



## Insurance agency chief called to testify at state hearing

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SACRAMENTO - Two key figures in an Orange County Register report on the California Insurance Guarantee Association are expected to testify before a state Senate committee in March.

Executive Director Wayne Wilson and independent auditor John F. Williams are expected to be crucial witnesses in the Senate Banking, Finance and Insurance Committee hearing, scheduled for 2 p.m. March 10 in Sacramento.

Others likely to be in attendance are current board member Dan Jacobson and former member Steve Testan, who together notified several state officials about problems in CIGA, which picks up insurance claims if your carrier goes broke.

Orange County Sen. Lou Correa, D-Santa Ana, requested the hearing after he received letters from Jacobson and Testan and after The Register's Capitol Watchdog column detailed allegations of mismanagement in the Glendale-based entity.

Testan and Jacobson became concerned about CIGA after a November power point presentation by Williams. An Alhambra accountant, Williams was retained by CIGA management to audit its financial controls and found a number of problems: contracts awarded without bidding, claims paid without review.

Of \$66 million spent on bill reviews, Williams found \$55 million was overpaid.

On February 20, Williams released a 17-page report detailing the same issues as the power point presentation, including such observations that, "Many major contracts, including all current contracts in force for (third-party administrator) services have been let without the review and approval by the Chief Financial Officer."

The report notes, "CIGA does not have an Internal Audit department which focuses on the matters typically handled by an insurance operation's Internal Audit Department" and that while legal defense expenses rank as CIGA's largest "claim payment category" at more than \$50 million in the last fiscal year, the organization has no in-house legal department to monitor costs.

The report also says it "appears that CIGA management has been aware of competitive bill review fees, but its largest contracts have not incorporated them."

"The report substantiates, with hard figures, the horrible things the auditor had told us before," Jacobson said. "I hope -and I think - the senators will take this matter very seriously and act accordingly."

Wilson reiterated Wednesday his belief that the unique nature of CIGA's business has eluded the independent auditor. He said he welcomes the senators' questions and will respond fully to Williams' report at the hearing.

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