
| # claims with VR potential eligibility notice violations 0  divide by # requiring notices 0  |
| Totals 13  divide by  Totals 28  =  0.46429  |

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Penalty Assessments and Collections

**Calendar Year:** 2007  
**Penalty Assessments and Collections**

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>53</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>49</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
</tr>
<tr>
<td>Complaints</td>
<td>3</td>
</tr>
<tr>
<td>Additional</td>
<td>1</td>
</tr>
</tbody>
</table>

**Audit No:** OAK-03-07-R1-6

**Subject:** Redwood Empire Schools Ins Group

**Location:** Windsor  
**Type:** SI

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>5</td>
<td>$1,250</td>
<td>$1,250</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>5</td>
<td>$5,500</td>
<td>$5,500</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>2</td>
<td>$420</td>
<td>$420</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>18</td>
<td>$1,010</td>
<td>$1,010</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>1</td>
<td>$100</td>
<td>$100</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>16</td>
<td>$4,600</td>
<td>$4,600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>2</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL:** 49  
**$13,280**  
**$13,280**  
**$0**  
**$0**

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Calendar Year: 2007

**Notices of Compensation Due**

**Audit No:** OAK-03-07-R1-6

**Subject:** Redwood Empire Schools Insurance Group

**Location:** Windsor  
**Type:** SI

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$68.52</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$68.52</td>
</tr>
<tr>
<td>2</td>
<td>$73.70</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$73.70</td>
</tr>
</tbody>
</table>

**TOTAL**  
$142.22 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $142.22
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No:  LAO-27-07-R1-1

Subject:  Republic Indemnity Company

Location:  San Diego

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate
# claims with unpd indem  2  divide by  # claims with payable indem  52  =  0.03846

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
Total unpd indem.  $ 476.41  divide by  # of claims with obligation to pay indem.  52  
Avg Unpd Ind  $ 9.16

C. Severity Rate
Avg Unpd Indem  $ 9.16  divide by avg unpd indemn 2003-2005 of  $ 167.71  =  0.05463

D. Factor for Failure to pay Undisputed Accrued Indemnity
Frequency rate   0.03846   X  Severity rate  0.05463   X  modifier of  2
=  0.00420

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

# claims with late 1st TD  4  divide by  # with TD payments  49
# claims with late first SC notice  0  divide by  # with salary continuation  0
Totals  4  divide by  Totals  49
=  0.08163

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

# claims with late first PD  1  divide by  # with first PD  27
# claims with late first VRMA  0  divide by  # with first VRMA  0
# claims with late first DB  0  divide by  # with first DB paid  0
Totals  1  divide by  Totals  27
=  0.03704

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

# claims with late subsequent payments  19  divide by  # with subsequent payments  44
=  0.43182

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  34
# claims with VR potential eligibility notice violations  0  divide by  # requiring notices  1
Totals  5  divide by  Totals  35
=  0.14286

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Penalty Assessments and Collections

**Calendar Year:** 2007  
**Audit No:** LAO-27-07-R1-1  
**Subject:** Republic Indemnity Company  
**Location:** San Diego  
**Type:** INS

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>4</td>
<td>$660</td>
<td>$660</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>1</td>
<td>$640</td>
<td>$640</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>28</td>
<td>$4,920</td>
<td>$4,920</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>5</td>
<td>$2,100</td>
<td>$2,100</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>2</td>
<td>$600</td>
<td>$600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>40</strong></td>
<td><strong>$8,920</strong></td>
<td><strong>$8,920</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
## Notices of Compensation Due

### Individual Exhibit 3

**Calendar Year:** 2007

### Audit No: LAO-27-07-R1-1

**Subject:** Republic Indemnity Company

**Location:** San Diego

**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$349.76</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$34.98</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$384.74</td>
</tr>
<tr>
<td>2</td>
<td>$91.67</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$91.67</td>
</tr>
</tbody>
</table>

**TOTAL**  $441.43  $0.00  $0.00  $34.98  $0.00  $0.00  $476.41
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-06-07-R3-2

Subject: Robertson's Transport and Robertson's Ready Mix

Location: Corona

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

\[
\frac{\text{# claims with unpd indemn}}{\text{# claims with payable indemn}} = \frac{20}{44} = 0.45455
\]

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

\[
\frac{\text{Total unpd indemn.}}{\text{# of claims with obligation to pay indemn.}} = \frac{12,197.59}{44} = \frac{277.22}{44} = 1.65296
\]

C. Severity Rate

\[
\frac{\text{Avg Unpd Indem}}{\text{Avg unpd indem 2003-2005 of}} = \frac{277.22}{167.71} = 1.65296
\]

D. Factor for Failure to pay Undisputed Accrued Indemnity

\[
\text{Frequency rate} \times \text{Severity rate} \times \text{modifier of 2} = 0.45455 \times 1.65296 \times 2 = 1.50269
\]

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

\[
\frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} = \frac{9}{39} = 0.23077
\]

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

\[
\frac{\text{# claims with late first PD}}{\text{# with first PD}} = \frac{1}{15} = 0.06667
\]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

\[
\frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{21}{35} = 0.60000
\]

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

\[
\frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{1}{24} = 0.04167
\]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Full Compliance Audit Performance Rating of Randomly Selected Claims

**Audit No:** LAO-06-07-R3-2  
**Subject:** Robertson's Transport and Robertson's Ready Mix  
**Location:** Corona

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with unpd indem</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Total unpd indem</th>
<th>$ 22,969.40</th>
<th>divide by</th>
<th># of claims with obligation to pay indem.</th>
<th>75</th>
<th>Avg Unpd Ind</th>
<th>$ 306.26</th>
</tr>
</thead>
</table>

### C. Severity Rate

<table>
<thead>
<tr>
<th>Avg Unpd Ind.</th>
<th>$ 306.26</th>
<th>divide by avg unpd indemn 2003-2005 of</th>
<th>$ 167.71</th>
<th>=</th>
<th>1.82612</th>
</tr>
</thead>
</table>

### D. Factor for Failure to pay Undisputed Accrued Indemnity

<table>
<thead>
<tr>
<th>Frequency rate</th>
<th>0.46667</th>
<th>X</th>
<th>Severity rate</th>
<th>1.82612</th>
<th>X</th>
<th>modifier of</th>
<th>2</th>
<th>=</th>
<th>1.70438</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th># claims with late 1st TD</th>
<th>14</th>
<th>divide by</th>
<th># with TD payments</th>
<th>69</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first SC notice</td>
<td>0</td>
<td>divide by</td>
<td># with salary continuation</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>14</td>
<td>divide by</td>
<td>Totals</td>
<td>69</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with late first PD</th>
<th>1</th>
<th>divide by</th>
<th># with first PD</th>
<th>19</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first VRMA</td>
<td>0</td>
<td>divide by</td>
<td># with first VRMA</td>
<td>0</td>
</tr>
<tr>
<td># claims/late first death benefits</td>
<td>0</td>
<td>divide by</td>
<td># with first death ben paid</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>1</td>
<td>divide by</td>
<td>Totals</td>
<td>19</td>
</tr>
</tbody>
</table>

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

<table>
<thead>
<tr>
<th># claims with late subseq payments</th>
<th>36</th>
<th>divide by</th>
<th># with subseq payments</th>
<th>57</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th># claims with AME/QME notice violations</th>
<th>1</th>
<th>divide by</th>
<th># requiring notices</th>
<th>48</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with VR potential eligibility notice violations</td>
<td>0</td>
<td>divide by</td>
<td># requiring notices</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>1</td>
<td>divide by</td>
<td>Totals</td>
<td>48</td>
</tr>
</tbody>
</table>

### FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007

Full Compliance Audit Performance Rating of indemnity files of 2.21983 or greater is a failing score.
Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: LAO-06-07-R3-2

Subject: Robertson's Transport and Robertson's Ready Mix

Location: Corona

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   \[
   \frac{\text{# claims with unpd indemn}}{\text{# claims with payable indemn}} = \frac{36}{76} = 0.47368
   \]

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[
   \frac{\text{Total unpd indemn}}{\text{# of claims with obligation to pay indemn.}} = \frac{30,498.24}{76} = 401.29
   \]

   C. Severity Rate
   \[
   \frac{\text{Avg Unpd Ind}}{\text{Avg unpd indemn 2003-2005 of}} = \frac{401.29}{167.71} = 2.39278
   \]

   D. Factor for Failure to pay Undisputed Accrued Indemnity
   \[
   \text{Frequency rate} \times \text{Severity rate} \times \text{modifier of } 2 = 0.47368 \times 2.39278 \times 2 = 2.26684
   \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE
   \[
   \frac{\text{# claims with late 1st TD}}{\text{# claims with late first SC notice}} = \frac{15}{0} = 0.21127
   \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[
   \frac{\text{# claims with late first PD}}{\text{# claims with late first VRMA}} = \frac{0}{0} = 0.00000
   \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[
   \frac{\text{# claims with late subseq payments}}{\text{# with subseq payments}} = \frac{37}{58} = 0.63793
   \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[
   \frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{2}{49} = 0.04082
   \]

   \[
   \frac{\text{# claims with VR potential eligibilty notice violations}}{\text{# requiring notices}} = \frac{0}{0} = 0.00000
   \]

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007

Full Compliance Audit Performance Rating for indemnity and denied files of 2.21983 or greater is a failing score.
## Penalty Assessments and Collections

**Calendar Year:** 2007

**Individual Exhibit 2**

**Penalty Assessments and Collections**

### Files Audited:
- **Indemnity:** 85
- **Medical Only:** 0
- **Denied:** 9
- **Complaints:** 1
- **Additional:** 0

### Audit No: LAO-06-07-R3-2

**Subject:** Robertson's Transport and Robertson's Ready Mi:

**Location:** Corona

**Type:** SI

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>18</td>
<td>$7,370</td>
<td>$0</td>
<td>$7,370</td>
<td>$7,370</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>70</td>
<td>$13,360</td>
<td>$0</td>
<td>$13,360</td>
<td>$13,360</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>1</td>
<td>$250</td>
<td>$0</td>
<td>$250</td>
<td>$250</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>47</td>
<td>$2,640</td>
<td>$0</td>
<td>$2,640</td>
<td>$2,640</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process.</td>
<td>2</td>
<td>$800</td>
<td>$0</td>
<td>$800</td>
<td>$800</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>35</td>
<td>$26,800</td>
<td>$0</td>
<td>$26,800</td>
<td>$26,800</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>2</td>
<td>$800</td>
<td>$0</td>
<td>$800</td>
<td>$800</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>5</td>
<td>$1,500</td>
<td>$0</td>
<td>$1,500</td>
<td>$1,500</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
Penalty Assessments and Collections

Files Audited:
- Indemnity: 85
- Medical Only: 75
- Denied: 0
- Complaints: 9
- Additional: 1

Audit No: LAO-06-07-R3-2

Subject: Robertson's Transport and Robertson's Ready Mix

Location: Corona

Type: SI

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to issue benefit notices other than specific notices for VR or denial.</td>
<td>26</td>
<td>$2,600</td>
<td>$0</td>
<td>$2,600</td>
<td>$2,600</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical treatment expense in the manner required by law or regulation.</td>
<td>17</td>
<td>$4,600</td>
<td>$0</td>
<td>$4,600</td>
<td>$4,600</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical-legal expense in the manner required by law or regulation.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely assign a QRR to an employee after 90 aggregate days of total TD for injuries prior to 1/1/94.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide VR information after 90 aggregate days of total TD (injuries 1/1/94 thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely notify an injured employee of potential eligibility for VR (injuries thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of non-eligibility for VR.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide notices denying all liability or death benefits as required.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely respond to a request to provide or authorize medical treatment.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to include specific items or properly designate entries on a claim log.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Materially incomplete or inaccurate benefit notices including denial for all liability, other than specific vocational rehabilitation notices.</td>
<td>75</td>
<td>$12,400</td>
<td>$0</td>
<td>$12,400</td>
<td>$12,400</td>
<td></td>
</tr>
<tr>
<td>Failure to investigate.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late payment of WCAB Orders or Awards or RU Orders for late payment of attorney fees and issues other than late payment of indemnity.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Penalties for failure to comply with any regulation of the AD not otherwise assessed.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Unsupported denial of all liability for a claim.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>298</strong></td>
<td><strong>$73,120</strong></td>
<td><strong>$0</strong></td>
<td><strong>$73,120</strong></td>
<td><strong>$73,120</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Calendar Year: 2007

**Notices of Compensation Due**

**Audit No:** LAO-06-07-R3-2

**Subject:** Robertson's Transport and Robertson's Ready Mix

**Location:** Corona

**Type:** SI

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$27.19</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$27.19</td>
</tr>
<tr>
<td>2</td>
<td>$75.32</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$75.32</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>$29.57</td>
<td></td>
<td>$22.34</td>
<td></td>
<td></td>
<td>$51.91</td>
</tr>
<tr>
<td>4</td>
<td>$2,146.88</td>
<td></td>
<td></td>
<td></td>
<td>$144.79</td>
<td></td>
<td>$2,291.67</td>
</tr>
<tr>
<td>5</td>
<td>$358.36</td>
<td></td>
<td></td>
<td></td>
<td>$35.84</td>
<td></td>
<td>$394.20</td>
</tr>
<tr>
<td>6</td>
<td>$61.31</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$61.31</td>
</tr>
<tr>
<td>7</td>
<td>$106.77</td>
<td></td>
<td></td>
<td></td>
<td>$7.41</td>
<td></td>
<td>$114.18</td>
</tr>
<tr>
<td>8</td>
<td>$988.38</td>
<td></td>
<td></td>
<td></td>
<td>$40.53</td>
<td></td>
<td>$1,028.91</td>
</tr>
<tr>
<td>9</td>
<td>$50.35</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$50.35</td>
</tr>
<tr>
<td>10</td>
<td>$14.45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$14.45</td>
</tr>
<tr>
<td>11</td>
<td>$99.36</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$99.36</td>
</tr>
<tr>
<td>12</td>
<td>$238.60</td>
<td></td>
<td></td>
<td></td>
<td>$183.48</td>
<td></td>
<td>$422.08</td>
</tr>
<tr>
<td>13</td>
<td>$69.34</td>
<td></td>
<td></td>
<td></td>
<td>$3.56</td>
<td></td>
<td>$72.90</td>
</tr>
<tr>
<td>14</td>
<td>$701.76</td>
<td></td>
<td></td>
<td></td>
<td>$38.82</td>
<td></td>
<td>$740.58</td>
</tr>
<tr>
<td>15</td>
<td>$120.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$120.00</td>
</tr>
<tr>
<td>16</td>
<td>$785.41</td>
<td>$489.57</td>
<td></td>
<td></td>
<td>$116.01</td>
<td></td>
<td>$1,390.99</td>
</tr>
<tr>
<td>17</td>
<td>$465.86</td>
<td></td>
<td></td>
<td></td>
<td>$24.04</td>
<td></td>
<td>$489.90</td>
</tr>
<tr>
<td>18</td>
<td>$125.69</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$125.69</td>
</tr>
<tr>
<td>19</td>
<td>$37.20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$37.20</td>
</tr>
<tr>
<td>20</td>
<td>$3,691.78</td>
<td></td>
<td></td>
<td></td>
<td>$334.02</td>
<td></td>
<td>$4,025.80</td>
</tr>
<tr>
<td>21</td>
<td>$41.78</td>
<td></td>
<td></td>
<td></td>
<td>$0.91</td>
<td></td>
<td>$42.69</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$10,205.79</strong></td>
<td><strong>$519.14</strong></td>
<td></td>
<td><strong>$951.75</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$11,676.68</strong></td>
</tr>
</tbody>
</table>
**Calendar Year: 2007**

**Notices of Compensation Due**

**Audit No:** LAO-06-07-R3-2

**Subject:** Robertson's Transport and Robertson's Ready Mix

**Location:** Corona

**Type:** SI

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>$464.20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$464.20</td>
</tr>
<tr>
<td>23</td>
<td>$155.62</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$155.62</td>
</tr>
<tr>
<td>24</td>
<td>$20.14</td>
<td></td>
<td></td>
<td>$1.88</td>
<td></td>
<td></td>
<td>$22.02</td>
</tr>
<tr>
<td>25</td>
<td>$200.89</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$200.89</td>
</tr>
<tr>
<td>26</td>
<td>$46.39</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$46.39</td>
</tr>
<tr>
<td>27</td>
<td>$334.88</td>
<td></td>
<td></td>
<td>$341.09</td>
<td>$65.22</td>
<td></td>
<td>$675.97</td>
</tr>
<tr>
<td>28</td>
<td>$59.33</td>
<td></td>
<td></td>
<td></td>
<td>$8.42</td>
<td></td>
<td>$124.55</td>
</tr>
<tr>
<td>29</td>
<td>$172.03</td>
<td></td>
<td></td>
<td></td>
<td>$618.17</td>
<td></td>
<td>$7,395.35</td>
</tr>
<tr>
<td>30</td>
<td>$6,777.18</td>
<td></td>
<td></td>
<td></td>
<td>$120.92</td>
<td></td>
<td>$1,437.62</td>
</tr>
<tr>
<td>31</td>
<td>$22.67</td>
<td></td>
<td></td>
<td>$1.25</td>
<td></td>
<td></td>
<td>$23.92</td>
</tr>
<tr>
<td>32</td>
<td>$262.31</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$262.31</td>
</tr>
<tr>
<td>33</td>
<td>$248.20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$248.20</td>
</tr>
<tr>
<td>34</td>
<td>$1,316.70</td>
<td></td>
<td></td>
<td>$120.92</td>
<td></td>
<td></td>
<td>$1,437.62</td>
</tr>
<tr>
<td>35</td>
<td>$72.03</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$72.03</td>
</tr>
<tr>
<td>36</td>
<td>$6,585.23</td>
<td></td>
<td></td>
<td>$926.81</td>
<td></td>
<td></td>
<td>$7,512.04</td>
</tr>
</tbody>
</table>

**SUBTOTAL** $16,737.80 $0.00 $2,083.76 $0.00 $0.00 $18,821.56

**SUBTOTAL** $10,205.79 $519.14 $0.00 $951.75 $0.00 $0.00 $11,676.04

**TOTAL** $26,943.59 $519.14 $0.00 $3,035.51 $0.00 $0.00 $30,498.24
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-21-07-T2-6

Subject: Santa Ana Unified School District/Risk Management

Location: Santa Ana

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   \[
   \text{# claims with unpd indem} \div \text{# claims with payable indem} = 0.20513
   \]
   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[
   \text{Avg Unpd Ind} = \frac{8,620.91}{39} = 221.05
   \]
   C. Severity Rate
   \[
   \frac{\text{Avg Unpd Indem} 221.05}{\text{avg unpd indem 2003-2005 of 167.71}} = 1.31804
   \]
   D. Factor for Failure to pay Undisputed Accrued Indemnity
   \[
   \text{Frequency rate} \times \text{Severity rate} \times \text{modifier of 2} = 0.54074
   \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   \[
   \frac{\text{# claims with late 1st TD} 7}{\text{# with TD payments} 7} = \frac{\text{# claims with late first SC notice} 27}{\text{# with salary continuation} 33} = \frac{34}{40} = 0.85000
   \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[
   \frac{\text{# claims with late first PD} 6}{\text{# with first PD} 13} = \frac{\text{# claims with late first VRMA} 0}{\text{# with first VRMA} 0} = \frac{\text{# claims with late first DB} 0}{\text{# with first DB paid} 0} = \frac{6}{13} = 0.46154
   \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[
   \frac{\text{# claims with late subsequent payments} 8}{\text{# with subsequent payments} 17} = 0.47059
   \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[
   \frac{\text{# claims with AME/QME notice violations} 2}{\text{# requiring notices} 36} = \frac{\text{# claims with VR potential eligibility notice violations} 0}{\text{# requiring notices} 0} = \frac{2}{36} = 0.05556
   \]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Full Compliance Audit Performance Rating of Randomly Selected Claims

### Audit No: LAO-21-07-T2-6

### Subject: Santa Ana Unified School District/Risk Management

### Location: Santa Ana

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

#### A. Frequency Rate

| # claims with unpd indem | 11 | divide by | # claims with payable indem | 64 | = | 0.17188 |

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

| Total unpd indemnity | $ 9,734.75 | divide by | # of claims with obligation to pay indemnity | 64 | Avg Unpd Ind | $ 152.11 |

#### C. Severity Rate

| Avg Unpd Ind. | $ 152.11 | divide by avg unpd indemnity 2003-2005 of | $ 167.71 | = | 0.90696 |

#### D. Factor for Failure to pay Undisputed Accrued Indemnity

| Frequency rate | 0.17188 | X | Severity rate | 0.90696 | X | modifier of | 2 | = | 0.31177 |

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

| # claims with late 1st TD | 8 | divide by | # with TD payments | 11 |
| # claims with late first SC notice | 46 | divide by | # with salary continuation | 56 |
| Totals | 54 | divide by | Totals | 67 | = | 0.80597 |

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

| # claims with late first PD | 9 | divide by | # with first PD | 21 |
| # claims with late first VRMA | 0 | divide by | # with first VRMA | 0 |
| # claims/late first death benefits | 0 | divide by | # with first death ben paid | 0 |
| Totals | 9 | divide by | Totals | 21 | = | 0.42857 |

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subseq payments | 12 | divide by | # with subseq payments | 27 | = | 0.44444 |

### 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 | 57 |
| # claims with VR potential eligibility notice violations | 0 | divide by | # requiring notices | 0 |
| Totals | 4 | divide by | Totals | 57 | = | 0.07018 |

### FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007

Full Compliance Audit Performance Rating of indemnity files of 2.21983 or greater is a failing score.

2.06093
<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>11</td>
<td>$7,300</td>
<td>$0</td>
<td>$7,300</td>
<td>$7,300</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>7</td>
<td>$3,780</td>
<td>$0</td>
<td>$3,780</td>
<td>$3,780</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>23</td>
<td>$6,475</td>
<td>$0</td>
<td>$6,475</td>
<td>$6,475</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>46</td>
<td>$2,930</td>
<td>$2,930</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>4</td>
<td>$1,900</td>
<td>$1,900</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>8</td>
<td>$3,800</td>
<td>$0</td>
<td>$3,800</td>
<td>$3,800</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>4</td>
<td>$2,000</td>
<td>$0</td>
<td>$2,000</td>
<td>$2,000</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>11</td>
<td>$2,650</td>
<td>$0</td>
<td>$2,650</td>
<td>$2,650</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>1</td>
<td>$800</td>
<td>$0</td>
<td>$800</td>
<td>$800</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>1</td>
<td>$1,280</td>
<td>$0</td>
<td>$1,280</td>
<td>$1,280</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>116</td>
<td>$32,915</td>
<td>$4,830</td>
<td>$28,085</td>
<td>$28,085</td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: LAO-21-07-T2-6

Subject: Santa Ana Unified School District/Risk Management

Location: Santa Ana

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$377.85</td>
<td></td>
<td></td>
<td>$37.79</td>
<td></td>
<td></td>
<td>$415.64</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>$245.03</td>
<td></td>
<td>$159.26</td>
<td></td>
<td></td>
<td>$404.29</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>$58.20</td>
<td></td>
<td></td>
<td>$58.20</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>$197.76</td>
<td></td>
<td>$229.47</td>
<td></td>
<td></td>
<td>$427.23</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>$640.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$640.00</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>$560.00</td>
<td></td>
<td>$213.14</td>
<td></td>
<td></td>
<td>$773.14</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>$285.71</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$285.71</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>$1,948.57</td>
<td></td>
<td>$78.58</td>
<td></td>
<td></td>
<td>$2,027.15</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>$22.80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$22.80</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>$3,738.26</td>
<td></td>
<td>$739.79</td>
<td></td>
<td></td>
<td>$4,478.05</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>$202.54</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$202.54</td>
</tr>
</tbody>
</table>

TOTAL $4,539.21 $3,679.31 $0.00 $1,516.23 $0.00 $0.00 $9,734.75
### Calendar Year: 2007

**Audit No:** OAK-21-07-R1-5  
**Subject:** Sedgwick Claims Management Services  
**Location:** Albany, NY

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

| A. Frequency Rate | # claims with unpd indemn | 6 | divide by # claims with payable indem | 51 | = | 0.11765 |
| B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity | Total unpd indemn. | \$ 6,913.37 | divide by # of claims with obligation to pay indemn. | 51 | Avg Unpd Ind | \$ 135.56 |
| C. Severity Rate | Avg Unpd Indem | \$ 135.56 | divide by avg unpd indemn 2003-2005 of | \$ 167.71 | = | 0.80828 |

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

| # claims with late 1st TD | 9 | divide by # with TD payments | 46 |
| # claims with late first SC notice | 0 | divide by # with salary continuation | 0 |
| Totals | 9 | divide by Totals | 46 | = | 0.19565 |

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

| # claims with late first PD | 6 | divide by # with first PD | 19 |
| # claims with late first VRMA | 0 | divide by # with first VRMA | 0 |
| # claims with late first DB | 0 | divide by # with first DB paid | 0 |
| Totals | 6 | divide by Totals | 19 | = | 0.31579 |

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subsequent payments | 3 | divide by # with subsequent payments | 36 | = | 0.08333 |

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

| # claims with AME/QME notice violations | 13 | divide by # requiring notices | 24 |
| # claims with VR potential eligibility notice violations | 0 | divide by # requiring notices | 0 |
| Totals | 13 | divide by Totals | 24 | = | 0.54167 |

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**  
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>15</td>
<td>$4,855</td>
<td>$4,855</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>8</td>
<td>$4,560</td>
<td>$4,560</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>3</td>
<td>$520</td>
<td>$520</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>13</td>
<td>$4,200</td>
<td>$4,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>2</td>
<td>$5,200</td>
<td>$5,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>6</td>
<td>$1,600</td>
<td>$1,600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>47</strong></td>
<td><strong>$20,935</strong></td>
<td><strong>$20,935</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007
Notices of Compensation Due

Audit No: OAK-21-07-R1-5

Subject: Sedgwick Claims Management Services

Location: Albany, NY

Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$48.00</td>
<td></td>
<td></td>
<td>$4.80</td>
<td></td>
<td></td>
<td>$52.80</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>$306.00</td>
<td></td>
<td></td>
<td>$306.00</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>$31.20</td>
<td></td>
<td></td>
<td>$31.20</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td>$327.71</td>
<td></td>
<td></td>
<td>$327.71</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>$305.81</td>
<td></td>
<td></td>
<td>$305.81</td>
</tr>
<tr>
<td>6</td>
<td>$5,515.23</td>
<td></td>
<td></td>
<td>$374.62</td>
<td></td>
<td></td>
<td>$5,889.85</td>
</tr>
</tbody>
</table>

TOTAL $5,563.23 $0.00 $0.00 $1,350.14 $0.00 $0.00 $6,913.37
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-23-07-R1-5

Subject: Sedgwick Claims Management Services

Location: Los Angeles

<table>
<thead>
<tr>
<th>1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Frequency Rate</td>
</tr>
<tr>
<td># claims with unpd indem 10 divide by # claims with payable indem 56 = 0.17857</td>
</tr>
<tr>
<td>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</td>
</tr>
<tr>
<td>Total unpd indem. = $ 10,378.10 divide by # of claims with obligation to pay indem. 56</td>
</tr>
<tr>
<td>Avg Unpd Ind = $ 185.32</td>
</tr>
<tr>
<td>C. Severity Rate</td>
</tr>
<tr>
<td>Avg Unpd Indem $ 185.32 divide by avg unpd indem 2003-2005 of $ 167.71 = 1.10502</td>
</tr>
<tr>
<td>D. Factor for Failure to pay Undisputed Accrued Indemnity</td>
</tr>
<tr>
<td>Frequency rate 0.17857 X Severity rate 1.10502 X modifier of 2 = 0.39465</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late 1st TD 17 divide by # with TD payments 52</td>
</tr>
<tr>
<td># claims with late first SC notice 2 divide by # with salary continuation 4</td>
</tr>
<tr>
<td>Totals 19 divide by Totals 56 = 0.33929</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first PD 7 divide by # with first PD 19</td>
</tr>
<tr>
<td># claims with late first VRMA 0 divide by # with first VRMA 1</td>
</tr>
<tr>
<td># claims with late first DB 0 divide by # with first DB paid 0</td>
</tr>
<tr>
<td>Totals 7 divide by Totals 20 = 0.35000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late subsequent payments 11 divide by # with subsequent payments 35 = 0.31429</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with AME/QME notice violations 3 divide by # requiring notices 40</td>
</tr>
<tr>
<td># claims with VR potential eligibility notice violations 0 divide by # requiring notices 2</td>
</tr>
<tr>
<td>Totals 3 divide by Totals 42 = 0.07143</td>
</tr>
</tbody>
</table>

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
Calendar Year: 2007

Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Subject: Sedgwick Claims Management Services</th>
<th>Location: Los Angeles</th>
<th>Type: TPA</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>56</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity:</td>
<td>56</td>
</tr>
<tr>
<td>Medical Only:</td>
<td>0</td>
</tr>
<tr>
<td>Denied:</td>
<td>0</td>
</tr>
<tr>
<td>Complaints:</td>
<td>0</td>
</tr>
<tr>
<td>Additional:</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Subject to Collection</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>18</td>
<td>$7,370</td>
<td>$7,370</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>6</td>
<td>$6,780</td>
<td>$6,780</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>13</td>
<td>$6,320</td>
<td>$6,320</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>2</td>
<td>$75</td>
<td>$75</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process.</td>
<td>3</td>
<td>$900</td>
<td>$900</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>4</td>
<td>$6,800</td>
<td>$6,800</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>2</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>6</td>
<td>$1,400</td>
<td>$1,400</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

| TOTAL                          | 54             | $30,445                      | $30,445                        | $0                       | $0     |

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$824.22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$824.22</td>
</tr>
<tr>
<td>2</td>
<td>$7.55</td>
<td>$5,433.50</td>
<td></td>
<td>$659.02</td>
<td></td>
<td></td>
<td>$6,100.07</td>
</tr>
<tr>
<td>3</td>
<td>$59.50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$59.50</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td>$44.02</td>
<td></td>
<td></td>
<td>$44.02</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>$621.00</td>
<td>$62.10</td>
<td></td>
<td>$683.10</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$90.46</td>
<td></td>
<td>$90.46</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$7.08</td>
<td></td>
<td>$77.92</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$68.92</td>
<td></td>
<td>$68.92</td>
</tr>
<tr>
<td>9</td>
<td>$2,092.20</td>
<td></td>
<td></td>
<td>$209.22</td>
<td></td>
<td></td>
<td>$2,301.42</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td>$128.47</td>
<td></td>
<td></td>
<td>$128.47</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$2,983.47</td>
<td>$6,125.34</td>
<td>$0.00</td>
<td>$1,269.29</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$10,378.10</td>
</tr>
</tbody>
</table>
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: OAK-25-07-R1-5

Subject: Sedgwick Claims Management Services

Location: Oakland

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>Frequency Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with unpd indemnity</td>
</tr>
</tbody>
</table>

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

| Total unpd indemnity | $2,105.72 | divide by # of claims with obligation to pay indemnity | 49 | Avg Unpd Ind | $42.97 |

3. Severity Rate

| Avg Unpd Indem | $42.97 | divide by avg unpd indemnity 2003-2005 of | $167.71 | = | 0.25624 |

D. Factor for Failure to pay Undisputed Accrued Indemnity

| Frequency rate | 0.02041 | X | Severity rate | 0.25624 | X | modifier of | 2 | = | 0.01046 |

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

| # claims with late 1st TD | 1 | divide by # with TD payments | 2 |
| # claims with late first SC notice | 4 | divide by # with salary continuation | 46 |
| Totals | 5 | divide by | Totals | 48 | = | 0.10417 |

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

| # claims with late first PD | 3 | divide by # with first PD | 7 |
| # claims with late first VRMA | 0 | divide by # with first VRMA | 0 |
| # claims with late first DB | 0 | divide by # with first DB paid | 0 |
| Totals | 3 | divide by | Totals | 7 | = | 0.42857 |

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subsequent payments | 1 | divide by # with subsequent payments | 7 | = | 0.14286 |

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 | 22 |
| # claims with VR potential eligibility notice violations | 0 | divide by # requiring notices | 0 |
| Totals | 4 | divide by | Totals | 22 | = | 0.18182 |

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>1</td>
<td>$250</td>
<td>$250</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>5</td>
<td>$2,795</td>
<td>$2,795</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>2</td>
<td>$200</td>
<td>$200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>4</td>
<td>$230</td>
<td>$230</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>4</td>
<td>$1,300</td>
<td>$1,300</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>2</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>19</td>
<td>$6,575</td>
<td>$6,575</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Calendar Year: 2007

**Notices of Compensation Due**

**Audit No:** OAK-25-07-R1-5

**Subject:** Sedgwick Claims Management Services

**Location:** Oakland

**Type:** TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>$1,542.86</td>
<td></td>
<td>$562.86</td>
<td></td>
<td></td>
<td>$2,105.72</td>
</tr>
</tbody>
</table>

**TOTAL**

| $0.00 | $1,542.86 | $0.00 | $562.86 | $0.00 | $0.00 | $2,105.72 |
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-10-07-R1-5

Subject: Sedgwick Claims Management Services (AT&T)

Location: Ontario

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

| # claims with unpd indemn | 10 | divide by | # claims with payable indemn | 56 | = | 0.17857 |

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

| Total unpd indemn. | $ 8,004.22 | divide by | # of claims with obligation to pay indemn. | 56 | Avg Unpd Ind | $ 142.93 |

C. Severity Rate

| Avg Unpd Indem | $ 142.93 | divide by avg unpd indemn 2003-2005 of | $ 167.71 | = | 0.85226 |

D. Factor for Failure to pay Undisputed Accrued Indemnity

| Frequency rate | 0.17857 | X | Severity rate | 0.85226 | X | modifier of | 2 | = | 0.30438 |

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

| # claims with late 1st TD | 18 | divide by | # with TD payments | 52 | |
| # claims with late first SC notice | 15 | divide by | # with salary continuation | 43 | |
| Totals | 33 | divide by | Totals | 95 | = | 0.34737 |

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

| # claims with late first PD | 6 | divide by | # with first PD | 16 | |
| # claims with late first VRMA | 0 | divide by | # with first VRMA | 0 | |
| # claims with late first DB | 0 | divide by | # with first DB paid | 0 | |
| Totals | 6 | divide by | Totals | 16 | = | 0.37500 |

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subsequent payments | 15 | divide by | # with subsequent payments | 50 | = | 0.30000 |

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 | 32 | |
| # claims with VR potential eligibility notice violations | 0 | divide by | # requiring notices | 0 | |
| Totals | 5 | divide by | Totals | 32 | = | 0.15625 |

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

**Calendar Year:** 2007  
**Individual Exhibit 2**

**Penalty Assessments and Collections**

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>57</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>56</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
</tr>
<tr>
<td>Complaints</td>
<td>1</td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
</tr>
</tbody>
</table>

**Audit No:** LAO-10-07-R1-5  
**Subject:** Sedgwick Claims Management Services (AT&T)  
**Location:** Ontario  
**Type:** TPA

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>21</td>
<td>$14,190</td>
<td>$14,190</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>6</td>
<td>$3,270</td>
<td>$3,270</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>49</td>
<td>$7,780</td>
<td>$7,780</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>15</td>
<td>$635</td>
<td>$635</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>5</td>
<td>$1,700</td>
<td>$1,700</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>5</td>
<td>$1,800</td>
<td>$1,800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>12</td>
<td>$2,150</td>
<td>$2,150</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>1</td>
<td>$1,600</td>
<td>$1,600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>114</td>
<td><strong>$33,125</strong></td>
<td><strong>$33,125</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: LAO-10-07-R1-5

Subject: Sedgwick Claims Management Services (AT&T)

Location: Ontario

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$64.36</td>
<td></td>
<td></td>
<td>$114.11</td>
<td></td>
<td></td>
<td>$178.47</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>$44.52</td>
<td></td>
<td></td>
<td>$44.52</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>$672.00</td>
<td></td>
<td></td>
<td>$672.00</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td>$161.92</td>
<td></td>
<td></td>
<td>$161.92</td>
</tr>
<tr>
<td>5</td>
<td>$840.00</td>
<td>$2,800.00</td>
<td></td>
<td>$716.80</td>
<td>$52.83</td>
<td></td>
<td>$3,569.63</td>
</tr>
<tr>
<td>6</td>
<td>$1,375.42</td>
<td></td>
<td></td>
<td>$369.51</td>
<td></td>
<td></td>
<td>$1,744.93</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td>$140.01</td>
<td></td>
<td></td>
<td>$140.01</td>
</tr>
<tr>
<td>8</td>
<td>$397.71</td>
<td></td>
<td></td>
<td>$201.95</td>
<td></td>
<td></td>
<td>$599.66</td>
</tr>
<tr>
<td>9</td>
<td>$13.53</td>
<td></td>
<td></td>
<td>$39.55</td>
<td></td>
<td></td>
<td>$53.08</td>
</tr>
</tbody>
</table>

TOTAL $2,691.02 $2,800.00 $0.00 $2,460.37 $0.00 $52.83 $8,004.22
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-26-07-R1-5

Subject: Sedgwick Claims Management Services

Location: Orange

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

   A. Frequency Rate
   \[
   \frac{\text{# claims with unpd indem}}{\text{# claims with payable indem}} = \frac{1}{21} = 0.04762
   \]

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[
   \frac{\text{Total unpd indem.}}{\text{# of claims with obligation to pay indem.}} = \frac{\$44.66}{21} = 2.13
   \]

   C. Severity Rate
   \[
   \frac{\text{Avg Unpd Indem}}{\text{Avg unpd indem 2003-2005}} = \frac{\$2.13}{\$167.71} = 0.01268
   \]

   D. Factor for Failure to pay Undisputed Accrued Indemnity
   \[
   \text{Frequency rate} \times \text{Severity rate} \times \text{modifier of 2} = 0.00121
   \]

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

   \[
   \frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} = \frac{4}{19} = 0.21053
   \]

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

   \[
   \frac{\text{# claims with late first PD}}{\text{# with first PD}} = \frac{0}{5} = 0.00000
   \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

   \[
   \frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{0}{10} = 0.00000
   \]

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

   \[
   \frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{0}{18} = 0.00000
   \]

   \[
   \frac{\text{# claims with VR potential eligibility notice violations}}{\text{# requiring notices}} = \frac{0}{0} = 0.00000
   \]

Profile Audit Review Performance Rating - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
Penalty Assessments and Collections

Calendar Year: 2007

Individual Exhibit 2

Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>Audit No:</th>
<th>Subject:</th>
<th>Location:</th>
<th>Type: TPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>LAO-26-07-R1-5</td>
<td>Sedgwick Claims Management Services</td>
<td>Orange</td>
<td>TPA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>5</td>
<td>$860</td>
<td>$860</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>1</td>
<td>$300</td>
<td>$300</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>1</td>
<td>$150</td>
<td>$150</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 7 $1,310 $1,310 $0 $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$44.66</td>
<td></td>
<td></td>
<td>$44.66</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$44.66</td>
</tr>
</tbody>
</table>
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-16-07-R1-5

Subject: Sedgwick Claims Management Services

Location: Pasadena

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with unpd indemn</td>
</tr>
</tbody>
</table>

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

| Total unpd indemn. | $ 795.47 | divide by # of claims with obligation to pay indemn. | 31 | Avg Unpd Ind | $ 25.66 |

### C. Severity Rate

| Avg Unpd Indem | $ 25.66 | divide by avg unpd indemn 2003-2005 of | $ 167.71 | = | 0.15300 |

### D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate | 0.12903 | X | Severity rate | 0.15300 | X | modifier of | 2 | = | 0.03948 |

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

<table>
<thead>
<tr>
<th># claims with late 1st TD</th>
<th>9</th>
<th>divide by # with TD payments</th>
<th>30</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first SC notice</td>
<td>0</td>
<td>divide by # with salary continuation</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>9</td>
<td>divide by Totals</td>
<td>30</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with late first PD</th>
<th>1</th>
<th>divide by # with first PD</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first VRMA</td>
<td>0</td>
<td>divide by # with first VRMA</td>
<td>0</td>
</tr>
<tr>
<td># claims with late first DB</td>
<td>0</td>
<td>divide by # with first DB paid</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>1</td>
<td>divide by Totals</td>
<td>8</td>
</tr>
</tbody>
</table>

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subsequent payments | 13 | divide by # with subsequent payments | 20 | = | 0.65000 |

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

<table>
<thead>
<tr>
<th># claims with AME/QME notice violations</th>
<th>3</th>
<th>divide by # requiring notices</th>
<th>23</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with VR potential eligibility notice violations</td>
<td>0</td>
<td>divide by # requiring notices</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>3</td>
<td>divide by Totals</td>
<td>23</td>
</tr>
</tbody>
</table>

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>10</td>
<td>$5,800</td>
<td>$5,800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>24</td>
<td>$4,305</td>
<td>$4,305</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>3</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>2</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>8</td>
<td>$2,050</td>
<td>$2,050</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>48</strong></td>
<td><strong>$13,955</strong></td>
<td><strong>$13,955</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: LAO-16-07-R1-5

Subject: Sedgwick Claims Management Services

Location: Pasadena

Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$84.57</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$84.57</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>$314.25</td>
<td></td>
<td></td>
<td>$314.25</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>$260.00</td>
<td></td>
<td></td>
<td>$260.00</td>
</tr>
<tr>
<td>4</td>
<td>$80.38</td>
<td></td>
<td></td>
<td>$56.27</td>
<td></td>
<td></td>
<td>$136.65</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$164.95</strong></td>
<td><strong>$0.00</strong></td>
<td></td>
<td><strong>$630.52</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$795.47</strong></td>
</tr>
</tbody>
</table>
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: SAC-17-07-R1-5

Subject: Sedgwick Claims Management Services

Location: Roseville

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate
# claims with unpd indem 3 divide by # claims with payable indem 57 = 0.05263

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
Total unpd indem. = $605.87 divide by # of claims with obligation to pay indem. 57
Avg Unpd Ind = $10.63

C. Severity Rate
Avg Unpd Indem = $10.63 divide by avg unpd indem 2003-2005 of $167.71 = 0.06338

D. Factor for Failure to pay Undisputed Accrued Indemnity
Frequency rate 0.05263 X Severity rate 0.06338 X modifier of 2 = 0.00667

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

# claims with late 1st TD 7 divide by # with TD payments 56
# claims with late first SC notice 0 divide by # with salary continuation 0
Totals 7 divide by Totals 56 = 0.12500

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

# claims with late first PD 0 divide by # with first PD 12
# claims with late first VRMA 0 divide by # with first VRMA 0
# claims with late first DB 0 divide by # with first DB paid 0
Totals 0 divide by Totals 12 = 0.00000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

# claims with late subsequent payments 9 divide by # with subsequent payments 44 = 0.20455

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 31
# claims with VR potential eligibility notice violations 0 divide by # requiring notices 0
Totals 9 divide by Totals 31 = 0.29032

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>60</th>
<th>Audit No:</th>
<th>SAC-17-07-R1-5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>57</td>
<td>Subject:</td>
<td>Sedgwick Claims Management Services</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
<td>Location:</td>
<td>Roseville</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
<td>Type:</td>
<td>TPA</td>
</tr>
<tr>
<td>Complaints</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>9</td>
<td>$1,300</td>
<td>$1,300</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>16</td>
<td>$2,510</td>
<td>$2,510</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>9</td>
<td>$3,200</td>
<td>$3,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>3</td>
<td>$600</td>
<td>$600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>1</td>
<td>$150</td>
<td>$150</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>38</strong></td>
<td><strong>$7,760</strong></td>
<td><strong>$7,760</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td>**</td>
</tr>
</tbody>
</table>
2007
Notices of Compensation Due

Audit No: SAC-17-07-R1-5
Subject: Sedgwick Claims Management Services
Location: Roseville
Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$149.20</td>
<td></td>
<td></td>
<td>$106.19</td>
<td></td>
<td></td>
<td>$255.39</td>
</tr>
<tr>
<td>2</td>
<td>$240.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$240.00</td>
</tr>
<tr>
<td>3</td>
<td>$110.48</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$110.48</td>
</tr>
</tbody>
</table>

TOTAL $499.68 $0.00 $0.00 $106.19 $0.00 $0.00 $605.87
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-02-07-R3-3

Subject: Sentry Insurance, a Mutual Company

Location: Irvine

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

   A. Frequency Rate
   \[ \frac{\text{# claims with unpd indemn}}{\text{# claims with payable indemn}} = 0.45833 \]

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[ \frac{\text{Total unpd indemn.}}{\text{# of claims with obligation to pay indemn.}} = \frac{52,885.02}{48} = 1,101.77 \]

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

   \[ \frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} = \frac{10}{43} = 0.22727 \]

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

   \[ \frac{\text{# claims with late first PD}}{\text{# with first PD}} = \frac{3}{23} = 0.13043 \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

   \[ \frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{21}{41} = 0.51220 \]

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

   \[ \frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{3}{25} = 0.12 \]

   \[ \frac{\text{# claims with VR potential eligibility notice violations}}{\text{# requiring notices}} = \frac{1}{1} = 1 \]

   \[ \frac{\text{Totals}}{\text{Totals}} = \frac{4}{26} = 0.15385 \]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: LAO-02-07-R3-3

Subject: Sentry Insurance, a Mutual Company

Location: Irvine

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   \[ \frac{\text{# claims with unpd indem}}{\text{# claims with payable indem}} = 0.43182 \]

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[ \text{Total unpd indem} = \$74,692.64 \quad \text{divide by} \quad \# \text{of claims with obligation to pay indem.} = 88 \]
   \[ \text{Avg Unpd Ind} = \$848.78 \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   \[ \frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} = 0.28395 \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[ \frac{\text{# claims with late first PD}}{\text{# with first PD}} = 0.16667 \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[ \frac{\text{# claims with late subseq payments}}{\text{# with subseq payments}} = 0.55128 \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[ \frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = 0.11538 \]

**FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007**
Full Compliance Audit Performance Rating of indemnity files of 2.21983 or greater is a failing score.

Form DWC-AU-860B (Rev 12/06)
Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: LAO-02-07-R3-3

Subject: Sentry Insurance, a Mutual Company

Location: Irvine

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

| A. Frequency Rate | # claims with unpd indemn | 39 | divide by | # claims with payable indemn | 90 | = | 0.43333 |
| B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity | Total unpd indemn | $66,312.49 | divide by | # of claims with obligation to pay indemn. | 90 | Avg Unpd Ind | $736.81 |

### C. Severity Rate

| Avg Unpd Ind. | $736.81 | divide by avg unpd indemn 2003-2005 of | $167.71 | = | 4.39333 |

### D. Factor for Failure to pay Undisputed Accrued Indemnity

| Frequency rate | 0.43333 | X | Severity rate | 4.39333 | X | modifier of | 2 | = | 3.80755 |

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

| # claims with late 1st TD | 24 | divide by | # with TD payments | 82 |
| # claims with late first SC notice | 1 | divide by | # with salary continuation | 2 |
| Totals | 25 | divide by | Totals | 84 | = | 0.29762 |

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

| # claims with late first PD | 4 | divide by | # with first PD | 44 |
| # claims with late first VRMA | 0 | divide by | # with first VRMA | 0 |
| # claims/late first death benefits | 1 | divide by | # with first death ben paid | 1 |
| Totals | 5 | divide by | Totals | 45 | = | 0.11111 |

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subseq payments | 43 | divide by | # with subseq payments | 79 | = | 0.54430 |

### 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 | 52 |
| # claims with VR potential eligibility notice violations | 0 | divide by | # requiring notices | 1 |
| Totals | 5 | divide by | Totals | 53 | = | 0.09434 |

**FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007**

Full Compliance Audit Performance Rating for indemnity and denied files of 2.21983 or greater is a failing score.

Full Compliance Audit Performance Rating: 4.85493
**Penalty Assessments and Collections**

**Files Audited:**
- Indemnity: 122
- Medical Only: 88
- Denied: 0
- Complaints: 1
- Additional: 0

**Audit No:** LAO-02-07-R3-3

**Subject:** Sentry Insurance, a Mutual Company

**Location:** Irvine

**Type:** INS

---

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>25</td>
<td>$10,920</td>
<td>0</td>
<td>$10,920</td>
<td>$10,920</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>4</td>
<td>$1,584</td>
<td>0</td>
<td>$1,584</td>
<td>$1,584</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>86</td>
<td>$28,509</td>
<td>0</td>
<td>$28,509</td>
<td>$28,509</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>1</td>
<td>$4,800</td>
<td>0</td>
<td>$4,800</td>
<td>$4,800</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>64</td>
<td>$3,462</td>
<td>0</td>
<td>$3,462</td>
<td>$3,462</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process.</td>
<td>5</td>
<td>$3,000</td>
<td>0</td>
<td>$3,000</td>
<td>$3,000</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>23</td>
<td>$24,760</td>
<td>0</td>
<td>$24,760</td>
<td>$24,760</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>5</td>
<td>$12,840</td>
<td>0</td>
<td>$12,840</td>
<td>$12,840</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>37</td>
<td>$9,000</td>
<td>0</td>
<td>$9,000</td>
<td>$9,000</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>1</td>
<td>$960</td>
<td>0</td>
<td>$960</td>
<td>$960</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

---

**Calendar Year:** 2007

**Individual Exhibit 2**

Page 1 of 2
### Penalty Assessments and Collections

**Files Audited:** 122  
**Indemnity:** 88  
**Medical Only:** 0  
**Denied:** 33  
**Complaints:** 1  
**Additional:** 0

**Audit No:** LAO-02-07-R3-3  
**Subject:** Sentry Insurance, A Mutual Company  
**Location:** Irvine  
**Type:** INS

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to issue benefit notices other than specific notices for VR or denial.</td>
<td>50</td>
<td>$6,000</td>
<td>$0</td>
<td>$6,000</td>
<td>$6,000</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical treatment expense in the manner required by law or regulation.</td>
<td>88</td>
<td>$31,080</td>
<td>$0</td>
<td>$31,080</td>
<td>$31,080</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical-legal expense in the manner required by law or regulation.</td>
<td>5</td>
<td>$2,040</td>
<td>$0</td>
<td>$2,040</td>
<td>$2,040</td>
<td></td>
</tr>
<tr>
<td>Failure to timely assign a QRR to an employee after 90 aggregate days of total TD for injuries prior to 1/1/94.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide VR information after 90 aggregate days of total TD (injuries 1/1/94 thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely notify an injured employee of potential eligibility for VR (injuries thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of non-eligibility for VR.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide notices denying all liability or death benefits as required.</td>
<td>2</td>
<td>$1,080</td>
<td>$0</td>
<td>$1,080</td>
<td>$1,080</td>
<td></td>
</tr>
<tr>
<td>Failure to timely respond to a request to provide or authorize medical treatment.</td>
<td>2</td>
<td>$240</td>
<td>$0</td>
<td>$240</td>
<td>$240</td>
<td></td>
</tr>
<tr>
<td>Failure to include specific items or properly designate entries on a claim log.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Materially incomplete or inaccurate benefit notices including denial for all liability, other than specific vocational rehabilitation notices.</td>
<td>9</td>
<td>$1,410</td>
<td>$0</td>
<td>$1,410</td>
<td>$1,410</td>
<td></td>
</tr>
<tr>
<td>Failure to investigate.</td>
<td>2</td>
<td>$1,200</td>
<td>$0</td>
<td>$1,200</td>
<td>$1,200</td>
<td></td>
</tr>
<tr>
<td>Late payment of WCAB Orders or Awards or RU Orders for late payment of attorney fees and issues other than late payment of indemnity.</td>
<td>1</td>
<td>$600</td>
<td>$0</td>
<td>$600</td>
<td>$600</td>
<td></td>
</tr>
<tr>
<td>Penalties for failure to comply with any regulation of the AD not otherwise assessed.</td>
<td>177</td>
<td>$21,160</td>
<td>$0</td>
<td>$21,160</td>
<td>$21,160</td>
<td></td>
</tr>
<tr>
<td>Unsupported denial of all liability for a claim.</td>
<td>1</td>
<td>$4,320</td>
<td>$0</td>
<td>$4,320</td>
<td>$4,320</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>588</td>
<td>$168,965</td>
<td>$0</td>
<td>$168,965</td>
<td>$168,965</td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Notices of Compensation Due

**Calendar Year:** 2007  
**Individual Exhibit 3**  
**Page 1 of 2**

**Audit No:** LAO-02-07-R3-3  
**Subject:** Sentry Insurance, a Mutual Company  
**Location:** Irvine  
**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$2,537.72</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,537.72</td>
</tr>
<tr>
<td>2</td>
<td>$76.99</td>
<td></td>
<td></td>
<td>$123.13</td>
<td></td>
<td></td>
<td>$200.12</td>
</tr>
<tr>
<td>3</td>
<td>$211.70</td>
<td></td>
<td></td>
<td>$16.73</td>
<td></td>
<td></td>
<td>$228.43</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>$1,095.71</td>
<td></td>
<td>$109.57</td>
<td></td>
<td></td>
<td>$1,205.28</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>$121.25</td>
<td></td>
<td></td>
<td>$121.25</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>$100.57</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$100.57</td>
</tr>
<tr>
<td>7</td>
<td>$36.93</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$36.93</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>$8,057.15</td>
<td></td>
<td>$878.86</td>
<td></td>
<td></td>
<td>$8,936.01</td>
</tr>
<tr>
<td>9</td>
<td>$3,309.47</td>
<td></td>
<td></td>
<td>$970.44</td>
<td></td>
<td></td>
<td>$4,279.91</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>$20,331.03</td>
<td></td>
<td>$1,355.40</td>
<td></td>
<td></td>
<td>$21,686.43</td>
</tr>
<tr>
<td>11</td>
<td>$150.08</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$150.08</td>
</tr>
<tr>
<td>12</td>
<td>$1,137.62</td>
<td></td>
<td></td>
<td>$113.76</td>
<td></td>
<td></td>
<td>$1,251.38</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>$62.86</td>
<td></td>
<td>$397.94</td>
<td>$14.89</td>
<td></td>
<td>$475.69</td>
</tr>
<tr>
<td>14</td>
<td>$503.14</td>
<td></td>
<td></td>
<td>$50.31</td>
<td></td>
<td></td>
<td>$553.45</td>
</tr>
<tr>
<td>15</td>
<td>$1,986.30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,986.30</td>
</tr>
<tr>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td>$21.44</td>
<td></td>
<td></td>
<td>$21.44</td>
</tr>
<tr>
<td>17</td>
<td></td>
<td></td>
<td></td>
<td>$160.75</td>
<td></td>
<td></td>
<td>$160.75</td>
</tr>
<tr>
<td>18</td>
<td>$72.04</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$72.04</td>
</tr>
<tr>
<td>19</td>
<td>$718.29</td>
<td></td>
<td></td>
<td>$101.43</td>
<td></td>
<td></td>
<td>$819.72</td>
</tr>
<tr>
<td>20</td>
<td></td>
<td>$4,337.14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$4,337.14</td>
</tr>
<tr>
<td>21</td>
<td></td>
<td>$138.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$138.00</td>
</tr>
</tbody>
</table>

**TOTAL**  
$10,740.28  | $33,984.46  | $0.00  | $4,559.01  | $0.00  | $14.89  | $49,298.64
Calendar Year:  2007
Notices of Compensation Due

Audit No:     LAO-02-07-R3-3
Subject:       Sentry Insurance, A Mutual Company
Location:     Irvine
Type:   INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>$156.54</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$156.54</td>
</tr>
<tr>
<td>23</td>
<td>$785.16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$785.16</td>
</tr>
<tr>
<td>24</td>
<td>$498.20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$498.20</td>
</tr>
<tr>
<td>25</td>
<td></td>
<td>$54.59</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$54.59</td>
</tr>
<tr>
<td>26</td>
<td></td>
<td>$414.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$414.00</td>
</tr>
<tr>
<td>27</td>
<td></td>
<td>$79.47</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$79.47</td>
</tr>
<tr>
<td>28</td>
<td>$7,624.76</td>
<td>$1,479.05</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$9,103.81</td>
</tr>
<tr>
<td>29</td>
<td>$240.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$240.00</td>
</tr>
<tr>
<td>30</td>
<td>$135.76</td>
<td></td>
<td></td>
<td>$7.03</td>
<td></td>
<td></td>
<td>$142.79</td>
</tr>
<tr>
<td>31</td>
<td>$83.28</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$83.28</td>
</tr>
<tr>
<td>32</td>
<td></td>
<td>$300.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$300.00</td>
</tr>
<tr>
<td>33</td>
<td>$138.52</td>
<td></td>
<td></td>
<td>$408.44</td>
<td></td>
<td></td>
<td>$546.96</td>
</tr>
<tr>
<td>34</td>
<td>$2,057.97</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,057.97</td>
</tr>
<tr>
<td>35</td>
<td></td>
<td>$64.74</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$64.74</td>
</tr>
<tr>
<td>36</td>
<td>$629.29</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$629.29</td>
</tr>
<tr>
<td>37</td>
<td>$1,102.65</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,102.65</td>
</tr>
<tr>
<td>38</td>
<td></td>
<td>$44.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$44.00</td>
</tr>
<tr>
<td>39</td>
<td>$240.00</td>
<td></td>
<td></td>
<td>$470.40</td>
<td></td>
<td></td>
<td>$710.40</td>
</tr>
</tbody>
</table>

Page 2
SUBTOTAL: $13,692.13  $0.00  $0.00  $3,321.72  $0.00  $0.00  $17,013.85

Page 1
SUBTOTAL: $10,740.28  $33,984.46  $0.00  $4,559.01  $0.00  $14.89  $49,298.64

TOTAL:  $24,432.41  $33,984.46  $0.00  $7,880.73  $0.00  $14.89  $66,312.49
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No:  OAK-15-07-R1-3

Subject:  Sentry Insurance / Parker Services, Inc.

Location:  Scottsdale, AZ

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   \[
   \text{# claims with unpd indem} \div \text{# claims with payable indem} = 0.15789
   \]

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[
   \text{Avg Unpd Ind} = \frac{\text{Total unpd indem.}}{\text{# of claims with obligation to pay indem.}} = \frac{3,570.65}{57} = 62.64
   \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   \[
   \text{# claims with late 1st TD} \div \text{# with TD payments} = 0.25926
   \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[
   \text{# claims with late first PD} \div \text{# with first PD} = 0.31579
   \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[
   \text{# claims with late subsequent payments} \div \text{# with subsequent payments} = 0.21622
   \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[
   \text{Total} = 0.46512
   \]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
**Penalty Assessments and Collections**

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>15</td>
<td>$4,600</td>
<td>$4,600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>6</td>
<td>$1,720</td>
<td>$1,720</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>8</td>
<td>$6,880</td>
<td>$6,880</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process.</td>
<td>20</td>
<td>$7,700</td>
<td>$7,700</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>8</td>
<td>$3,500</td>
<td>$3,500</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>2</td>
<td>$650</td>
<td>$650</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>59</td>
<td>$25,050</td>
<td>$25,050</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

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

---

**Calendar Year:** 2007

**Subject:** Sentry Insurance / Parker Services, Inc.

**Location:** Scottsdale, AZ

**Type:** INS & TPA

**Audit No:** OAK-15-07-R1-3
### Calendar Year: 2007

#### Notices of Compensation Due

**Audit No:** OAK-15-07-R1-3  
**Subject:** Sentry Insurance / Parker Services, Inc.  
**Location:** Scottsdale, AZ  
**Type:** INS & TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$25.71</td>
<td></td>
<td></td>
<td>$25.71</td>
</tr>
<tr>
<td>2</td>
<td>$58.72</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$58.72</td>
</tr>
<tr>
<td>3</td>
<td>$190.42</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$190.42</td>
</tr>
<tr>
<td>4</td>
<td>$217.49</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$217.49</td>
</tr>
<tr>
<td>5</td>
<td>$74.76</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$74.76</td>
</tr>
<tr>
<td>6</td>
<td>$312.66</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$312.66</td>
</tr>
<tr>
<td>7</td>
<td>$1,782.94</td>
<td></td>
<td></td>
<td>$178.29</td>
<td></td>
<td></td>
<td>$1,961.23</td>
</tr>
<tr>
<td>8</td>
<td>$295.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$295.00</td>
</tr>
<tr>
<td>9</td>
<td>$81.51</td>
<td></td>
<td></td>
<td>$353.15</td>
<td></td>
<td></td>
<td>$434.66</td>
</tr>
</tbody>
</table>

**TOTAL**  
$3,013.50 $0.00 $0.00 $557.15 $0.00 $0.00 $3,570.65
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-07-07-R1-5

Subject: Southland Claims Service, Inc.

Location: Garden Grove

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   \[ \text{# claims with unpd indem} \div \text{# claims with payable indem} = 0.28302 \]

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[ \text{Total unpd indem.} = 10,929.45 \div \text{# of claims with obligation to pay indem.} = 206.22 \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   \[ \text{# claims with late 1st TD} \div \text{# with TD payments} = 0.25581 \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[ \text{# claims with late first PD} \div \text{# with first PD} = 0.15789 \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[ \text{# claims with late subsequent payments} \div \text{# with subsequent payments} = 0.25581 \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[ \text{# claims with AME/QME notice violations} \div \text{# requiring notices} = 0.09375 \]

Profile Audit Review Performance Rating of Randomly Selected Claims

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
**Penalty Assessments and Collections**

**Auditor:** LAO-07-07-R1-5  
**Subject:** Southland Claims Service, Inc.  
**Location:** Garden Grove  
**Type:** TPA

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Subject to Collection</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits (TD).</td>
<td>25</td>
<td>$20,430</td>
<td>$20,430</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>3</td>
<td>$2,090</td>
<td>$2,090</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>16</td>
<td>$8,610</td>
<td>$8,610</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>1</td>
<td>$200</td>
<td>$200</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>2</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>12</td>
<td>$18,400</td>
<td>$18,400</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>6</td>
<td>$1,100</td>
<td>$1,100</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

**TOTAL**  
65 | $51,830 | $51,830 | $0 | $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: LAO-07-07-R1-5

Subject: Southland Claims Service, Inc.

Location: Garden Grove

Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$37.34</td>
<td></td>
<td></td>
<td>$37.34</td>
</tr>
<tr>
<td>2</td>
<td>$236.44</td>
<td></td>
<td></td>
<td>$23.64</td>
<td></td>
<td></td>
<td>$260.08</td>
</tr>
<tr>
<td>3</td>
<td>$1,127.32</td>
<td></td>
<td></td>
<td>$112.73</td>
<td></td>
<td></td>
<td>$1,240.05</td>
</tr>
<tr>
<td>4</td>
<td>$744.45</td>
<td></td>
<td></td>
<td>$60.05</td>
<td></td>
<td></td>
<td>$804.50</td>
</tr>
<tr>
<td>5</td>
<td>$1,372.70</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,372.70</td>
</tr>
<tr>
<td>6</td>
<td>$1,432.16</td>
<td></td>
<td></td>
<td>$127.02</td>
<td></td>
<td></td>
<td>$1,559.18</td>
</tr>
<tr>
<td>7</td>
<td>$236.00</td>
<td></td>
<td></td>
<td>$23.60</td>
<td></td>
<td></td>
<td>$259.60</td>
</tr>
<tr>
<td>8</td>
<td>$1,929.19</td>
<td></td>
<td></td>
<td>$192.92</td>
<td></td>
<td></td>
<td>$2,122.11</td>
</tr>
<tr>
<td>9</td>
<td>$225.64</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$225.64</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td>$203.76</td>
<td></td>
<td></td>
<td>$203.76</td>
</tr>
<tr>
<td>11</td>
<td>$903.96</td>
<td></td>
<td></td>
<td>$90.40</td>
<td></td>
<td></td>
<td>$994.36</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td>$124.00</td>
<td></td>
<td></td>
<td>$124.00</td>
</tr>
<tr>
<td>13</td>
<td>$751.19</td>
<td></td>
<td></td>
<td>$66.12</td>
<td></td>
<td></td>
<td>$817.31</td>
</tr>
<tr>
<td>14</td>
<td>$636.66</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$636.66</td>
</tr>
<tr>
<td>15</td>
<td>$247.42</td>
<td></td>
<td></td>
<td>$24.74</td>
<td></td>
<td></td>
<td>$272.16</td>
</tr>
</tbody>
</table>

TOTAL $9,843.13 $0.00 $0.00 $1,086.32 $0.00 $0.00 $10,929.45
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-05-07-R1-1

Subject: Springfield Insurance Company

Location: Covina

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
<th># claims with unpaid indemnity</th>
<th>16</th>
<th>divide by # claims with payable indemnity</th>
<th>55</th>
<th>=</th>
<th>0.29091</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</th>
<th>Total unpaid indemnity ($)</th>
<th>14,176.76</th>
<th>divide by # of claims with obligation to pay indemnity</th>
<th>55</th>
<th>Avg Unpd Indemnity ($)</th>
<th>257.76</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>C. Severity Rate</th>
<th>Avg Unpaid Indemnity ($)</th>
<th>257.76</th>
<th>divide by avg unpaid indemnity 2003-2005 ($)</th>
<th>167.71</th>
<th>=</th>
<th>1.53693</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th># claims with late 1st TD</th>
<th>13</th>
<th>divide by # with TD payments</th>
<th>53</th>
<th>=</th>
<th>0.24528</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first SC notice</td>
<td>0</td>
<td>divide by # with salary continuation</td>
<td>0</td>
<td>=</td>
<td>0.00000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with late first PD</th>
<th>0</th>
<th>divide by # with first PD</th>
<th>18</th>
<th>=</th>
<th>0.00000</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first VRMA</td>
<td>0</td>
<td>divide by # with first VRMA</td>
<td>0</td>
<td>=</td>
<td>0.00000</td>
</tr>
<tr>
<td># claims with late first DB</td>
<td>0</td>
<td>divide by # with first DB paid</td>
<td>0</td>
<td>=</td>
<td>0.00000</td>
</tr>
</tbody>
</table>

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

<table>
<thead>
<tr>
<th># claims with subsequent payments</th>
<th>9</th>
<th>divide by # with subsequent payments</th>
<th>47</th>
<th>=</th>
<th>0.19149</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th># claims with AME/QME notice violations</th>
<th>3</th>
<th>divide by # requiring notices</th>
<th>42</th>
<th>=</th>
<th>0.07143</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with VR potential eligibility notice violations</td>
<td>0</td>
<td>divide by # requiring notices</td>
<td>0</td>
<td>=</td>
<td>0.07143</td>
</tr>
</tbody>
</table>

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Calendar Year: 2007

#### Individual Exhibit 2

**Penalty Assessments and Collections**

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>16</td>
<td>$5,490</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>11</td>
<td>$2,505</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>3</td>
<td>$1,400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>14</td>
<td>$11,300</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>4</td>
<td>$2,800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>6</td>
<td>$1,150</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**                                                                                     | 54              | $24,645                          | $24,645                       | $0                       | $0     |

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year:  2007
Notices of Compensation Due

Audit No:     LAO-05-07-R1-1

Subject:      Springfield Insurance Company

Location:     Covina                                Type: INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$98.64</td>
<td></td>
<td></td>
<td>$9.86</td>
<td></td>
<td></td>
<td>$108.50</td>
</tr>
<tr>
<td>2</td>
<td>$51.52</td>
<td></td>
<td></td>
<td>$5.15</td>
<td></td>
<td></td>
<td>$56.67</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>$2,250.00</td>
<td></td>
<td>$225.00</td>
<td></td>
<td></td>
<td>$2,475.00</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td>$113.97</td>
<td></td>
<td></td>
<td>$113.97</td>
</tr>
<tr>
<td>5</td>
<td>$726.00</td>
<td></td>
<td></td>
<td>$75.29</td>
<td></td>
<td></td>
<td>$801.29</td>
</tr>
<tr>
<td>6</td>
<td>$303.79</td>
<td></td>
<td></td>
<td>$30.38</td>
<td></td>
<td>$52.00</td>
<td>$386.17</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>$1,016.94</td>
<td></td>
<td>$101.69</td>
<td></td>
<td></td>
<td>$1,118.63</td>
</tr>
<tr>
<td>8</td>
<td>$11.75</td>
<td></td>
<td></td>
<td>$1.18</td>
<td></td>
<td></td>
<td>$12.93</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td>$37.18</td>
<td></td>
<td></td>
<td>$37.18</td>
</tr>
<tr>
<td>10</td>
<td>$1,099.89</td>
<td></td>
<td></td>
<td>$109.99</td>
<td></td>
<td></td>
<td>$1,209.88</td>
</tr>
<tr>
<td>11</td>
<td>$2,890.56</td>
<td></td>
<td></td>
<td>$425.31</td>
<td></td>
<td></td>
<td>$3,315.87</td>
</tr>
<tr>
<td>12</td>
<td>$262.01</td>
<td>$528.00</td>
<td></td>
<td>$79.00</td>
<td></td>
<td></td>
<td>$869.01</td>
</tr>
<tr>
<td>13</td>
<td>$56.55</td>
<td></td>
<td></td>
<td>$5.66</td>
<td></td>
<td></td>
<td>$62.21</td>
</tr>
<tr>
<td>14</td>
<td>$2,410.56</td>
<td></td>
<td></td>
<td>$241.06</td>
<td></td>
<td></td>
<td>$2,651.62</td>
</tr>
<tr>
<td>15</td>
<td>$596.12</td>
<td></td>
<td></td>
<td>$103.62</td>
<td></td>
<td></td>
<td>$699.74</td>
</tr>
<tr>
<td>16</td>
<td>$234.63</td>
<td></td>
<td></td>
<td>$23.46</td>
<td></td>
<td></td>
<td>$258.09</td>
</tr>
</tbody>
</table>

TOTAL: $7,642.13  $4,894.83  $0.00  $1,587.80  $0.00  $52.00  $14,176.76
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No:  OAK-07-07-R2-1

Subject:  St. Paul Travelers

Location:  St. Paul, MN

<table>
<thead>
<tr>
<th>1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Frequency Rate</td>
</tr>
<tr>
<td># claims with unpd indemn</td>
</tr>
<tr>
<td>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</td>
</tr>
<tr>
<td>Total unpd indem. = $ 10,756.59 divide by # of claims with obligation to pay indemn.</td>
</tr>
<tr>
<td>C. Severity Rate</td>
</tr>
<tr>
<td>Avg Unpd Indem = $ 192.08 divide by avg unpd indem 2003-2005 of $ 167.71 = 1.14532</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D. Factor for Failure to pay Undisputed Accrued Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency rate 0.17857 X Severity rate 1.14532 X modifier of 2 = 0.40904</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late 1st TD</td>
</tr>
<tr>
<td># claims with late first SC notice</td>
</tr>
<tr>
<td>Totals</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first PD</td>
</tr>
<tr>
<td># claims with late first VRMA</td>
</tr>
<tr>
<td># claims with late first DB</td>
</tr>
<tr>
<td>Totals</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late subsequent payments</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with AME/QME notice violations</td>
</tr>
<tr>
<td># claims with VR potential eligibility notice violations</td>
</tr>
<tr>
<td>Totals</td>
</tr>
</tbody>
</table>

= 0.57143

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
 Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Full Compliance Audit Performance Rating of Randomly Selected Claims

#### Audit No: OAK-07-07-R2-1

**Subject:** St. Paul Travelers

**Location:** St. Paul, MN

#### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

| # claims with unpd indem | 24 | divide by | # claims with payable indem | 124 | 0.19355 |

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

| Total unpd indem = $18,019.66 | divide by | # of claims with obligation to pay indem. | 124 | Avg Unpd Ind = $145.32 |

#### C. Severity Rate

| Avg Unpd Ind. = $145.32 | divide by avg unpd indemn 2003-2005 of $167.71 | 0.86649 |

#### D. Factor for Failure to pay Undisputed Accrued Indemnity

| Frequency rate | 0.19355 | X Severity rate | 0.86649 | X modifier of 2 | = 0.33542 |

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

| # claims with late 1st TD | 38 | divide by | # with TD payments | 115 | |
| # claims with late first SC notice | 0 | divide by | # with salary continuation | 0 | |
| Totals = 38 | divide by | Totals = 115 | |

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

| # claims with late first PD | 10 | divide by | # with first PD | 36 | |
| # claims with late first VRMA | 0 | divide by | # with first VRMA | 0 | |
| # claims/late first death benefits | 0 | divide by | # with first death ben paid | 0 | |
| Totals = 10 | divide by | Totals = 36 | |

#### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subseq payments | 23 | divide by | # with subseq payments | 81 | |

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

| # claims with AME/QME notice violations | 28 | divide by | # requiring notices | 51 | |
| # claims with VR potential eligibility notice violations | 0 | divide by | # requiring notices | 0 | |
| Totals = 28 | divide by | Totals = 51 | |

**FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007**

Full Compliance Audit Performance Rating of indemnity files of 2.21983 or greater is a failing score.

**Form DWC-AU-860B (Rev 12/06)**
**Calendar Year:** 2007

**Penalty Assessments and Collections**

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>127</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>124</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
</tr>
<tr>
<td>Complaints</td>
<td>3</td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
</tr>
</tbody>
</table>

**Audit No:** OAK-07-07-R2-1

**Subject:** St. Paul Travelers

**Location:** St. Paul, MN

**Type:** INS

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits (TD)</td>
<td>42</td>
<td>$27,000</td>
<td>$0</td>
<td>$27,000</td>
<td>$27,000</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>12</td>
<td>$8,640</td>
<td>$0</td>
<td>$8,640</td>
<td>$8,640</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>38</td>
<td>$10,020</td>
<td>$0</td>
<td>$10,020</td>
<td>$10,020</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>28</td>
<td>$12,000</td>
<td>$12,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>18</td>
<td>$5,800</td>
<td>$0</td>
<td>$5,800</td>
<td>$5,800</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>3</td>
<td>$3,120</td>
<td>$0</td>
<td>$3,120</td>
<td>$3,120</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>15</td>
<td>$3,700</td>
<td>$0</td>
<td>$3,700</td>
<td>$3,700</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**

| 156 | $70,280 | $12,000 | $58,280 | $58,280 |

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Notices of Compensation Due

**Calendar Year:** 2007

**Audit No:** OAK-07-07-R2-1

**Subject:** St. Paul Travelers and Constitution States Service

**Location:** St. Paul, MN

**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$24.77</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$24.77</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$25.30</td>
<td></td>
<td>$25.30</td>
</tr>
<tr>
<td>3</td>
<td>$2,558.92</td>
<td></td>
<td></td>
<td></td>
<td>$219.89</td>
<td></td>
<td>$2,778.81</td>
</tr>
<tr>
<td>4</td>
<td>$840.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$840.00</td>
</tr>
<tr>
<td>5</td>
<td>$251.90</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$251.90</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>$1,120.00</td>
<td></td>
<td></td>
<td>$272.00</td>
<td></td>
<td>$1,392.00</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$58.23</td>
<td></td>
<td>$58.23</td>
</tr>
<tr>
<td>8</td>
<td>$1,440.00</td>
<td></td>
<td></td>
<td></td>
<td>$60.00</td>
<td></td>
<td>$1,500.00</td>
</tr>
<tr>
<td>9</td>
<td>$365.92</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$365.92</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>$2,727.14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,727.14</td>
</tr>
<tr>
<td>11</td>
<td>$19.28</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$19.28</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$291.20</td>
<td></td>
<td>$291.20</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$36.00</td>
<td></td>
<td>$36.00</td>
</tr>
<tr>
<td>14</td>
<td>$208.00</td>
<td></td>
<td></td>
<td></td>
<td>$145.60</td>
<td></td>
<td>$353.60</td>
</tr>
<tr>
<td>15</td>
<td>$144.76</td>
<td></td>
<td></td>
<td></td>
<td>$709.34</td>
<td></td>
<td>$854.10</td>
</tr>
<tr>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$300.00</td>
<td></td>
<td>$300.00</td>
</tr>
<tr>
<td>17</td>
<td>$139.46</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$139.46</td>
</tr>
<tr>
<td>18</td>
<td></td>
<td>$3,914.29</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$3,914.29</td>
</tr>
<tr>
<td>19</td>
<td>$152.54</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$152.54</td>
</tr>
<tr>
<td>20</td>
<td>$30.24</td>
<td></td>
<td></td>
<td></td>
<td>$678.60</td>
<td></td>
<td>$708.84</td>
</tr>
<tr>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$115.93</td>
<td></td>
<td>$115.93</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$6,175.79</td>
<td>$7,761.43</td>
<td>$0.00</td>
<td>$2,912.09</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$16,849.31</td>
</tr>
</tbody>
</table>
**Calendar Year:** 2007

**Notices of Compensation Due**

**Audit No:** OAK-07-07-R2-1

**Subject:** St. Paul Travelers

**Location:** St. Paul, MN

**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>$51.43</td>
<td></td>
<td></td>
<td>$341.14</td>
<td></td>
<td></td>
<td>$392.57</td>
</tr>
<tr>
<td>23</td>
<td>$349.08</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$349.08</td>
</tr>
<tr>
<td>24</td>
<td>$242.56</td>
<td></td>
<td></td>
<td></td>
<td>$186.14</td>
<td></td>
<td>$428.70</td>
</tr>
</tbody>
</table>

**Page 2**

SUBTOTAL $643.07 $0.00 $0.00 $527.28 $0.00 $0.00 $1,170.35

**Page 1**

SUBTOTAL $6,175.79 $7,761.43 $0.00 $2,912.09 $0.00 $0.00 $16,849.31

**TOTAL** $6,818.86 $7,761.43 $0.00 $3,439.37 $0.00 $0.00 $18,019.66
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No:  LAO-15-07-R1-3

Subject:  St. Paul Travelers and Constitution States Service

Location:  Diamond Bar

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with unpd indem</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total unpd indemn.</td>
</tr>
<tr>
<td>Avg Unpd Ind</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. Severity Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg Unpd Indem</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with late 1st TD</th>
<th>12</th>
<th>divide by # with TD payments</th>
<th>57</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first SC notice</td>
<td>0</td>
<td>divide by # with salary continuation</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>12</td>
<td>divide by Totals</td>
<td>57</td>
</tr>
<tr>
<td>=</td>
<td></td>
<td></td>
<td>0.21053</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with late first PD</th>
<th>5</th>
<th>divide by # with first PD</th>
<th>26</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first VRMA</td>
<td>0</td>
<td>divide by # with first VRMA</td>
<td>1</td>
</tr>
<tr>
<td># claims with late first DB</td>
<td>0</td>
<td>divide by # with first DB paid</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>5</td>
<td>divide by Totals</td>
<td>27</td>
</tr>
<tr>
<td>=</td>
<td></td>
<td></td>
<td>0.18519</td>
</tr>
</tbody>
</table>

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

<table>
<thead>
<tr>
<th># claims with late subsequent payments</th>
<th>12</th>
<th>divide by # with subsequent payments</th>
<th>49</th>
</tr>
</thead>
<tbody>
<tr>
<td>=</td>
<td></td>
<td></td>
<td>0.24490</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with AME/QME notice violations</th>
<th>0</th>
<th>divide by # requiring notices</th>
<th>48</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with VR potential eligibility notice violations</td>
<td>1</td>
<td>divide by # requiring notices</td>
<td>1</td>
</tr>
<tr>
<td>Totals</td>
<td>1</td>
<td>divide by Totals</td>
<td>49</td>
</tr>
<tr>
<td>=</td>
<td></td>
<td></td>
<td>0.02041</td>
</tr>
</tbody>
</table>

PROF ILE AUDIT REVIEW PERFORMANCE RATING - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Individual Exhibit 2

#### Penalty Assessments and Collections

**Calendar Year:** 2007

**Audit No:** LAO-15-07-R1-3

**Subject:** St. Paul Travelers and Constitution States Service

**Location:** Diamond Bar

**Type:** INS

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>14</td>
<td>$5,070</td>
<td>$5,070</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>5</td>
<td>$4,560</td>
<td>$4,560</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>25</td>
<td>$15,935</td>
<td>$15,935</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>1</td>
<td>$100</td>
<td>$100</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>10</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>2</td>
<td>$2,800</td>
<td>$2,800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>15</td>
<td>$4,800</td>
<td>$4,800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>1</td>
<td>$4,800</td>
<td>$4,800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 73 $43,065 $43,065 $0 $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Calendar Year: 2007

#### Notices of Compensation Due

**Audit No:** LAO-15-07-R1-3

**Subject:** St. Paul Travelers and Constitution States Service

**Location:** Diamond Bar  
**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$647.06</td>
<td></td>
<td></td>
<td>$176.85</td>
<td></td>
<td></td>
<td>$823.91</td>
</tr>
<tr>
<td>2</td>
<td>$54.76</td>
<td></td>
<td></td>
<td>$5.48</td>
<td></td>
<td></td>
<td>$60.24</td>
</tr>
<tr>
<td>3</td>
<td>$81.73</td>
<td></td>
<td></td>
<td>$8.17</td>
<td></td>
<td></td>
<td>$81.73</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$8.17</td>
<td></td>
<td>$8.17</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>$51.20</td>
<td></td>
<td></td>
<td>$51.20</td>
</tr>
<tr>
<td>6</td>
<td>$2,017.51</td>
<td>$91.85</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,109.36</td>
</tr>
<tr>
<td>7</td>
<td>$34.45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$34.45</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td>$504.90</td>
<td></td>
<td></td>
<td>$504.90</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td>$387.40</td>
<td></td>
<td></td>
<td>$387.40</td>
</tr>
<tr>
<td>10</td>
<td>$229.04</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$229.04</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td>$779.84</td>
<td></td>
<td>$21.37</td>
<td>$801.21</td>
</tr>
<tr>
<td>12</td>
<td>$60.67</td>
<td>$3,118.40</td>
<td></td>
<td>$653.21</td>
<td></td>
<td></td>
<td>$3,832.28</td>
</tr>
<tr>
<td>13</td>
<td>$138.29</td>
<td>$2,760.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,898.29</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$3,263.51</td>
<td>$5,878.40</td>
<td></td>
<td>$2,658.90</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$21.37</td>
</tr>
</tbody>
</table>

**Self-Imposed Increase**  
**Death Benefits**  
**Penalty, Interest or Other**  
**Total**
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: SAC-14-07-R1-1

Subject: State Compensation Insurance Fund

Location: Bakersfield

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

| A. Frequency Rate | 
| --- | --- |
| # claims with unpd indemn | 2 | divide by # claims with payable indemn | 58 | = | 0.03448 |

| B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity | 
| --- | --- |
| Total unpd indemn. = | $ 2,217.05 | divide by | # of claims with obligation to pay indemn. | 58 | 
| Avg Unpd Ind = | $ 38.23 |

| C. Severity Rate | 
| --- | --- |
| Avg Unpd Indem | $ 38.23 | divide by avg unpd indemn 2003-2005 of | $ 167.71 | = | 0.22792 |

| D. Factor for Failure to pay Undisputed Accrued Indemnity | 
| --- | --- |
| Frequency rate | 0.03448 | X | Severity rate | 0.22792 | X | modifier of | 2 | = | 0.01572 |

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

| # claims with late 1st TD | 8 | divide by # with TD payments | 56 |
| # claims with late first SC notice | 0 | divide by # with salary continuation | 0 |
| Totals | 8 | divide by | Totals | 56 |

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

| # claims with late first PD | 3 | divide by # with first PD | 23 |
| # claims with late first VRMA | 0 | divide by # with first VRMA | 0 |
| # claims with late first DB | 0 | divide by # with first DB paid | 0 |
| Totals | 3 | divide by | Totals | 23 |

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subsequent payments | 9 | divide by # with subsequent payments | 42 |

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

| # claims with AME/QME notice violations | 3 | divide by # requiring notices | 28 |
| # claims with VR potential eligibility notice violations | 0 | divide by # requiring notices | 0 |
| Totals | 3 | divide by | Totals | 28 |

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Penalty Assessments and Collections

**Calendar Year:** 2007  
**Individual Exhibit 2**

**Penalty Assessments and Collections**

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>10</td>
<td>$4,520</td>
<td>$4,520</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>2</td>
<td>$960</td>
<td>$960</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>13</td>
<td>$5,940</td>
<td>$5,940</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>4</td>
<td>$1,400</td>
<td>$1,400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>1</td>
<td>$1,600</td>
<td>$1,600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 31  $14,820  $14,820  $0  $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
**Calendar Year:** 2007

**Notices of Compensation Due**

**Audit No:** SAC-14-07-R1-1

**Subject:** State Compensation Insurance Fund

**Location:** Bakersfield

**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>$1,971.43</td>
<td></td>
<td>$197.14</td>
<td></td>
<td></td>
<td>$2,205.84</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>$44.07</td>
<td></td>
<td>$4.41</td>
<td></td>
<td></td>
<td>$48.48</td>
</tr>
</tbody>
</table>

**TOTAL**

$0.00 $2,015.50 $0.00 $201.55 $0.00 $37.27 $2,254.32
# Calendar Year: 2007  
Individual Exhibit 1A

## Profile Audit Review Performance Rating of Randomly Selected Claims

### Audit No: OAK-20-07-R1-3

### Subject: State Compensation Insurance Fund

### Location: Eureka

<table>
<thead>
<tr>
<th>1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Frequency Rate</strong></td>
</tr>
<tr>
<td># claims with unpd indemn</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total unpd indem. = $397.70</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>C. Severity Rate</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg Unpd Indem $6.86</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>D. Factor for Failure to pay Undisputed Accrued Indemnity</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency rate 0.06897</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late 1st TD</td>
</tr>
<tr>
<td># claims with late first SC notice</td>
</tr>
<tr>
<td>Totals</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first PD</td>
</tr>
<tr>
<td># claims with late first VRMA</td>
</tr>
<tr>
<td># claims with late first DB</td>
</tr>
<tr>
<td>Totals</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late subsequent payments</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with AME/QME notice violations</td>
</tr>
<tr>
<td># claims with VR potential eligibility notice violations</td>
</tr>
<tr>
<td>Totals</td>
</tr>
</tbody>
</table>

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
# Penalty Assessments and Collections

## Files Audited: 58

<table>
<thead>
<tr>
<th>Indemnity</th>
<th>58</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Only</td>
<td>0</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
</tr>
<tr>
<td>Complaints</td>
<td>0</td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
</tr>
</tbody>
</table>

## Audit No: OAK-20-07-R1-3

## Subject: State Compensation Insurance Fund

## Location: Eureka

## Type: INS/TPA

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>9</td>
<td>$1,470</td>
<td>$1,470</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>9</td>
<td>$1,625</td>
<td>$1,625</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>4</td>
<td>$175</td>
<td>$175</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>3</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>2</td>
<td>$600</td>
<td>$600</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>3</td>
<td>$350</td>
<td>$350</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** | 30 | **$5,220** | **$5,220** | **$0** | **$0**

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: OAK-20-07-R1-3

Subject: Sate Compensation Insurance Fund

Location: Eureka

Type: INS/TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$10.82</td>
<td></td>
<td></td>
<td>$10.82</td>
</tr>
<tr>
<td>2</td>
<td>$17.14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$17.14</td>
</tr>
<tr>
<td>3</td>
<td>$243.14</td>
<td></td>
<td></td>
<td>$90.99</td>
<td></td>
<td></td>
<td>$334.13</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td>$35.61</td>
<td></td>
<td></td>
<td>$35.61</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$260.28</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$137.42</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$397.70</td>
</tr>
</tbody>
</table>
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-18-07-R1-1

Subject: State Compensation Insurance Fund - Carve Out

Location: Monterey Park

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   
   A. Frequency Rate
   # claims with unpd indemn 7 divide by # claims with payable indem 54 = 0.12963
   
   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   Total unpd indem. = $ 7,973.85 divide by # of claims with obligation to pay indemn. 54
   Avg Unpd Ind = $ 147.66
   
   C. Severity Rate
   Avg Unpd Indem $ 147.66 divide by avg unpd indem 2003-2005 of $ 167.71 = 0.88047
   
   D. Factor for Failure to pay Undisputed Accrued Indemnity
   Frequency rate 0.12963 X Severity rate 0.88047 X modifier of 2
   = 0.22827

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   # claims with late 1st TD 18 divide by # with TD payments 53
   # claims with late first SC notice 0 divide by # with salary continuation 0
   Totals 18 divide by Totals 53 = 0.33962

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   # claims with late first PD 1 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 2 divide by Totals 10 = 0.20000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   # claims with late subsequent payments 16 divide by # with subsequent payments 38
   = 0.42105

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 38
   # claims with VR potential eligibility notice violations 0 divide by # requiring notices 1
   Totals 4 divide by Totals 39
   = 0.10256

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Calendar Year: 2007

#### Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>19</td>
<td>$8,570</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>2</td>
<td>$840</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>1</td>
<td>$200</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>26</td>
<td>$6,975</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>4</td>
<td>$1,400</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>5</td>
<td>$6,000</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>2</td>
<td>$1,900</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>1</td>
<td>$100</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

**TOTAL**                                                                                      60  $25,985  $25,985  $0  $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
# Notices of Compensation Due

**Calendar Year:** 2007

**Individual Exhibit 3**

**Audit No:** LAO-18-07-R1-1

**Subject:** State Compensation Insurance Fund - Carve Out

**Location:** Monterey Park

**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$63.71</td>
<td></td>
<td></td>
<td>$63.71</td>
</tr>
<tr>
<td>2</td>
<td>$840.00</td>
<td>$428.29</td>
<td></td>
<td>$126.83</td>
<td></td>
<td></td>
<td>$1,395.12</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>$3,431.96</td>
<td></td>
<td>$343.20</td>
<td></td>
<td></td>
<td>$3,775.16</td>
</tr>
<tr>
<td>4</td>
<td>$92.98</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$92.98</td>
</tr>
<tr>
<td>5</td>
<td>$360.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$360.00</td>
</tr>
<tr>
<td>6</td>
<td>$2,037.71</td>
<td></td>
<td></td>
<td>$186.88</td>
<td></td>
<td></td>
<td>$2,224.59</td>
</tr>
<tr>
<td>7</td>
<td>$62.29</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$62.29</td>
</tr>
</tbody>
</table>

**TOTAL** $3,392.98 $3,860.25 $0.00 $720.62 $0.00 $0.00 $7,973.85
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: VNO-07-07-R1-5

Subject: State Compensation Insurance Fund - State Contracts

Location: Oxnard

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate
\[
\text{Freq. Rate} = \frac{\text{Claims with unpaid indemnity}}{\text{Claims with payable indemnity}} = \frac{7}{58} = 0.12069
\]

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
\[
\text{Avg Unpd Ind} = \frac{\text{Total unpaid indemnity}}{\text{Claims with obligation to pay indemnity}} = \frac{5,032.95}{58} = 86.78
\]

C. Severity Rate
\[
\text{Avg Unpd Indem} = \frac{86.78}{\text{Avg unpd indemnity 2003-2005 of 167.71}} = 0.51741
\]

D. Factor for Failure to pay Undisputed Accrued Indemnity
\[
\text{Factor} = 0.12069 \times 0.51741 \times 2 = 0.12489
\]

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

\[
\text{Factor} = \frac{3}{6} = 0.50000
\]

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

\[
\text{Factor} = \frac{2}{12} = 0.16667
\]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

\[
\text{Factor} = \frac{8}{16} = 0.50000
\]

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

\[
\text{Factor} = \frac{12}{28} = 0.42857
\]

Profile Audit Review Performance Rating - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>66</th>
<th>Audit No:</th>
<th>VNO-07-07-R1-5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>58</td>
<td>Subject:</td>
<td>State Compensation Insurance Fund - State Contracts</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
<td>Location:</td>
<td>Oxnard</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
<td>Type:</td>
<td>TPA</td>
</tr>
<tr>
<td>Complaints</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>4</td>
<td>$4,670</td>
<td>$4,670</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>3</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>17</td>
<td>$4,820</td>
<td>$4,820</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>31</td>
<td>$1,625</td>
<td>$1,625</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>1</td>
<td>$500</td>
<td>$500</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>12</td>
<td>$5,200</td>
<td>$5,200</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>4</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>2</td>
<td>$650</td>
<td>$650</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>2</td>
<td>$4,600</td>
<td>$4,600</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>2</td>
<td>$7,200</td>
<td>$7,200</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>79</td>
<td><strong>$33,465</strong></td>
<td><strong>$33,465</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: VNO-07-07-R1-5

Subject: State Compensation Insurance Fund - State Contracts

Location: Oxnard

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$240.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$240.00</td>
</tr>
<tr>
<td>2</td>
<td>$420.00</td>
<td>$231.00</td>
<td></td>
<td>$23.10</td>
<td></td>
<td></td>
<td>$674.10</td>
</tr>
<tr>
<td>3</td>
<td>$120.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$120.00</td>
</tr>
<tr>
<td>4</td>
<td>$258.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$258.00</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>$37.00</td>
<td></td>
<td></td>
<td>$37.00</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td>$178.74</td>
<td></td>
<td></td>
<td>$178.74</td>
</tr>
<tr>
<td>7</td>
<td>$3,204.65</td>
<td></td>
<td></td>
<td>$320.46</td>
<td></td>
<td></td>
<td>$3,525.11</td>
</tr>
<tr>
<td>8</td>
<td>$1,870.00</td>
<td></td>
<td></td>
<td>$187.00</td>
<td></td>
<td></td>
<td>$2,057.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$1,038.00</td>
<td>$5,305.65</td>
<td></td>
<td><strong>$746.30</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$7,089.95</strong></td>
</tr>
</tbody>
</table>
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: VNO-05-07-R1-1

Subject: State Compensation Insurance Fund

Location: Riverside

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

#### A. Frequency Rate

\[
\text{Frequency rate} = \frac{\text{# claims with unpd indem}}{\text{# claims with payable indem}} = \frac{4}{58} = 0.06897
\]

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

\[
\text{Avg Unpd Ind} = \frac{\text{Total unpd indem.}}{\text{# of claims with obligation to pay indem.}} = \frac{7,362.35}{58} = 126.94
\]

#### C. Severity Rate

\[
\text{Avg Unpd Indem} = \frac{126.94}{\text{Avg Unpd indem 2003-2005 of 167.71}} = \frac{126.94}{167.71} = 0.75688
\]

#### D. Factor for Failure to pay Undisputed Accrued Indemnity

\[
\text{Frequency rate} \times \text{Severity rate} \times \text{modifier of 2} = 0.06897 \times 0.75688 \times 2 = 0.10440
\]

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

\[
\text{Late first TD} = \frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} = \frac{17}{56} = 0.30357
\]

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

\[
\text{Late first PD} = \frac{\text{# claims with late first PD}}{\text{with first PD}} = \frac{3}{15} = 0.20000
\]

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

\[
\text{Late subsequent payments} = \frac{\text{# claims with late subsequent payments}}{\text{with subsequent payments}} = \frac{11}{48} = 0.22917
\]

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

\[
\text{AME/QME notice violations} = \frac{\text{# claims with AME/QME notice violations}}{\text{requiring notices}} = \frac{3}{38} = 0.07895
\]

Profile Audit Review Performance Rating of 0.92830 or greater is a failing score.
## Penalty Assessments and Collections

**Files Audited:** 66  
**Audit No:** VNO-05-07-R1-1  
**Subject:** State Compensation Insurance Fund  
**Location:** Riverside  
**Type:** INS

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>24</td>
<td>$12,900</td>
<td>$12,900</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>5</td>
<td>$3,930</td>
<td>$3,930</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>1</td>
<td>$25</td>
<td>$25</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>29</td>
<td>$6,485</td>
<td>$6,485</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>1</td>
<td>$80</td>
<td>$80</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>2</td>
<td>$300</td>
<td>$300</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process.</td>
<td>3</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>2</td>
<td>$5,200</td>
<td>$5,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>4</td>
<td>$1,175</td>
<td>$1,175</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>72</strong></td>
<td><strong>$31,895</strong></td>
<td><strong>$31,895</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
## Notices of Compensation Due

### Calendar Year: 2007

#### Individual Exhibit 3

**Audit No:** VNO-05-07-R1-1

**Subject:** State Compensation Insurance Fund

**Location:** Riverside

**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$140.54</td>
<td></td>
<td></td>
<td>$151.44</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>$126.89</td>
<td></td>
<td></td>
<td>$2,675.80</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>$26.91</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$26.91</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>$4,220.53</td>
<td></td>
<td>$298.57</td>
<td></td>
<td></td>
<td>$4,519.10</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>$452.46</td>
<td></td>
<td></td>
<td>$452.46</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td>$1,187.25</td>
<td></td>
<td></td>
<td>$1,187.25</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$4,247.44</strong></td>
<td><strong>$2,548.91</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$2,205.71</strong></td>
<td><strong>$0.00</strong></td>
<td><strong>$10.90</strong></td>
<td><strong>$9,012.96</strong></td>
</tr>
</tbody>
</table>
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: SAC-10-07-R1-1

Subject: State Compensation Insurance Fund

Location: Sacramento

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   \[
   \frac{\text{# claims with unpd indemn}}{\text{# claims with payable indemn}} = \frac{10}{58} = 0.17241
   \]

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[
   \text{Avg Unpd Ind} = \frac{\text{Total unpd indemn.}}{\text{# of claims with obligation to pay indemn.}} = \frac{1,956.87}{58} = 33.74
   \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   \[
   \frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} = \frac{32}{58} = 0.55172
   \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[
   \frac{\text{# claims with late first PD}}{\text{# with first PD}} = \frac{1}{10} = 0.10000
   \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[
   \frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{9}{34} = 0.26471
   \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[
   \frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{8}{30} = 0.26667
   \]

   \[
   \frac{\text{# claims with VR potential eligibility notice violations}}{\text{# requiring notices}} = \frac{0}{0}
   \]

   \[
   \text{Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.}
   \]

   \[
   \text{Profile Audit Review Performance Rating - 2007 = 1.25247}
   \]
Calendar Year: 2007

Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>41</td>
<td>$12,870</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>2</td>
<td>$350</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>25</td>
<td>$4,860</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>8</td>
<td>$2,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>6</td>
<td>$2,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>10</td>
<td>$1,300</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 92 $23,580 $23,580 $0 $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
## Notices of Compensation Due

**Calendar Year:** 2007  
**Individual Exhibit 3**

**Audit No:** SAC-10-07-R1-1  
**Subject:** State Compensation Insurance Fund  
**Location:** Sacramento  
**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$221.44</td>
<td></td>
<td></td>
<td>$27.00</td>
<td></td>
<td></td>
<td>$248.44</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>$93.60</td>
<td></td>
<td></td>
<td>$93.60</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>$48.00</td>
<td></td>
<td></td>
<td>$48.00</td>
</tr>
<tr>
<td>4</td>
<td>$102.86</td>
<td></td>
<td></td>
<td>$10.29</td>
<td></td>
<td></td>
<td>$113.15</td>
</tr>
<tr>
<td>5</td>
<td>$261.17</td>
<td></td>
<td></td>
<td>$101.33</td>
<td></td>
<td></td>
<td>$362.50</td>
</tr>
<tr>
<td>6</td>
<td>$596.11</td>
<td></td>
<td></td>
<td>$219.61</td>
<td></td>
<td></td>
<td>$815.72</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td>$39.60</td>
<td></td>
<td></td>
<td>$39.60</td>
</tr>
<tr>
<td>8</td>
<td>$46.98</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$46.98</td>
</tr>
<tr>
<td>9</td>
<td>$44.29</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$44.29</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td>$144.59</td>
<td></td>
<td></td>
<td>$144.59</td>
</tr>
</tbody>
</table>

**TOTAL**  
$1,272.85 $0.00 $0.00 $684.02 $0.00 $0.00 $1,956.87
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No:  LAO-19-07-R3-1

Subject:  State Compensation Insurance Fund - HCO Program

Location:  Santa Ana

A. Frequency Rate

# claims with unpd indem  11  divide by # claims with payable indem  30  =  0.36667

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

Total unpd indemn.  =  $8,548.64  divide by # of claims with obligation to pay indem.  30  
Avg Unpd Ind  =  $284.95

C. Severity Rate

Avg Unpd Indem  $284.95  divide by avg unpd indem 2003-2005 of  $167.71  =  1.69909

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate  0.36667  X  Severity rate  1.69909  X  modifier of 2  =  1.24600

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

# claims with late 1st TD  10  divide by # with TD payments  28  =  0.35714
# claims with late first SC notice  0  divide by # with salary continuation  0  
Totals  10  divide by  Totals  28  =  0.35714

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

# claims with late first PD  3  divide by # with first PD  6  =  0
# claims with late first VRMA  0  divide by # with first VRMA  0  
# claims with late first DB  0  divide by # with first DB paid  0  
Totals  3  divide by  Totals  6  =  0.50000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

# claims with late subsequent payments  8  divide by # with subsequent payments  21  =  0.38095

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

# claims with AME/QME notice violations  1  divide by # requiring notices  21  =  0.04762
# claims with VR potential eligibility notice violations  0  divide by # requiring notices  0  
Totals  1  divide by  Totals  21  =  0.04762

Profile Audit Review Performance Rating - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: LAO-19-07-R3-1

Subject: State Compensation Insurance Fund - HCO Program

Location: Santa Ana

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

\[ \frac{\text{# claims with unpd indem}}{\text{# claims with payable indem}} = \frac{12}{32} = 0.37500 \]

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

\[ \frac{\text{Total unpd indemn}}{\text{Avg Unpd indem}} = \frac{8,565.84}{267.68} = 32 \]

= \$267.68

C. Severity Rate

\[ \frac{\text{Avg Unpd Ind.}}{\text{Avg Unpd indem 2003-2005 of}} = \frac{267.68}{167.71} = 1.59610 \]

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate \( \cdot \) Severity rate \( \cdot \) modifier of = \[ \frac{0.37500 \times 1.59610 \times 2}{2} = 1.19708 \]

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

\[ \frac{\text{# claims with late 1st TD}}{\text{# claims with late first TD}} = \frac{11}{30} = 0.36667 \]

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

\[ \frac{\text{# claims with late first PD}}{\text{# claims with first PD}} = \frac{3}{6} = 0.50000 \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

\[ \frac{\text{# claims with late subseq payments}}{\text{# claims with subseq payments}} = \frac{8}{22} = 0.36364 \]

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

\[ \frac{\text{# claims with AME/QME notice violations}}{\text{# claims with requiring notices}} = \frac{1}{22} = 0.04545 \]

\[ \frac{\text{# claims with VR potential eligibility notice violations}}{\text{# claims with requiring notices}} = \frac{0}{0} = 0 \]

\[ \frac{\text{Totals}}{\text{Totals}} = \frac{1}{22} = 0.04545 \]

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007

Full Compliance Audit Performance Rating of indemnity files of 2.21983 or greater is a failing score.
Audit No: LAO-19-07-R3-1

Subject: State Compensation Insurance Fund - HCO Program

Location: Santa Ana

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate
# claims with unpd indemn 12 divide by # claims with payable indemn 32 = 0.37500

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
Total unpd indemn = $8,565.84 divide by # of claims with obligation to pay indemn. 32
Avg Unpd Ind = $267.68

C. Severity Rate
Avg Unpd Ind. $267.68 divide by avg unpd indemn 2003-2005 of $167.71 = 1.59610

D. Factor for Failure to pay Undisputed Accrued Indemnity
Frequency rate 0.37500 X Severity rate 1.59610 X modifier of 2 = 1.19708

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

# claims with late 1st TD 9 divide by # with TD payments 30 = 0.30000
# claims with late first SC notice 0 divide by salary continuation 0 =
Totals 9 divide by Totals 30 = 0.30000

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

# claims with late first PD 3 divide by # with first PD 6 =
# claims with late first VRMA 0 divide by # with first VRMA 0 =
# claims/late first death benefits 0 divide by # with first death ben paid 0 =
Totals 3 divide by Totals 6 = 0.50000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

# claims with late subseq payments 8 divide by # with subseq payments 21 = 0.38095

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

# claims with AME/QME notice violations 1 divide by # requiring notices 22 =
# claims with VR potential eligibility notice violations 0 divide by # requiring notices 0 =
Totals 1 divide by Totals 22 = 0.04545

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007

Full Compliance Audit Performance Rating for indemnity and denied files of 2.21983 or greater is a failing score.

Full Compliance Audit Performance Rating of Randomly Selected Claims
## Penalty Assessments and Collections

**Calendar Year:** 2007

**Auditor:** LAO-19-07-R3-1

**Subject:** State Compensation Insurance Fund - HCO Program

**Location:** Santa Ana

**Type:** INS

### Files Audited
- **Indemnity:** 33
- **Medical Only:** 32
- **Denied:** 1
- **Complaints:** 0
- **Additional:** 0

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>10</td>
<td>$3,880</td>
<td>$0</td>
<td>$3,880</td>
<td>$3,880</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>4</td>
<td>$1,720</td>
<td>$0</td>
<td>$1,720</td>
<td>$1,720</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>23</td>
<td>$5,645</td>
<td>$0</td>
<td>$5,645</td>
<td>$5,645</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>13</td>
<td>$805</td>
<td>$0</td>
<td>$805</td>
<td>$805</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of the procedure to evaluate PD.</td>
<td>1</td>
<td>$500</td>
<td>$0</td>
<td>$500</td>
<td>$500</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>9</td>
<td>$8,300</td>
<td>$0</td>
<td>$8,300</td>
<td>$8,300</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>2</td>
<td>$800</td>
<td>$0</td>
<td>$800</td>
<td>$800</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>4</td>
<td>$950</td>
<td>$0</td>
<td>$950</td>
<td>$950</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>
## Penalty Assessments and Collections

### Files Audited:

<table>
<thead>
<tr>
<th>Type</th>
<th>Files Audited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>32</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
</tr>
<tr>
<td>Denied</td>
<td>1</td>
</tr>
<tr>
<td>Complaints</td>
<td>0</td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
</tr>
</tbody>
</table>

### Audit No: LAO-19-07-R3-1

### Subject: State Compensation Insurance Fund - HCO Program

### Location: Santa Ana

### Type: INS

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to issue benefit notices other than specific notices for VR or denial.</td>
<td>14</td>
<td>$1,400</td>
<td>$0</td>
<td>$1,400</td>
<td>$1,400</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical treatment expense in the manner required by law or regulation.</td>
<td>27</td>
<td>$4,500</td>
<td>$0</td>
<td>$4,500</td>
<td>$4,500</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical-legal expense in the manner required by law or regulation.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely assign a QRR to an employee after 90 aggregate days of total TD for injuries prior to 1/1/94.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide VR information after 90 aggregate days of total TD (injuries 1/1/94 thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely notify an injured employee of potential eligibility for VR (injuries thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of non- eligibility for VR.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide notices denying all liability or death benefits as required.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely respond to a request to provide or authorize medical treatment.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to include specific items or properly designate entries on a claim log.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Materially incomplete or inaccurate benefit notices including denial for all liability, other than specific vocational rehabilitation notices.</td>
<td>4</td>
<td>$100</td>
<td>$0</td>
<td>$100</td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>Materially incomplete or inaccurate benefit notices including denial for all liability, other than specific vocational rehabilitation notices.</td>
<td>4</td>
<td>$100</td>
<td>$0</td>
<td>$100</td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>Failure to investigate.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late payment of WCAB Orders or Awards or RU Orders for late payment of attorney fees and issues other than late payment of indemnity.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Penalties for failure to comply with any regulation of the AD not otherwise assessed.</td>
<td>3</td>
<td>$300</td>
<td>$0</td>
<td>$300</td>
<td>$300</td>
<td></td>
</tr>
<tr>
<td>Unsupported denial of all liability for a claim.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>114</strong></td>
<td><strong>$28,900</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td><strong>$28,900</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Notices of Compensation Due

**Calendar Year:** 2007

**Subject:** State Compensation Insurance Fund - HCO Program

**Location:** Santa Ana

**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$863.61</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$863.61</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>$799.82</td>
<td></td>
<td></td>
<td>$79.98</td>
<td></td>
<td>$879.80</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>$690.00</td>
<td></td>
<td></td>
<td>$69.00</td>
<td></td>
<td>$759.00</td>
</tr>
<tr>
<td>4</td>
<td>$32.87</td>
<td></td>
<td></td>
<td></td>
<td>$2.59</td>
<td></td>
<td>$35.46</td>
</tr>
<tr>
<td>5</td>
<td>$101.62</td>
<td></td>
<td></td>
<td></td>
<td>$10.16</td>
<td></td>
<td>$111.78</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$662.86</td>
<td></td>
<td>$662.86</td>
</tr>
<tr>
<td>7</td>
<td>$17.20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$17.20</td>
</tr>
<tr>
<td>8</td>
<td>$178.96</td>
<td></td>
<td></td>
<td></td>
<td>$17.90</td>
<td></td>
<td>$196.86</td>
</tr>
<tr>
<td>9</td>
<td>$9.52</td>
<td></td>
<td></td>
<td></td>
<td>$0.90</td>
<td></td>
<td>$10.42</td>
</tr>
<tr>
<td>10</td>
<td>$4,421.98</td>
<td></td>
<td></td>
<td></td>
<td>$441.35</td>
<td></td>
<td>$4,863.33</td>
</tr>
<tr>
<td>11</td>
<td>$83.81</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$83.81</td>
</tr>
<tr>
<td>12</td>
<td>$74.62</td>
<td></td>
<td></td>
<td></td>
<td>$7.09</td>
<td></td>
<td>$81.71</td>
</tr>
</tbody>
</table>

**TOTAL** $5,784.19 $1,489.82 $0.00 $1,291.83 $0.00 $0.00 $8,565.84
Calendar Year: 2007  
Notices of Compensation Due

Audit No: LAO-19-07-R3-1

Subject: State Compensation Insurance Fund - HCO Program

Location: Santa Ana  
Type: INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$863.61</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$863.61</td>
</tr>
<tr>
<td>2</td>
<td>$799.82</td>
<td>$97.00</td>
<td></td>
<td></td>
<td>$79.98</td>
<td></td>
<td>$879.80</td>
</tr>
<tr>
<td>3</td>
<td>$690.00</td>
<td></td>
<td></td>
<td></td>
<td>$69.00</td>
<td></td>
<td>$759.00</td>
</tr>
<tr>
<td>4</td>
<td>$32.87</td>
<td></td>
<td></td>
<td></td>
<td>$2.59</td>
<td></td>
<td>$35.46</td>
</tr>
<tr>
<td>5</td>
<td>$101.62</td>
<td></td>
<td></td>
<td></td>
<td>$10.16</td>
<td></td>
<td>$111.78</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>$662.86</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$662.86</td>
</tr>
<tr>
<td>7</td>
<td>$17.20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$17.20</td>
</tr>
<tr>
<td>8</td>
<td>$178.96</td>
<td></td>
<td></td>
<td></td>
<td>$17.90</td>
<td></td>
<td>$196.86</td>
</tr>
<tr>
<td>9</td>
<td>$9.52</td>
<td></td>
<td></td>
<td></td>
<td>$0.90</td>
<td></td>
<td>$10.42</td>
</tr>
<tr>
<td>10</td>
<td>$4,421.98</td>
<td></td>
<td></td>
<td></td>
<td>$441.35</td>
<td></td>
<td>$4,863.33</td>
</tr>
<tr>
<td>11</td>
<td>$83.81</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$83.81</td>
</tr>
<tr>
<td>12</td>
<td>$74.62</td>
<td></td>
<td></td>
<td></td>
<td>$7.09</td>
<td></td>
<td>$81.71</td>
</tr>
</tbody>
</table>

TOTAL $5,784.19 $1,489.82 $0.00 $1,291.83 $0.00 $0.00 $8,565.84
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: SAC-02-07-R1-1

Subject: State Compensation Insurance Fund

Location: Stockton

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   # claims with unpd indemn 7 divide by # claims with payable indemn 59 = 0.11864

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   Total unpd indemn. = $2,539.36 divide by # of claims with obligation to pay indemn. 59
   Avg Unpd Ind = $43.04

   C. Severity Rate
   Avg Unpd Indem $43.04 divide by avg unpd indem 2003-2005 of $167.71 = 0.25663

   D. Factor for Failure to pay Undisputed Accrued Indemnity
   Frequency rate 0.11864 X Severity rate 0.25663 X modifier of 2
   = 0.06090

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   # claims with late 1st TD 13 divide by # with TD payments 58
   # claims with late first SC notice 0 divide by # with salary continuation 0
   Totals 13 divide by Totals 58 = 0.22414

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   # claims with late first PD 3 divide by # with first PD 10
   # claims with late first VRMA 0 divide by # with first VRMA 0
   # claims with late first DB 0 divide by # with first DB paid 0
   Totals 3 divide by Totals 10 = 0.30000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   # claims with late subsequent payments 4 divide by # with subsequent payments 35
   = 0.11429

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 31
   # claims with VR potential eligibility notice violations 0 divide by # requiring notices 0
   Totals 8 divide by Totals 31
   = 0.25806

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Penalty Assessments and Collections

**Calendar Year:** 2007  
**Individual Exhibit 2**

**Penalty Assessments and Collections**

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>67</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>59</td>
</tr>
<tr>
<td>Medical Only</td>
<td>0</td>
</tr>
<tr>
<td>Denied</td>
<td>0</td>
</tr>
<tr>
<td>Complaints</td>
<td>8</td>
</tr>
<tr>
<td>Additional</td>
<td>0</td>
</tr>
</tbody>
</table>

**Audit No:** SAC-02-07-R1-1  
**Subject:** State Compensation Insurance Fund  
**Location:** Stockton  
**Type:** INS

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>13</td>
<td>$4,400</td>
<td>$4,400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>4</td>
<td>$4,320</td>
<td>$4,320</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>8</td>
<td>$1,660</td>
<td>$1,660</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>8</td>
<td>$2,800</td>
<td>$2,800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>5</td>
<td>$6,200</td>
<td>$6,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>1</td>
<td>$100</td>
<td>$100</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>1</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>41</td>
<td><strong>$21,880</strong></td>
<td><strong>$21,880</strong></td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
## Calendar Year: 2007

### Notices of Compensation Due

#### Audit No: SAC-02-07-R1-1

#### Subject: State Compensation Insurance Fund

#### Location: Stockton

#### Type: INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$99.99</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$99.99</td>
</tr>
<tr>
<td>2</td>
<td>$357.79</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$357.79</td>
</tr>
<tr>
<td>3</td>
<td>$950.31</td>
<td></td>
<td></td>
<td></td>
<td>$60.14</td>
<td></td>
<td>$1,010.45</td>
</tr>
<tr>
<td>4</td>
<td>$157.50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$157.50</td>
</tr>
<tr>
<td>5</td>
<td>$45.92</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$45.92</td>
</tr>
<tr>
<td>6</td>
<td>$1,128.06</td>
<td>$521.41</td>
<td></td>
<td>$112.81</td>
<td></td>
<td></td>
<td>$1,240.87</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td>$52.14</td>
<td></td>
<td></td>
<td>$573.55</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td>$63.74</td>
<td></td>
<td></td>
<td>$63.74</td>
</tr>
</tbody>
</table>

**TOTAL**  $2,739.57  $521.41  $0.00  $228.69  $0.00  $60.14  $3,549.81
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: SAC-15-07-R1-1

Subject: State Farm Fire and Casualty Company

Location: Bakersfield

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

  # claims with unpd indem 6 divide by # claims with payable indem 58 = 0.10345

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

  Total unpd indemn. = $16,714.70 divide by # of claims with obligation to pay indemn. 58
  Avg Unpd Ind = $288.18

C. Severity Rate

  Avg Unpd Indem $288.18 divide by avg unpd indem 2003-2005 of $167.71 = 1.71835

D. Factor for Failure to pay Undisputed Accrued Indemnity

  Frequency rate 0.10345 X Severity rate 1.71835 X modifier of 2 = 0.35552

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

  # claims with late 1st TD 20 divide by # with TD payments 53
  # claims with late first SC notice 3 divide by # with salary continuation 4
  Totals 23 divide by Totals 57 = 0.40351

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

  # claims with late first PD 4 divide by # with first PD 30
  # 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 4 divide by Totals 31 = 0.12903

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

  # claims with late subsequent payments 19 divide by # with subsequent payments 43 = 0.44186

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 27
  # claims with VR potential eligibility notice violations 1 divide by # requiring notices 1
  Totals 6 divide by Totals 28 = 0.21429

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.

Form DWC-AU-860A (Rev 12/06)
## Penalty Assessments and Collections

**Auditor:** SAC-15-07-R1-1  
**Subject:** State Farm Fire and Casualty Company  
**Location:** Bakersfield  
**Type:** INS

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits (TD)</td>
<td>22</td>
<td>$9,120</td>
<td>$9,120</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD)</td>
<td>4</td>
<td>$1,940</td>
<td>$1,940</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR)</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits</td>
<td>37</td>
<td>$14,915</td>
<td>$14,915</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB)</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury</td>
<td>3</td>
<td>$150</td>
<td>$150</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>4</td>
<td>$1,600</td>
<td>$1,600</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD</td>
<td>2</td>
<td>$600</td>
<td>$600</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits</td>
<td>4</td>
<td>$950</td>
<td>$950</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit</td>
<td>1</td>
<td>$6,000</td>
<td>$6,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

**TOTAL:** 78 | $35,675 | $35,675 | $0 | $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Calendar Year: 2007

**Notices of Compensation Due**

**Audit No:** SAC-15-07-R1-1

**Subject:** State Farm Fire and Casualty Company

**Location:** Bakersfield

**Type:** INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$2,913.60</td>
<td>$412.77</td>
<td></td>
<td>$162.57</td>
<td>$11.31</td>
<td></td>
<td>$3,326.37</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>$162.57</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$162.57</td>
</tr>
<tr>
<td>3</td>
<td>$113.19</td>
<td></td>
<td></td>
<td>$11.31</td>
<td></td>
<td></td>
<td>$124.50</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>$436.80</td>
<td></td>
<td></td>
<td>$25.60</td>
<td></td>
<td>$462.40</td>
</tr>
<tr>
<td>5</td>
<td>$108.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$133.60</td>
</tr>
<tr>
<td>6</td>
<td>$12,530.86</td>
<td></td>
<td></td>
<td></td>
<td>$1,393.84</td>
<td></td>
<td>$13,924.70</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$15,665.65</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$1,049.05</td>
<td>$0.00</td>
<td>$1,393.84</td>
<td><strong>$18,108.54</strong></td>
</tr>
</tbody>
</table>
# Profile Audit Review Performance Rating of Randomly Selected Claims

**Audit No:** OAK-06-07-R1-5

**Subject:** The Cities Group/Joint Powers Authority

**Location:** Burlingame

## 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

### A. Frequency Rate

\[
\frac{\text{# claims with unpd indemn}}{\text{# claims with payable indemn}} = \frac{5}{43} = 0.11628
\]

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

\[
\text{Total unpd indemn.} = \frac{11,811.44}{43} = 274.68
\]

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

\[
\frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} = \frac{7}{27} = 0.25000
\]

\[
\frac{\text{# claims with late first SC notice}}{\text{# with salary continuation}} = \frac{4}{17} = 0.25000
\]

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

\[
\frac{\text{# claims with late first PD}}{\text{# with first PD}} = \frac{2}{8} = 0.25000
\]

\[
\frac{\text{# claims with late first VRMA}}{\text{# with first VRMA}} = \frac{0}{0} = 0
\]

\[
\frac{\text{# claims with late first DB}}{\text{# with first DB paid}} = \frac{0}{0} = 0
\]

## 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

\[
\frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{1}{22} = 0.04545
\]

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

\[
\frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{3}{18} = 0.16667
\]

\[
\frac{\text{# claims with VR potential eligibility notice violations}}{\text{# requiring notices}} = \frac{0}{0} = 0
\]

---

**Profile Audit Review Performance Rating - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Penalty Assessments and Collections

**Calendar Year:** 2007

**Files Audited:** 45

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Type of Violation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>10</td>
<td>$2,250</td>
<td>$2,250</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>3</td>
<td>$570</td>
<td>$570</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>4</td>
<td>$150</td>
<td>$150</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>3</td>
<td>$900</td>
<td>$900</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>5</td>
<td>$6,200</td>
<td>$6,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>5</td>
<td>$1,150</td>
<td>$1,150</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>32</strong></td>
<td><strong>$13,620</strong></td>
<td><strong>$13,620</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: OAK-06-07-R1-5

Subject: The Cities Group/Joint Powers Authority

Location: Burlingame

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$1,015.81</td>
<td></td>
<td>$101.58</td>
<td>$803.69</td>
<td></td>
<td></td>
<td>$1,117.39</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>$7,662.90</td>
<td>$29.03</td>
<td></td>
<td></td>
<td></td>
<td>$8,466.59</td>
</tr>
<tr>
<td>3</td>
<td>$280.35</td>
<td></td>
<td>$296.51</td>
<td></td>
<td></td>
<td></td>
<td>$309.38</td>
</tr>
<tr>
<td>4</td>
<td>$1,305.48</td>
<td></td>
<td>$208.98</td>
<td></td>
<td></td>
<td></td>
<td>$1,601.99</td>
</tr>
<tr>
<td>5</td>
<td>$107.11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$316.09</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$2,708.75</td>
<td>$7,662.90</td>
<td>$0.00</td>
<td>$1,439.79</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$11,811.44</td>
</tr>
</tbody>
</table>

Individual Exhibit 3

Individual Exhibit 3

Individual Exhibit 3
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: OAK-06-07-R1-5

Subject: Tri Star Risk Management

Location: Rancho Cordova

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate
# claims with unpd indem 5 divide by # claims with payable indem 57 = 0.08772

B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
Total unpd indemn. = $1,507.31 divide by # of claims with obligation to pay indemn. 57
Avg Unpd Ind = $26.44

C. Severity Rate
Avg Unpd Indem $26.44 divide by avg unpd indem 2003-2005 of $167.71 = 0.15768

D. Factor for Failure to pay Undisputed Accrued Indemnity
Frequency rate 0.08772 X Severity rate 0.15768 X modifier of 2 = 0.02766

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

# claims with late 1st TD 5 divide by # with TD payments 39
# claims with late first SC notice 8 divide by # with salary continuation 12
Totals 13 divide by Totals 51 = 0.25490

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

# claims with late first PD 2 divide by # with first PD 14
# claims with late first VRMA 0 divide by # with first VRMA 0
# claims with late first DB 0 divide by # with first DB paid 0
Totals 2 divide by Totals 14 = 0.14286

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

# claims with late subsequent payments 4 divide by # with subsequent payments 28 = 0.14286

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 27
# claims with VR potential eligibility notice violations 1 divide by # requiring notices 1
Totals 6 divide by Totals 28 = 0.21429

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.

Profile Audit Review Performance Rating of Randomly Selected Claims

Form DWC-AU-860A (Rev 12/06)
## Penalty Assessments and Collections

**Calendar Year:** 2007  
**Individual Exhibit 2**

### File Audited: 59  
**Indemnity** 57  
**Medical Only** 0  
**Denied** 0  
**Complaints** 2  
**Additional** 0

#### Subject: Tri Star Risk Management  
**Location:** Rancho Cordova  
**Type:** TPA

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>6</td>
<td>$1,330</td>
<td>$1,330</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>2</td>
<td>$300</td>
<td>$300</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>6</td>
<td>$1,190</td>
<td>$1,190</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>8</td>
<td>$415</td>
<td>$415</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>1</td>
<td>$500</td>
<td>$500</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>5</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>5</td>
<td>$1,800</td>
<td>$1,800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>1</td>
<td>$50</td>
<td>$50</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 34  
$7,085  
$7,085  
$0  
$0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
### Notices of Compensation Due

**Calendar Year:** 2007

**Audit No:** SAC-06-07-R1-5

**Subject:** Tri Star Risk Management

**Location:** Rancho Cordova

**Type:** TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>$10.57</td>
<td></td>
<td></td>
<td>$10.57</td>
</tr>
<tr>
<td>2</td>
<td>$29.37</td>
<td></td>
<td></td>
<td>$1.96</td>
<td></td>
<td></td>
<td>$31.33</td>
</tr>
<tr>
<td>3</td>
<td>$1,169.15</td>
<td></td>
<td></td>
<td>$116.92</td>
<td></td>
<td></td>
<td>$1,286.07</td>
</tr>
<tr>
<td>4</td>
<td>$13.26</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$13.26</td>
</tr>
<tr>
<td>5</td>
<td>$166.08</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$166.08</td>
</tr>
</tbody>
</table>

**TOTAL** $1,377.86 $0.00 $0.00 $129.45 $0.00 $0.00 $1,507.31
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: LAO-25-07-R1-5

Subject: Tri Star Risk Management

Location: San Diego

### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
<th># claims with unpd indem</th>
<th>5</th>
<th>divide by # claims with payable indem</th>
<th>58</th>
<th>= 0.08621</th>
</tr>
</thead>
</table>

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

| Total unpd indem. | $ 6,407.78 | divide by # of claims with obligation to pay indem. | 58 | = $ 110.48 |

**C. Severity Rate**

| Avg Unpd Indem | $ 110.48 | divide by avg unpd indem 2003-2005 of | $ 167.71 | = 0.65875 |

**D. Factor for Failure to pay Undisputed Accrued Indemnity**

| Frequency rate | 0.08621 | X | Severity rate | 0.65875 | X | modifier of | 2 | = 0.11358 |

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

<table>
<thead>
<tr>
<th># claims with late 1st TD</th>
<th>5</th>
<th>divide by # with TD payments</th>
<th>39</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first SC notice</td>
<td>9</td>
<td>divide by # with salary continuation</td>
<td>29</td>
</tr>
<tr>
<td>Totals</td>
<td>14</td>
<td>divide by Totals</td>
<td>68</td>
</tr>
</tbody>
</table>

= 0.20588

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

<table>
<thead>
<tr>
<th># claims with late first PD</th>
<th>0</th>
<th>divide by # with first PD</th>
<th>23</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first VRMA</td>
<td>0</td>
<td>divide by # with first VRMA</td>
<td>0</td>
</tr>
<tr>
<td># claims with late first DB</td>
<td>0</td>
<td>divide by # with first DB paid</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>0</td>
<td>divide by Totals</td>
<td>23</td>
</tr>
</tbody>
</table>

= 0.00000

### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subsequent payments | 10 | divide by # with subsequent payments | 40 |

= 0.25000

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

<table>
<thead>
<tr>
<th># claims with AME/QME notice violations</th>
<th>1</th>
<th>divide by # requiring notices</th>
<th>55</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with VR potential eligibility notice violations</td>
<td>0</td>
<td>divide by # requiring notices</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>1</td>
<td>divide by Totals</td>
<td>55</td>
</tr>
</tbody>
</table>

= 0.01818

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.

Form DWC-AU-860A (Rev 12/06)
## Penalty Assessments and Collections

### Individual Exhibit 2

<table>
<thead>
<tr>
<th>File No.</th>
<th>Subject</th>
<th>Location</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAO-25-07-R1-5</td>
<td>Tri Star Risk Management</td>
<td>San Diego</td>
<td>TPA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Not Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>5</td>
<td>$1,170</td>
<td>$1,170</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>22</td>
<td>$5,670</td>
<td>$5,670</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>9</td>
<td>$465</td>
<td>$465</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>1</td>
<td>$100</td>
<td>$100</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>4</td>
<td>$2,600</td>
<td>$2,600</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>1</td>
<td>$50</td>
<td>$50</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>2</td>
<td>$4,600</td>
<td>$4,600</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>45</strong></td>
<td><strong>$15,055</strong></td>
<td><strong>$15,055</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: LAO-25-07-R1-5

Subject: Tri Star Risk Management

Location: San Diego

Type: TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>$3,150.00</td>
<td></td>
<td>$320.00</td>
<td></td>
<td>$48.64</td>
<td>$3,518.64</td>
</tr>
<tr>
<td>2</td>
<td>$2,222.35</td>
<td>$126.10</td>
<td></td>
<td>$234.85</td>
<td></td>
<td>$2,583.30</td>
<td>$2,583.30</td>
</tr>
<tr>
<td>3</td>
<td>$205.84</td>
<td></td>
<td></td>
<td></td>
<td>$205.84</td>
<td>$205.84</td>
<td>$205.84</td>
</tr>
<tr>
<td>4</td>
<td>$52.60</td>
<td></td>
<td></td>
<td></td>
<td>$5.26</td>
<td>$57.86</td>
<td>$57.86</td>
</tr>
<tr>
<td>5</td>
<td>$42.14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$42.14</td>
<td>$42.14</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>$4,912.00</td>
<td></td>
<td>$491.20</td>
<td></td>
<td>$334.64</td>
<td>$5,737.84</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$2,522.93</td>
<td>$8,188.10</td>
<td></td>
<td>$1,051.31</td>
<td>$0.00</td>
<td>$383.28</td>
<td>$12,145.62</td>
</tr>
</tbody>
</table>
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: OAK-18-07-R1-1

Subject: Wausau Insurance Company

Location: Beaverton, OR

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A. Frequency Rate
   \[
   \frac{\text{# claims with unpd indem}}{\text{# claims with payable indem}} = \frac{12}{58} = 0.20690
   \]

   B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[
   \frac{\text{Total unpd indem.}}{\text{# of claims with obligation to pay indem.}} = \frac{4,330.38}{58} = 74.66
   \]

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   \[
   \frac{\text{# claims with late 1st TD}}{\text{# with TD payments}} = \frac{11}{55} = 0.20000
   \]

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[
   \frac{\text{# claims with late first PD}}{\text{# with first PD}} = \frac{4}{10} = 0.40000
   \]

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[
   \frac{\text{# claims with late subsequent payments}}{\text{# with subsequent payments}} = \frac{7}{41} = 0.17073
   \]

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[
   \frac{\text{# claims with AME/QME notice violations}}{\text{# requiring notices}} = \frac{10}{26} = 0.38462
   \]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

### Calendar Year: 2007

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits (TD)</td>
<td>12</td>
<td>$5,870</td>
<td>$5,870</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD)</td>
<td>4</td>
<td>$2,390</td>
<td>$2,390</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR)</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>10</td>
<td>$3,200</td>
<td>$3,200</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>10</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>11</td>
<td>$6,200</td>
<td>$6,200</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>1</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>3</td>
<td>$250</td>
<td>$250</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>51</strong></td>
<td><strong>$21,310</strong></td>
<td><strong>$21,310</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: OAK-18-07-R1-1

Subject: Wausau Insurance Company

Location: Beaverton, OR       

Type: INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$314.53</td>
<td>$182.28</td>
<td></td>
<td>$31.45</td>
<td></td>
<td></td>
<td>$345.98</td>
</tr>
<tr>
<td>2</td>
<td>$197.59</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$197.59</td>
</tr>
<tr>
<td>3</td>
<td>$62.44</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$62.44</td>
</tr>
<tr>
<td>4</td>
<td>$13.52</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$13.52</td>
</tr>
<tr>
<td>5</td>
<td>$346.06</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$346.06</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>$182.28</td>
<td></td>
<td></td>
<td>$36.65</td>
<td></td>
<td>$36.65</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$182.28</td>
</tr>
<tr>
<td>8</td>
<td>$239.46</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$239.46</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$48.85</td>
<td></td>
<td>$48.85</td>
</tr>
<tr>
<td>10</td>
<td>$32.52</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$32.52</td>
</tr>
<tr>
<td>11</td>
<td>$846.22</td>
<td></td>
<td></td>
<td></td>
<td>$134.13</td>
<td></td>
<td>$980.35</td>
</tr>
<tr>
<td>12</td>
<td>$1,694.21</td>
<td></td>
<td></td>
<td></td>
<td>$150.47</td>
<td></td>
<td>$1,844.68</td>
</tr>
</tbody>
</table>

TOTAL $3,746.55 $182.28 $0.00 $401.55 $0.00 $0.00 $4,330.38
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No:  SAC-09-07-R3-2

Subject:  Weyerhaeuser Company and Willamette Industries, Inc.

Location:  Sacramento

1.  FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY
   A.  Frequency Rate
   \[
   \frac{12}{34} = 0.35294
   \]
   B.  Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity
   \[
   \frac{18,342.05}{34} = 539.47
   \]
   C.  Severity Rate
   \[
   \frac{539.47}{167.71} = 3.21670
   \]
   D.  Factor for Failure to Pay Undisputed Accrued Indemnity
   \[
   0.35294 \times 3.21670 \times 2 = 2.27061
   \]

2.  FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE OF SC
   \[
   \frac{11}{32} = 0.34375
   \]

3.  FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS
   \[
   \frac{5}{14} = 0.35714
   \]

4.  FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS
   \[
   \frac{9}{31} = 0.29032
   \]

5.  FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION
   \[
   \frac{9}{18} = 0.47368
   \]

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No: SAC-09-07-R3-2

Subject: Weyerhaeuser Company and Willamette Industries, Inc

Location: Sacramento

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
<th># claims with unpd indemn</th>
<th>17</th>
<th>divide by</th>
<th># claims with payable indemn</th>
<th>51</th>
<th>=</th>
<th>0.33333</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th>Total unpd indemn</th>
<th>$ 21,111.80</th>
<th>divide by</th>
<th># of claims with obligation to pay indemn.</th>
<th>51</th>
<th>Avg Unpd Ind</th>
<th>$ 413.96</th>
</tr>
</thead>
</table>

C. Severity Rate

<table>
<thead>
<tr>
<th>Avg Unpd Ind.</th>
<th>$ 413.96</th>
<th>divide by avg unpd indemn 2003-2005 of</th>
<th>$ 167.71</th>
<th>=</th>
<th>2.46829</th>
</tr>
</thead>
</table>

D. Factor for Failure to pay Undisputed Accrued Indemnity

| Frequency rate | 0.33333 | X | Severity rate | 2.46829 | X | modifier of | 2 | = | 1.64553 |

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

| # claims with late 1st TD | 19 | divide by | # with TD payments | 49 | |
| # claims with late first SC notice | 1 | divide by | # with salary continuation | 1 | |
| Totals | 20 | divide by | Totals | 50 | = | 0.40000 |

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

| # claims with late first PD | 7 | divide by | # with first PD | 19 |
| # claims with late first VRMA | 0 | divide by | # with first VRMA | 1 |
| # claims/late first death benefits | 0 | divide by | # with first death ben paid | 0 |
| Totals | 7 | divide by | Totals | 20 | = | 0.35000 |

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

| # claims with late subseq payments | 15 | divide by | # with subseq 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 | 13 | divide by | # requiring notices | 24 |
| # claims with VR potential eligibility notice violations | 0 | divide by | # requiring notices | 1 |
| Totals | 13 | divide by | Totals | 25 | = | 0.52000 |

FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007

Full Compliance Audit Performance Rating of indemnity files of 2.21983 or greater is a failing score.

Form DWC-AU-860B (Rev 12/06)
Full Compliance Audit Performance Rating of Randomly Selected Claims

Audit No:  SAC-09-07-R3-2

Subject:  Weyerhaeuser Company and Willamette Industries, Inc

Location:  Sacramento

<table>
<thead>
<tr>
<th>1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Frequency Rate</strong></td>
</tr>
<tr>
<td># claims with unpd indem 18  divide by # claims with payable indem 55  = 0.32727</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total unpd indem = $ 70,988.33  divide by  # of claims with obligation to pay indem. 55</td>
</tr>
<tr>
<td>Avg Unpd Ind = $ 1,290.70</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>C. Severity Rate</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg Unpd Ind. $ 1,290.70  divide by avg unpd indem 2003-2005 of $ 167.71  = 7.69600</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>D. Factor for Failure to pay Undisputed Accrued Indemnity</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency rate 0.32727  X  Severity rate 7.69600  X  modifier of 2  = 5.03738</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY OR FIRST NOTICE</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late 1st TD 20  divide by # with TD payments 52</td>
</tr>
<tr>
<td># claims with late first SC notice 1  divide by # with salary continuation 1</td>
</tr>
<tr>
<td>Totals 21  divide by Totals 53  = 0.39623</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY, VRMA, AND DEATH BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first PD 9  divide by # with first PD 22</td>
</tr>
<tr>
<td># claims with late first VRMA 0  divide by # with first VRMA 1</td>
</tr>
<tr>
<td># claims/late first death benefits 0  divide by # with first death ben paid 0</td>
</tr>
<tr>
<td>Totals 9  divide by Totals 23  = 0.39130</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late subseq payments 16  divide by # with subseq payments 47  =</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with AME/QME notice violations 12  divide by # requiring notices 24</td>
</tr>
<tr>
<td># claims with VR potential eligibility notice violations 0  divide by # requiring notices 1</td>
</tr>
<tr>
<td>Totals 12  divide by Totals 25  = 0.48000</td>
</tr>
</tbody>
</table>

**FULL COMPLIANCE AUDIT PERFORMANCE RATING - 2007**
Full Compliance Audit Performance Rating for indemnity and denied files of 2.21983 or greater is a failing score.
### Penalty Assessments and Collections

**Calendar Year:** 2007

**Individual Exhibit 2**

**Penalty Assessments and Collections**

<table>
<thead>
<tr>
<th>Files Audited:</th>
<th>Audit No:</th>
<th>112</th>
<th>SAC-09-07-R3-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indemnity</td>
<td>Subject:</td>
<td>51</td>
<td>Weyerhaeuser Co. and Willamette Ind., Inc.</td>
</tr>
<tr>
<td>Medical Only</td>
<td>Location:</td>
<td>0</td>
<td>Sacramento</td>
</tr>
<tr>
<td>Denied</td>
<td>Type:</td>
<td>39</td>
<td>SI</td>
</tr>
<tr>
<td>Complaints</td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Additional</td>
<td></td>
<td>25</td>
<td></td>
</tr>
</tbody>
</table>

#### Type of Violation

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>29</td>
<td>$12,710</td>
<td>$0</td>
<td>$12,710</td>
<td>$12,710</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>9</td>
<td>$5,380</td>
<td>$0</td>
<td>$5,380</td>
<td>$5,380</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>26</td>
<td>$5,930</td>
<td>$0</td>
<td>$5,930</td>
<td>$5,930</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>51</td>
<td>$3,090</td>
<td>$0</td>
<td>$3,090</td>
<td>$3,090</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process.</td>
<td>11</td>
<td>$3,200</td>
<td>$0</td>
<td>$3,200</td>
<td>$3,200</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>11</td>
<td>$14,500</td>
<td>$0</td>
<td>$14,500</td>
<td>$14,500</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>2</td>
<td>$1,900</td>
<td>$0</td>
<td>$1,900</td>
<td>$1,900</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>15</td>
<td>$2,750</td>
<td>$0</td>
<td>$2,750</td>
<td>$2,750</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>
Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Files Audited</th>
<th>Audit No</th>
<th>Subject</th>
<th>Location</th>
<th>Type: SI</th>
</tr>
</thead>
<tbody>
<tr>
<td>115</td>
<td>SAC-09-07-R3-2</td>
<td>Weyerhaeuser Co. &amp; Williamette, Ind., Inc.</td>
<td>Sacramento</td>
<td></td>
</tr>
<tr>
<td>51 Indemnity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0 Medical Only</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>39 Denied</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0 Complaints</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25 Additional</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to issue benefit notices other than specific notices for VR or denial.</td>
<td>8</td>
<td>$800</td>
<td>$0</td>
<td>$800</td>
<td>$800</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical treatment expense in the manner required by law or regulation.</td>
<td>30</td>
<td>$8,400</td>
<td>$0</td>
<td>$8,400</td>
<td>$8,400</td>
<td></td>
</tr>
<tr>
<td>Failure to pay or object to medical-legal expense in the manner required by law or regulation.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely assign a QRR to an employee after 90 aggregate days of total TD for injuries prior to 1/1/94.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide VR information after 90 aggregate days of total TD (injuries 1/1/94 thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely notify an injured employee of potential eligibility for VR (injuries thru 12/31/03).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of non-eligibility for VR.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to provide notices denying all liability or death benefits as required.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to timely respond to a request to provide or authorize medical treatment.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to include specific items or properly designate entries on a claim log.</td>
<td>25</td>
<td>$775</td>
<td>$0</td>
<td>$775</td>
<td>$775</td>
<td></td>
</tr>
<tr>
<td>Materially incomplete or inaccurate benefit notices including denial for all liability, other than specific vocational rehabilitation notices.</td>
<td>6</td>
<td>$2,050</td>
<td>$0</td>
<td>$2,050</td>
<td>$2,050</td>
<td></td>
</tr>
<tr>
<td>Failure to investigate.</td>
<td>4</td>
<td>$3,000</td>
<td>$0</td>
<td>$3,000</td>
<td>$3,000</td>
<td></td>
</tr>
<tr>
<td>Late payment of WCAB Orders or Awards or RU Orders for late payment of attorney fees and issues other than late payment of indemnity.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Penalties for failure to comply with any regulation of the AD not otherwise assessed.</td>
<td>3</td>
<td>$300</td>
<td>$0</td>
<td>$300</td>
<td>$300</td>
<td></td>
</tr>
<tr>
<td>Unsupported denial of all liability for a claim.</td>
<td>10</td>
<td>$29,700</td>
<td>$0</td>
<td>$29,700</td>
<td>$29,700</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** | **240** | **$94,485** | **$0** | **$94,485** | **$94,485** |        |

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
## Notices of Compensation Due

**Calendar Year:** 2007  
**Individual Exhibit 3**

**Audit No:** SAC-09-07-R3-2

**Subject:** Weyerhaeuser Company and Willamette Industries, Inc.

**Location:** Sacramento  
**Type:** SI

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$66.97</td>
<td>$585.38</td>
<td></td>
<td>$111.48</td>
<td>$41.29</td>
<td></td>
<td>$66.97</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>$111.48</td>
<td></td>
<td></td>
<td>$111.48</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>$65.71</td>
<td></td>
<td></td>
<td>$65.71</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td>$337.00</td>
<td></td>
<td></td>
<td>$337.00</td>
</tr>
<tr>
<td>5</td>
<td>$585.38</td>
<td></td>
<td></td>
<td>$41.29</td>
<td></td>
<td></td>
<td>$626.67</td>
</tr>
<tr>
<td>6</td>
<td>$2,433.64</td>
<td>$5,940.00</td>
<td></td>
<td>$594.00</td>
<td></td>
<td></td>
<td>$6,534.00</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td>$339.19</td>
<td></td>
<td></td>
<td>$2,772.83</td>
</tr>
<tr>
<td>8</td>
<td>$3,412.24</td>
<td></td>
<td></td>
<td>$268.04</td>
<td></td>
<td></td>
<td>$3,680.28</td>
</tr>
<tr>
<td>9</td>
<td>$31.90</td>
<td></td>
<td></td>
<td>$3.19</td>
<td></td>
<td></td>
<td>$35.09</td>
</tr>
<tr>
<td>10</td>
<td>$84.23</td>
<td></td>
<td></td>
<td>$488.42</td>
<td></td>
<td></td>
<td>$572.65</td>
</tr>
<tr>
<td>11</td>
<td>$45,223.98</td>
<td></td>
<td></td>
<td>$4,583.50</td>
<td></td>
<td></td>
<td>$49,807.48</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td>$53.01</td>
<td></td>
<td></td>
<td>$53.01</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td>$169.05</td>
<td></td>
<td></td>
<td>$169.05</td>
</tr>
<tr>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td>$54.29</td>
<td></td>
<td></td>
<td>$854.29</td>
</tr>
<tr>
<td>15</td>
<td>$475.70</td>
<td></td>
<td></td>
<td>$47.57</td>
<td></td>
<td></td>
<td>$523.27</td>
</tr>
<tr>
<td>16</td>
<td>$1,734.96</td>
<td></td>
<td></td>
<td>$173.50</td>
<td></td>
<td></td>
<td>$1,908.46</td>
</tr>
<tr>
<td>17</td>
<td>$558.77</td>
<td></td>
<td></td>
<td>$249.11</td>
<td></td>
<td></td>
<td>$807.88</td>
</tr>
<tr>
<td>18</td>
<td>$1,874.74</td>
<td></td>
<td></td>
<td>$187.47</td>
<td></td>
<td></td>
<td>$2,062.21</td>
</tr>
</tbody>
</table>

**TOTAL**  
$56,482.51  
$6,740.00  
$0.00  
$7,765.82  
$0.00  
$0.00  
$70,988.33
### Profile Audit Review Performance Rating of Randomly Selected Claims

**Audit No:** OAK-24-07-R1-5  
**Subject:** Workers' Compensation Administrators, LLC  
**Location:** Santa Maria

#### 1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
<th># claims with unpd indem</th>
<th>0</th>
<th>divide by</th>
<th># claims with payable indemn</th>
<th>51</th>
<th>=</th>
<th>0.00000</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th>Total unpd indem.</th>
<th>$ -</th>
<th>divide by</th>
<th># of claims with obligation to pay indemn.</th>
<th>51</th>
<th>Avg Unpd Ind</th>
<th>$ -</th>
</tr>
</thead>
</table>

#### C. Severity Rate

| Avg Unpd Indem | $ - | divide by avg unpd indemn 2003-2005 of | $ 167.71 | = | 0.00000 |

#### D. Factor for Failure to pay Undisputed Accrued Indemnity

| Frequency rate | 0.00000 | X | Severity rate | 0.00000 | X | modifier of | 2 | = | 0.00000 |

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

<table>
<thead>
<tr>
<th># claims with late 1st TD</th>
<th>2</th>
<th>divide by</th>
<th># with TD payments</th>
<th>15</th>
<th>=</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first SC notice</td>
<td>8</td>
<td>divide by</td>
<td># with salary continuation</td>
<td>33</td>
<td>=</td>
</tr>
<tr>
<td>Totals</td>
<td>10</td>
<td>divide by</td>
<td>Totals</td>
<td>48</td>
<td>=</td>
</tr>
<tr>
<td></td>
<td>0.20833</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with late first PD</th>
<th>1</th>
<th>divide by</th>
<th># with first PD</th>
<th>18</th>
<th>=</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first VRMA</td>
<td>0</td>
<td>divide by</td>
<td># with first VRMA</td>
<td>0</td>
<td>=</td>
</tr>
<tr>
<td># claims with late first DB</td>
<td>0</td>
<td>divide by</td>
<td># with first DB paid</td>
<td>0</td>
<td>=</td>
</tr>
<tr>
<td>Totals</td>
<td>1</td>
<td>divide by</td>
<td>Totals</td>
<td>18</td>
<td>=</td>
</tr>
<tr>
<td></td>
<td>0.05556</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

<table>
<thead>
<tr>
<th># claims with late subsequent payments</th>
<th>3</th>
<th>divide by</th>
<th># with subsequent payments</th>
<th>22</th>
<th>=</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.13636</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with AME/QME notice violations</th>
<th>1</th>
<th>divide by</th>
<th># requiring notices</th>
<th>28</th>
<th>=</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with VR potential eligibility notice violations</td>
<td>0</td>
<td>divide by</td>
<td># requiring notices</td>
<td>0</td>
<td>=</td>
</tr>
<tr>
<td>Totals</td>
<td>1</td>
<td>divide by</td>
<td>Totals</td>
<td>28</td>
<td>=</td>
</tr>
<tr>
<td></td>
<td>0.03571</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007**

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
## Penalty Assessments and Collections

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>2</td>
<td>$500</td>
<td>$500</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>1</td>
<td>$200</td>
<td>$200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>4</td>
<td>$650</td>
<td>$650</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>9</td>
<td>$400</td>
<td>$400</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>1</td>
<td>$500</td>
<td>$500</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 17 $2,250 $2,250 $0 $0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007  
Notices of Compensation Due

Audit No: OAK-24-07-R1-5

Subject: Workers' Compensation Administrators, LLC

Location: Santa Maria  
Type: TPA

### No Undisputed Compensation Was Found Unpaid

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>
Profile Audit Review Performance Rating of Randomly Selected Claims

Audit No: OAK-14-07-R1-3

Subject: Zurich North America and Zurich Services Corporation

Location: San Francisco

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>A. Frequency Rate</th>
<th># claims with unpd indem</th>
<th>12</th>
<th>divide by # claims with payable indem</th>
<th>58</th>
<th>= 0.20690</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th>Total unpd indemn.</th>
<th>$ 12,541.61</th>
<th>divide by # of claims with obligation to pay indemn.</th>
<th>58</th>
<th>Avg Unpd Ind</th>
<th>$ 216.23</th>
</tr>
</thead>
</table>

C. Severity Rate

| Avg Unpd Indem | $ 216.23 | divide by avg unpd indemn 2003-2005 of | $ 167.71 | = 1.28934 |

D. Factor for Failure to pay Undisputed Accrued Indemnity

| Frequency rate | 0.20690 | X | Severity rate | 1.28934 | X | modifier of | 2 | = | 0.53352 |

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

<table>
<thead>
<tr>
<th># claims with late 1st TD</th>
<th>17</th>
<th>divide by # with TD payments</th>
<th>52</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first SC notice</td>
<td>3</td>
<td>divide by # with salary continuation</td>
<td>5</td>
</tr>
<tr>
<td>Totals</td>
<td>20</td>
<td>divide by Totals</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>=</td>
<td>0.35088</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with late first PD</th>
<th>1</th>
<th>divide by # with first PD</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first VRMA</td>
<td>0</td>
<td>divide by # with first VRMA</td>
<td>0</td>
</tr>
<tr>
<td># claims with late first DB</td>
<td>0</td>
<td>divide by # with first DB paid</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>1</td>
<td>divide by Totals</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>=</td>
<td>0.12500</td>
<td></td>
</tr>
</tbody>
</table>

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

<table>
<thead>
<tr>
<th># claims with late subsequent payments</th>
<th>9</th>
<th>divide by # with subsequent payments</th>
<th>35</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>=</td>
<td>0.25714</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th># claims with AME/QME notice violations</th>
<th>6</th>
<th>divide by # requiring notices</th>
<th>25</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with VR potential eligibility notice violations</td>
<td>0</td>
<td>divide by # requiring notices</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>6</td>
<td>divide by Totals</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>=</td>
<td>0.24000</td>
<td></td>
</tr>
</tbody>
</table>

PROFILE AUDIT REVIEW PERFORMANCE RATING - 2007

Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Administrative Penalties and Collections

**Calendar Year:** 2007

**Penalty Assessments and Collections**

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Violations Identified</th>
<th>$ Not Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>22</td>
<td>$10,170</td>
<td>$10,170</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>1</td>
<td>$320</td>
<td>$320</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>1</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>26</td>
<td>$9,725</td>
<td>$9,725</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>3</td>
<td>$180</td>
<td>$180</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>3</td>
<td>$900</td>
<td>$900</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process.</td>
<td>7</td>
<td>$2,700</td>
<td>$2,700</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>9</td>
<td>$3,900</td>
<td>$3,900</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>5</td>
<td>$10,200</td>
<td>$10,200</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>13</td>
<td>$2,100</td>
<td>$2,100</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>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 DB.</td>
<td>2</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>92</strong></td>
<td><strong>$41,795</strong></td>
<td><strong>$41,795</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td></td>
</tr>
</tbody>
</table>

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
## Notices of Compensation Due

### Individual Exhibit 3

**Calendar Year:** 2007

**Audit No:** OAK-14-07-R1-3

**Subject:** Zurich North America and Zurich Services Corporation

**Location:** San Francisco

**Type:** INS / TPA

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$175.95</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>$200.52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>$84.02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>$83.12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>$225.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>$24.08</td>
<td>$117.00</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>$208.75</td>
<td>$147.06</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>$1,444.90</td>
<td>$144.49</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>$186.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>$165.42</td>
<td>$57.87</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>$44.55</td>
<td>$35.77</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>$457.98</td>
<td>$457.98</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>$8,888.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>$533.29</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,104.38</td>
<td>$0.00</td>
<td>$13,225.49</td>
</tr>
</tbody>
</table>

**TOTAL** $2,658.13 $9,005.00 $457.98 $1,104.38 $0.00 $0.00 $13,225.49

**Self-Imposed Increase**

**Death Benefits**

**Penalty, Interest or Other**

**Total**
### Profile Audit Review Performance Rating of Randomly Selected Claims

**Audit No:** OAK-02-07-R1-1  
**Subject:** Zurich North America  
**Location:** Schaumburg, IL

#### 1. FACTOR FOR FAILURE TO PAY ACCRUE AND UNDISPUTED INDEMNITY

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with unpd indem</td>
<td>2</td>
</tr>
<tr>
<td># claims with payable indem</td>
<td>21</td>
</tr>
<tr>
<td><strong>Frequency Rate</strong></td>
<td>0.09524</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late 1st TD</td>
<td>6</td>
</tr>
<tr>
<td># claims with late first SC notice</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>6</td>
</tr>
<tr>
<td># claims with late TD payments</td>
<td>15</td>
</tr>
<tr>
<td><strong>Factor</strong></td>
<td>0.40000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late first PD</td>
<td>2</td>
</tr>
<tr>
<td># claims with late first VRMA</td>
<td>0</td>
</tr>
<tr>
<td># claims with late first DB</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>2</td>
</tr>
<tr>
<td># claims with first PD payments</td>
<td>16</td>
</tr>
<tr>
<td># claims with VRMA</td>
<td>0</td>
</tr>
<tr>
<td># claims with death benefits</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>16</td>
</tr>
<tr>
<td><strong>Factor</strong></td>
<td>0.12500</td>
</tr>
</tbody>
</table>

#### 4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with late subsequent payments</td>
<td>5</td>
</tr>
<tr>
<td># claims with subsequent payments</td>
<td>18</td>
</tr>
<tr>
<td><strong>Factor</strong></td>
<td>0.27778</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td># claims with AME/QME notice violations</td>
<td>6</td>
</tr>
<tr>
<td># claims with VR potential eligibility notice violations</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>6</td>
</tr>
<tr>
<td># requiring notices</td>
<td>9</td>
</tr>
<tr>
<td># requiring notices</td>
<td>0</td>
</tr>
<tr>
<td>Totals</td>
<td>9</td>
</tr>
<tr>
<td><strong>Factor</strong></td>
<td>0.66667</td>
</tr>
</tbody>
</table>

**Profile Audit Review Performance Rating - 2007**  
Profile Audit Review Performance Rating of 1.83202 or greater is a failing score.
### Penalty Assessments and Collections

**Files Audited:** 21  
**Audit No:** OAK-02-07-R1-1  
**Subject:** Zurich North America  
**Location:** Schaumburg, IL  
**Type:** INS

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th># of Violations</th>
<th>Total $ Subject to Assessment</th>
<th>Total $ Subject to Assessment</th>
<th>Total Amount Collected</th>
<th>Appeal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late first payment of temporary disability indemnity benefits. (TD)</td>
<td>7</td>
<td>$1,250</td>
<td>$1,250</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of permanent disability indemnity benefits (PD).</td>
<td>3</td>
<td>$820</td>
<td>$820</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of vocational rehabilitation indemnity benefits (VR).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late subsequent payment of indemnity benefits.</td>
<td>5</td>
<td>$2,190</td>
<td>$2,190</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late first payment of death benefits (DB).</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Late provision of benefit notices other than specific notices for VR and for denial of injury.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to notify an injured employee in a timely manner of potential eligibility for VR as required for injuries through 12/31/03.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to comply with requirements to provide notice of the QME/AME process</td>
<td>6</td>
<td>$2,500</td>
<td>$2,500</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any TD or SC in lieu of TD.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any PD indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any VR indemnity benefit.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.</td>
<td>1</td>
<td>$150</td>
<td>$150</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Failure to pay any indemnity as ordered by the WCAB or by the Rehabilitation Unit.</td>
<td>1</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>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 DB.</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

**TOTAL**  
23  
$7,710  
$7,710  
$0  
$0

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.
Calendar Year: 2007

Notices of Compensation Due

Audit No: OAK-02-07-R1-1

Subject: Zurich North America

Location: Schaumburg, IL

Type: INS

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Temporary Disability</th>
<th>Permanent Disability</th>
<th>VRMA</th>
<th>Self-Imposed Increase</th>
<th>Death Benefits</th>
<th>Penalty, Interest or Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>$66.07</td>
<td></td>
<td>$91.63</td>
<td></td>
<td></td>
<td>$91.63</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$66.07</td>
</tr>
</tbody>
</table>

TOTAL: $0.00 $66.07 $0.00 $91.63 $0.00 $0.00 $157.70