

AMENDED EXHIBIT A

STANDARDS FOR COMPLIANCE

1. PROOF OF COVERAGE REPORTING REQUIREMENTS

AIG must achieve and maintain a performance standard of 90 percent or better timeliness in filing guaranty contracts and 80 percent timeliness in filing guaranty contract terminations. In order to ensure AIG's progress in achieving these timeliness standards, AIG must meet the following quarterly performance levels and timelines:

A. Guaranty contracts filed timely - within 30 days of coverage effective date.
See ORS 656.419.

Required performance levels and timelines:

- 80% timely – July 1, 2007 through September 30, 2007
- 85% timely – October 1, 2007 through December 31, 2007
- 90% timely – January 1, 2008 through June 30, 2009

B. Guaranty contract terminations filed timely – within 10 days of policy end date.
See ORS 656.427; OAR 436-050-0100.

Required performance levels and timelines:

- 50% timely – July 1, 2007 through September 30, 2007
- 70% timely – October 1, 2007 through December 31, 2007
- 80% timely – January 1, 2008 through June 30, 2009

Notes to performance standards relating to guaranty contracts:

1. DCBS will not consider guaranty filings late in situations that are beyond the insurer's control, such as when the insurer first learns about the Oregon exposure at mid-term policy or at audit, provided AIG notifies DCBS of the reason for the late filing.
2. Each insurance company within the AIG Group is independently responsible for complying with the Oregon coverage laws and reporting requirements. Reporting statistics should be reported by insurer and in the aggregate for AIG.
3. Oregon's timeliness standards are based on statute and measured from the effective date of coverage, for guaranty contract filings, 30 days from the effective date of coverage. For guaranty contract terminations, the director's notice must be within 10 days after the effective termination date. The effective termination date is based on the insurer's mailing of the termination notice to the employer.

2. CLAIMS PROCESSING REQUIREMENTS

Claims Performance Group 1

AIG must achieve and maintain a performance standard in the claims processing categories in the group listed below of 90 percent or better in the delivery of benefits and processing of workers' compensation claims. A performance level of 90 percent is required; however, to enable AIG to make changes necessary to succeed in meeting this standard, AIG must meet

the following quarterly performance levels and timelines for claims processing categories in Claims Performance Group 1:

80% timely – August 1, 2007 through September 30, 2007

85% timely – October 1, 2007 through December 31, 2007

85% timely – January 1, 2008 through March 31, 2008

90% timely – April 1, 2008 through June 30, 2010

A. Timely first payment of temporary disability – within 14 days of employer’s date of knowledge, or authorization of disability if authorization is more than 14 days after the employer’s date of knowledge. See ORS 656.262; OAR 436-060-0150.

B. Timely claim acceptance/denial – within 60 days of employer’s date of knowledge. See ORS 656.262; OAR 436-060-0140.

C. Timely closure of claims – within 14 days of activity qualifying for closure. See ORS 656.268; OAR 436-030-0020.

D. Accurate closure of claims. See ORS 656.268.

1. Temporary disability authorized correctly. See OAR 436-030-0020; OAR 436-030-0036.

2. Medically stationary or qualifying date correct. See OAR 436-030-0020; OAR 436-030-0035.

3. Authority to issue closure. See OAR 436-030-0015; OAR 436-030-0020.

4. Permanent disability rating correct. See OAR 436-030-0038; OAR 436-030-0055; OAR 436-035.

5. Sufficient information to rate permanent disability. See OAR 436-030-0038; OAR 436-030-0055; OAR 436-035.

E. Accurate payment of all temporary and permanent disability, and fatal benefits

1. Temporary total disability – calculated correctly; paid correctly as authorized. See ORS 656.210; OAR 436-060-0025.

2. Temporary partial disability – calculated correctly; paid correctly as authorized. See ORS 656.212; OAR 436-060-0030.

3. Permanent partial disability – calculated correctly; paid correctly as authorized. See ORS 656.230; OAR 436-030; OAR 436-035.

4. Permanent total disability – calculated correctly; paid correctly as authorized. See ORS 656.206; OAR 436-075.

5. Fatal benefit payments – calculated correctly; paid correctly as authorized. See ORS 656.204

Claims Performance Group 2

Beginning August 1, 2007, AIG must achieve and maintain a performance standard of 90 percent or better in the claims processing categories in Claims Performance Group 2.

Claims Performance Group 2 includes:

F. Timely payment of subsequent temporary disability, permanent disability, and fatal benefits.

1. Subsequent temporary disability payments – at 14-day intervals, no more than 7 days in arrears. See ORS 656.262; OAR 436-060-0150.
2. Permanent partial disability payments – 30 days from final order, then at monthly intervals. See OAR 436-060-0150.
3. Permanent total disability payments – 30 days from order, then at monthly intervals. See OAR 436-060-0150.
4. Fatal benefit payments – 30 days from order, then at monthly intervals. See OAR 436-060-0150.

G. Timely determination of vocational eligibility – within 35 days of qualifying activity or request. See ORS 656.340; ORS 656.120.

H. Timely and accurate reimbursements to workers.

1. Timely reimbursement of related services costs – within 30 days of receipt of request.
2. Accurate reimbursement of related services costs – appropriate and accurate. See OAR 436-009-0025; Bulletin 112.

I. Timely payment of medical bills – within 45 days of receipt of billing or 14 days of acceptance, whichever is later. See OAR 436-009-0030.

J. Appropriate processing of nondisabling claims.

1. Timely claim acceptance/denial – within 60 days of employer's date of knowledge.
2. Appropriate notices to workers. See ORS 656.262; OAR 436-060-0140.

K. Accurate reporting to Director.

1. First temporary disability payment reports. See OAR 436-060-0010.
2. Claim acceptance/denial reports. See OAR 436-060-0010.
3. Form 1503 (Notice of Closure) reports. See OAR 436-030-0015; Bulletin 139.
4. Retroactive Reserve Fund requests. See OAR 436-075.

L. Timely response to injured workers, their representatives, and the Director.

1. Timely delivery of requested records (discovery) to workers/attorneys – within 14 days of receipt of request. See OAR 436-060-0017.
2. Timely response to worker request for claim reclassification – within 14 days of receipt of request. See ORS 656.277; OAR 436-060-0018.
3. Timely response to worker request for claim closure – within 10 days of receipt of request. See ORS 656.268; OAR 436-030-0017.
4. Timely response to worker request for vocational assistance – within 35 days of receipt of request. See ORS 656.340; OAR 436-120-0320.
5. Timely response to Director's inquiry – within timeframe specified in Director's inquiry letter. See ORS 656.745.
6. Timely response to Director's order – within timeframe specified in Director's order. See ORS 656.745.

Beginning with the calendar quarter ending September 30, 2007, AIG shall report its quarterly performance, by insurance company, in Claims Performance Groups 1 and 2, no later than the 30th day following the end of the calendar quarter. AIG's initial report will need to reflect claims processing performance for August and September 2007.

Subsequent reports will include calendar quarters ending December 31, 2007, March 31, 2008, June 30, 2008, September 30, 2008, December 31, 2008, March 31, 2009, June 30, 2009, September 30, 2009, December 31, 2009, March 31, 2010, and June 30, 2010.

Performance for claims processing categories (A) and (B) is self-reported on claims and will be measured quarterly through the Director's Quarterly Claims Processing Performance audit.

A representative of AIG must present the quarterly performance reports in person, and the Director, or the Director's designee, will review and discuss the performance reports with AIG's representative. After four quarters of performance data has been reported and discussed with AIG, DCBS will conduct an audit of the claims in AIG's file audit samples to verify the reported performance. DCBS will sample and audit other claims as well in order to ensure that acceptable levels of performance is generalized to all claims.

Claims processing performance will be based upon the percentages of file audit volume identified in AIG's performance matrix, Exhibit B, as specified on the effective date of the Stipulation and Agreement. AIG shall identify and maintain a record of claims selected in each performance category and report the total universe of claims in each category from which the audit samples are selected. The data must be reported for each AIG insurer individually. If there are five or fewer applicable claims in any given category, AIG must review and report audit results on all claims within the category, however, the statistics from these small samples will not be used in consideration of potential penalties. Any proposed changes to the performance matrix require written approval by the Director and AIG.

If one or more of the AIG companies' performance falls below the standards applicable to all Oregon workers' compensation insurers, the Director may require additional performance reporting and may conduct additional audits to ensure injured workers receive accurate and timely benefits.

3. CLAIMS PROCESSING LOCATIONS

A. By July 1, 2007, AIG must provide the Director a list of all service companies-of the locations where AIG claims are being processed for each AIG insurance company with Oregon claims. By September 1, 2007, AIG shall provide copies of proper service agreements will all service companies. Each AIG insurer must maintain eight or less claims processing locations in Oregon. AIG must advise the Director, prior to and in writing, and submit a copy of the service agreement, whenever they elect to use a service company they have not already registered for one or more of their insurers.

B. When AIG changes claims processing locations, AIG must provide at least 10 days prior notice to workers with open or active claims, their attorneys, and attending physicians. The notice must provide the name of a contact person, telephone number, and mailing address of the new claim processor.

C. By August 1, 2007, AIG must notify the Director of the claims that will be transferred, contact information for both the sending processor and receiving processor of the claims (to

include a contact person, telephone number, mailing address, and physical address where the claims are to be processed) and a listing of the claims being transferred which identifies the sending processor's claim number, worker name, worker's social security number, and date of injury. The list must also include the employer's WCD number and the WCD claim number, if known.

D. By September 1, 2007 AIG must have completed the transfer of all claims, including "run-off claims" (ongoing workers' compensation claims of Oregon employers previously insured by AIG), as necessary to ensure all claims for each AIG insurer are being processed at no more than eight Oregon authorized claims processing locations.

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