



2014 AUDITS

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

Department of Industrial Relations

**Division of Workers' Compensation
Audit Unit**

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

2014 Audit Results

Profile Audit Review (PAR) standard – 1.61895 / Full Compliance Audit (FCA) standard – 1.83494

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 and compliance with the regulations of the Administrative Director for provision of notice for a qualified or agreed medical evaluation are also measurable performance factors.

The DWC Audit Unit completed a total of 47 profile audit reviews (PAR audits). Of the PAR audits, 46 were routinely selected, and 1 was a target audit, which was conducted based upon failure of a prior audit. The total number of PAR audit subjects included 12 insurance companies, 10 self-administered / self-insured employers, 23 third-party administrators (TPA), 1 insurance company / third-party administrator combined claims adjusting locations, and 1 self-insured / third-party administrator combined claims adjusting locations.

At all audits, claim files were selected for review on a random basis, with the number of indemnity and denied cases selected based on the numbers of claims reported in each of those populations for the audit subject in the three calendar years prior to audit commencement. 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 California Code of Regulations (CCR), Title 8, Sections 10107.1 (c)(2), (d)(2), and (e)(2).

Pursuant to CCR, Title 8, Sections 10107.1(c) and (d), either a "PAR sample" of up to 59 indemnity claims or a "full compliance audit (FCA) sample" of up to 138 indemnity claims is audited, depending on the claims administrator's performance as measured in the key areas after the PAR sample is audited. CCR, Title 8, Section 10107.1(e), provides for a "sample" of up to 67 denied claims that may be audited. The sample size depends on the claims administrator's performance, as measured in specific areas of benefit provision and determined by reviewing all audits done of indemnity claims in the "FCA stage 1 sample."

In 2014, within the PAR/FCA audits, compliance officers audited 3,049 claim files, of which 2,972 were randomly selected claims in which some form of indemnity benefits was

paid. Targeted claims audited included 46 files based on complaints received by the DWC. Another 31 audited claims were designated as an “additional” file.

“Additional” files include the following:

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

Basis for the PAR Performance Rating

The current audit regulations (CCR, Title 8, Sections 10100.2 through 10115.2) became effective on May 20, 2009. The audit regulations are crafted to produce more efficient audits of workers’ compensation claims administrators and also establish new procedures and penalty provisions for statutory and regulatory obligations.

The audit regulations are currently being amended to address the statutory changes brought about with the adoption of Senate Bill (SB) 863. As of January 1, 2013, the amended Labor Code Section 4650(b)(2) came into effect and now provides that, under specific circumstances set by statute, permanent disability (PD) indemnity will not be payable to an injured employee until it is awarded by the Workers’ Compensation Appeals Board.

Pursuant to CCR, Title 8, Section 10107.1(c)(3), when the Audit Unit conducts a PAR audit of claim files, a performance rating is calculated for the sample of randomly selected indemnity claims. At present, the performance rating is a composite score reflecting claims performance based on the following:

- The percentages of randomly selected claims with unpaid indemnity and the amounts of unpaid indemnity in those claims;
- The percentages of randomly selected claims with late first temporary disability (TD) payments and/or failure to comply with the regulations for the provision of first notices of salary continuation in lieu of TD payment;
- The percentages of claims with late first payments of PD or death benefits;
- The percentages of claims with late subsequent indemnity payments; and
- The percentages of claims with violations involving failure to comply with the regulations for provision of notices to advise injured workers of the process for selecting Agreed Medical Examiners (AME) or Qualified Medical Examiners (QME).

As calculated pursuant to CCR, Title 8, Section 10107.1 (c)(3), low performance rating numbers reflect good claims handling performance, and high rating numbers reflect poor performance. If an audit subject’s PAR performance rating meets or exceeds the PAR performance standard, the audit is terminated and no administrative penalties are assessed for claims violations. In order to meet or exceed the PAR performance standard, an audit

subject's PAR performance rating must meet or exceed the ratings of the worst 20% of performance ratings calculated for all audits conducted over the three-year period preceding the year before the audit. In other words, a PAR performance rating for a 2014 audit that falls within the range of 80% of the best scores of all audits conducted from 2010 through 2012 will meet or exceed the PAR performance standard for 2014, which is 1.61895.

Performance Ratings of Audit Subjects

The performance for the 47 audit subjects in 2014 breaks down as follows:

- Forty audit subjects (85%) met or exceeded the PAR 2014 performance standard and therefore had no penalty citations assessed in accordance with Labor Code Section 129.5(c) and CCR, Title 8, Section 10107.1(c)(4). These audit subjects were, however, ordered to pay all undisputed and unpaid compensation.

Seven audit subjects (15%) failed to meet or exceed the PAR standard, and their audits expanded into a full compliance audit of indemnity claims (FCA stage 1). Three of these audit subjects (43% of those failing to meet or exceed the PAR standard) met or exceeded the FCA 2014 performance standard and therefore had penalty citations assessed for unpaid and late payment of indemnity in accordance with Labor Code Section 129.5(c)(2) and CCR, Title 8, Section 10107.1(d).

- The remaining four of the seven audit subjects (57% of those failing to meet or exceed the PAR standard) failed to meet or exceed the FCA 2014 performance standard, and their audits expanded into a full compliance audit of indemnity claims (FCA stage 2) and added a sample of denied claims to be audited. These audit subjects were assessed administrative penalties for all penalty citations in accordance with Labor Code Section 129.5(c) and CCR, Title 8, Section 10107.1(d) and 10107.1(e).

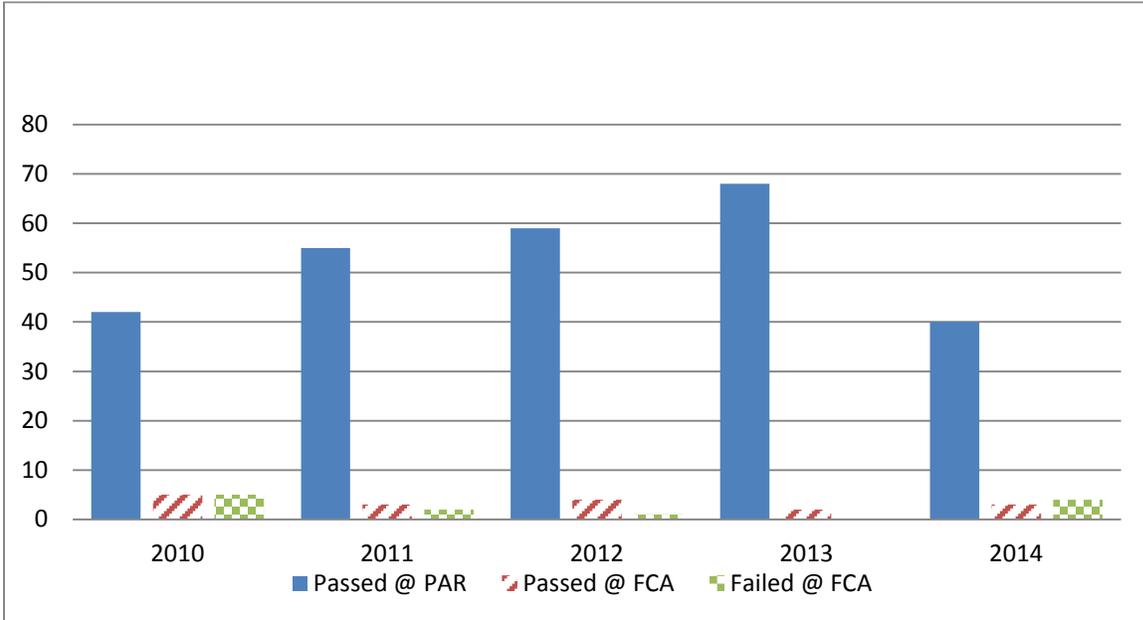
The **DWC Administrative Director's 2014 Audit Ranking Report** ([Statewide Exhibit 4](#)) is part of this annual report. The Ranking Report provides the performance ratings for the 47 audit subjects listed in order, from the best to worst performer.

In accordance with Labor Code Sections 129(b)(1) and 129.5(c), the pass/failure for an audit is determined at the conclusion of the FCA of indemnity files. An administrator who fails to meet or exceed the FCA Standard is deemed to have failed the audit. While the determination and rating are set at the conclusion of the FCA of indemnity files, the administrator's final performance rating may be subject to adjustment for any information provided during the final stage of the audit to address penalty citations for the previously reviewed indemnity files.

The Ranking Report also gives an accounting of the number of Notice(s) of Compensation Due issued for the individual adjusting locations.

Figure 1 provides a synopsis of audit performance for calendar years 2010 through 2014.

Figure 1: Audit Results for 2010 - 2014



Appeals

In 2014, one claims administrator disputed one or more penalties cited in the course of their respective audits.

Canon Cochran Management Services—in Irvine—has challenged the entire audit findings, including the Notices of Compensation Due. These notices must be reviewed by the Workers’ Compensation Appeals Board (WCAB). Once the WCAB has ruled on the issue, the appeal penalties assessed by the Audit Unit will proceed.

Additionally, audit subjects from prior years with pending appeals have requested conferences to address the disputed issues. The Administrative Director will assign a designee to conduct each of the appeal conferences. All parties will receive notice of the conference date at least thirty (30) days prior to the conference.

Violations of the Administrative Director’s Regulations

As a result of PAR/FCA audits conducted during calendar year 2014, the Audit Unit found and cited 6,660 violations against claims administrators, with administrative penalties totaling \$2,404,481 ([Statewide Exhibit 1](#)).

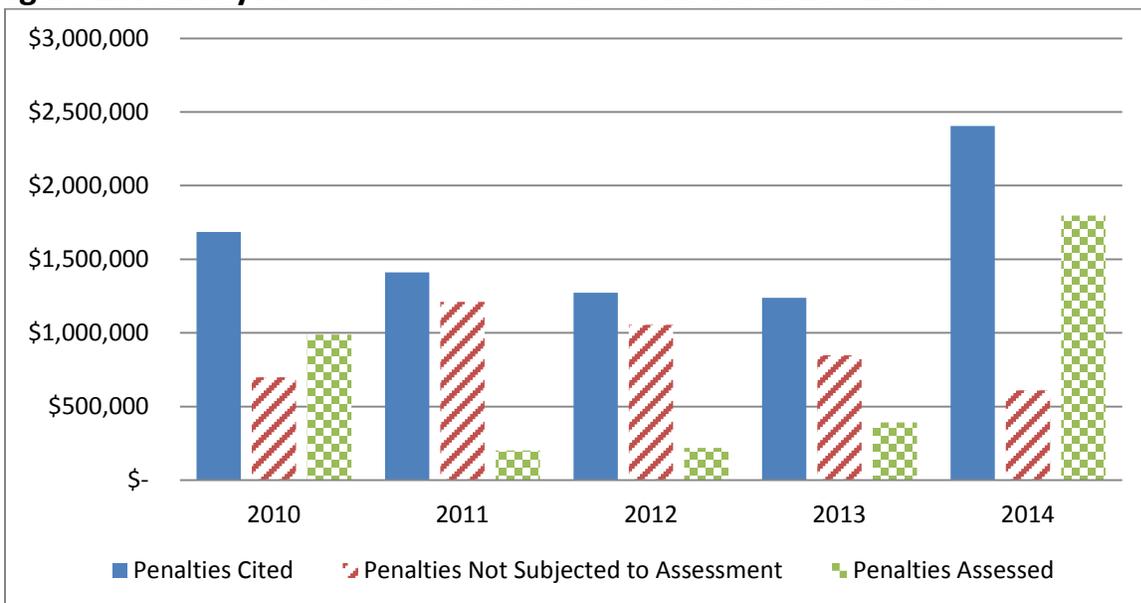
Not all administrative penalties are subject to collection. Under the Labor Code, no penalties are assessed on those “cited” violations unless the audit subject fails the audit at a specific level.

If an audit subject passes the PAR, which is the first level of audit, no penalties will be assessed, in accordance with Labor Code Section 129.5(c)(1). If an audit subject fails the PAR but passes the second level, or FCA stage 1, under Labor Code Section 129.5(c)(2), penalties for unpaid and late-paid indemnity will be assessed, but penalties will not be assessed for violations related to issues of compliance with administrative functions, such as the provision of notices for salary continuation and advice for agreed or qualified medical examination. If an audit subject does not pass the FCA stage 1 audit, the file review will proceed to an FCA of the indemnity files plus a sample of denied claims. For the FCA stage 2 audit, in accordance with Labor Code Section 129.5(c)(3), a comprehensive file review is conducted and penalties are assessed for all violations found. Penalties assessed for a failed FCA stage 2 audit may be modified relative to the size of the adjusting location to mitigate any inequities for penalty assessment for small and large claims administrators in accordance with CCR, Title 8, Section 10111.2(c)(7).

[Statewide Exhibit 2](#) provides a detailed analysis of all penalties assessable, by type and those cited in 2014. In accordance with Labor Code Section 129.5(c) and regulatory authority, the Audit Unit did not assess \$609,324 for administrative penalties of the cited violations. The violations that, by law, were not assessed occurred in 40 of the audits that met or exceeded the PAR performance standard. All violations cited in the audit that failed the FCA performance standard were assessed. The assessed penalties subject to collection from claims administrators for FCA audits came to a total of \$1,795,157.

Figure 2 provides an analysis of violations cited and penalties assessed and collected in the PAR/FCA audit process for calendar years 2010 through 2014.

Figure 2: Penalty Assessments and Collections for 2010 - 2014



Unpaid Compensation Due to Employees

PAR/FCA audits conducted in 2014 reveal that 13.38% of the 3,049 claims reviewed had unpaid indemnity. The Audit Unit issued 408 Notices of Compensation Due with the final audit reports. Copies of these notices were provided to injured workers in accordance with Labor Code Section 129(c). The total compensation cited to be paid was \$505,397.42 ([Statewide Exhibit 3](#)), an average of \$1,238.72 per file in which there was unpaid compensation.

The \$505,397.42 in unpaid compensation is broken down as follows: \$477,021.83 owed in 389 randomly selected claims, and \$28,375.59 owed in 19 additional claims audited and complaints claims submitted to the Audit Unit.

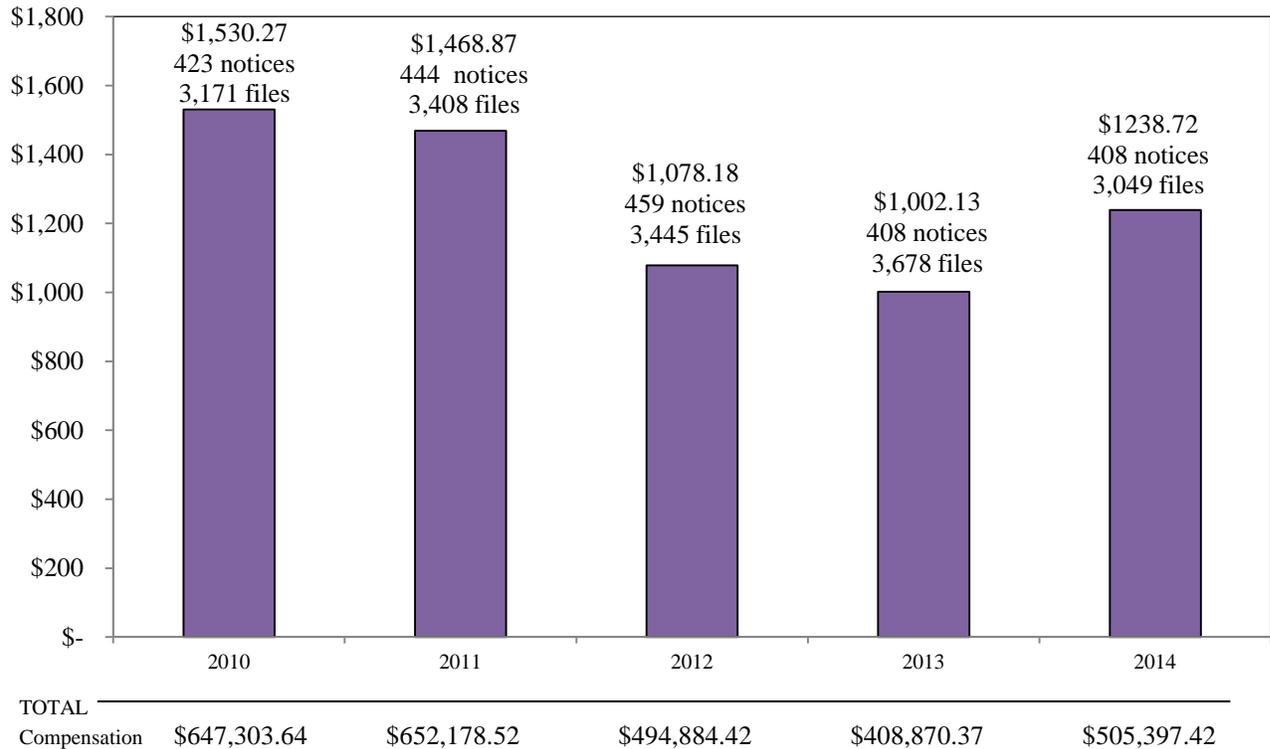
- \$314,243.48 in temporary disability (TD) indemnity and salary continuation in lieu of TD (62.18% of the unpaid compensation)
- \$134,863.64 in permanent disability (PD) indemnity (26.68% of the unpaid compensation)
- \$51,988.96 in 10% self-imposed increases for late indemnity payments (10.29% of the unpaid compensation)
- \$4,071.98 in interest and penalty or failure to reimburse medical expenses (00.81% of the unpaid compensation)
- \$229.36 in death benefits (00.04% of the unpaid compensation)

When a Notice of Compensation Due is issued with the final audit findings and becomes final, the compensation due is payable within fifteen (15) days of receipt of the notice unless the administrator appeals the notice in accordance with CCR, Title 8, Section 10115. In order to avoid penalty assessments under Labor Code Section 129.5(a)(2) and CCR, Title 8, Section 10111.2, payment must be timely, and documentation of payment must be forwarded to the Audit Unit within thirty (30) days of receipt of the notice.

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, an employee can apply to the DWC for payment of moneys deposited by claims administrators into this fund. For audits conducted in 2014, \$614.17 was paid into this fund because the injured workers could not be located.

Figure 3 depicts undisputed compensation found due in routine and target audits conducted since 2010.

Figure 3: Average Unpaid Compensation Due 2010 - 2014



Civil Penalty Issues

Civil Penalty under Labor Code Section 129.5(e)

A claims administrator identified for a return target audit because of failure of a PAR/FCA audit conducted in 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 a 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 such a manner as to cause injury to 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 2014, the Audit Unit conducted a target audit of the City of Burbank as a consequence of a failed PAR/FCA routine audit. They showed improvement of their claims practices and their performances met or exceeded the profile audit review.

Other Issues

The Annual Report of Inventory

CCR, Title 8, Section 10104, requires claims administrators to file an annual report of inventory (ARI) with the Administrative Director (more specifically, with the Audit Unit) for all claims reported to each of their adjusting locations in the prior calendar year. The report is due by April 1 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 2014 identify 374 locations adjusting claims, of which 295 are in California and 79 are out-of-state.

In addition to the penalty assessments totaling \$1,795,157 that were assessed as a result of audits conducted in 2014, an additional 19 penalties totaling \$6,450 were assessed based on the failure of claims administrators to either file or timely file the ARI with the Audit Unit. The penalty assessments were issued pursuant to CCR, Title 8, Section 10111.2(b)(25). These penalties are not included as part of the audit data in this report.

Adjusting locations reporting all required elements for the Workers' Compensation Information System (WCIS) may be exempt from submitting the ARI, beginning with the report due April 1, 2008. CCR, Title 8, 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 2014 were reviewed and compared with WCIS submissions for claims reported in that year as indemnity, medical-only, or denied. Claims reported in the Audit Unit ARI are classified, by type, as indemnity, medical-only, or denied. Individual claims are reported to WCIS as a First Report of Injury (FROI) and are classified as indemnity, medical-only, denied, or “other.” Claims classified as “other” are later categorized as indemnity, medical-only, or denied when the administrator submits a Subsequent Report of Injury (SROI) or its annual report to WCIS for claims activity for the prior calendar year.

Because claims administrators failed to file many SROI reports for 2014, many claims remain unclassified in WCIS. As a result, the number of exemptions is limited for 2014: no entities qualified for exemption for the filing of the Audit Unit ARI. In previous years, there have been up to 13 exemptions granted for filing the ARI. Any entity without an ARI waiver is required to file an Annual Report of Adjusting Locations annually by April 1.

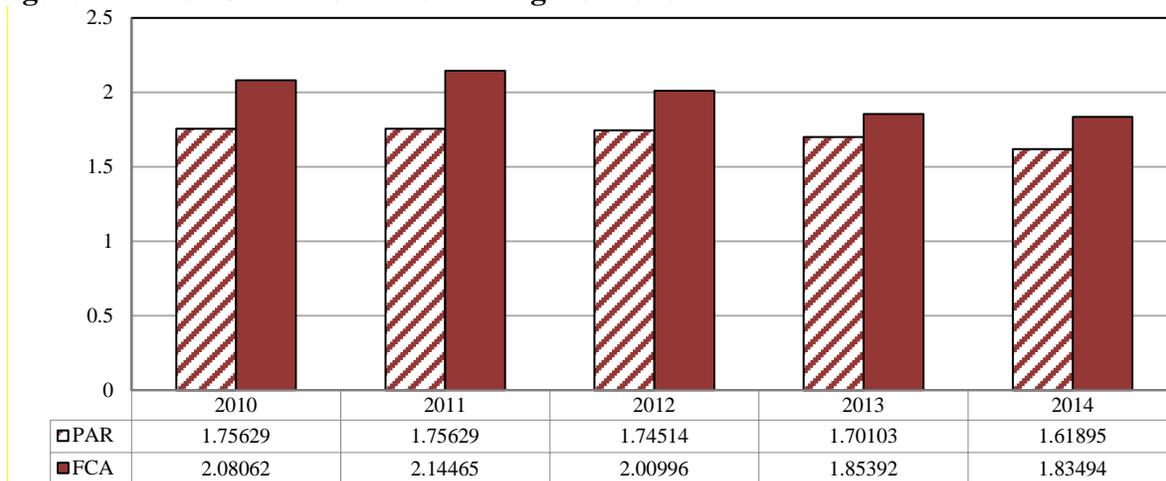
The Audit Unit is working closely with the WCIS to confirm that the numbers of claims reported is accurate. The tracking of claims will be linked to the 9-digit postal code for the physical location of the claims administrator both in the log for the ARI and in the WCIS reporting elements.

PAR/ FCA Standards for 2010 through 2014

The PAR and FCA performance standards have been updated pursuant to Labor Code Section 129(b) and CCR, Title 8, Sections 10107.1(c), (d), and (e). This was accomplished by taking the 2012 audit results and using the performance ratings for the five factors subject to the profile audit review program. The results were then combined with the 2011 and 2010 performance rating scores to develop the 2014 scores (as noted earlier, the lower the number, the better the rating). The Audit Unit continues to act as a deterrent to poor claims handling and works to ensure that injured workers receive their workers’ compensation benefits.

Figure 4 provides an historical analysis of the PAR/FCA performance standards set for audits conducted in calendar years 2010 through 2014.

Figure 4: PAR/FCA Performance Ratings for 2010–2014



Description of Statewide Exhibit

[Statewide Exhibit 1](#) ~ **Audit Penalty Assessments and Collections** is a listing of audits conducted in 2014. It 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](#) ~ **Statewide Summary of Penalties for PAR/FCA Audits** describes and separates the schedule of administrative penalties described in the California Code of Regulations, Title 8, 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 of unpaid compensation found in the 408 audited claims for which Notices of Compensation Due were issued.

[Statewide Exhibit 4](#) ~ The **DWC Administrative Director's 2014 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 2014 according to their performance measured by the profile audit review (PAR) and full compliance audit (FCA) performance standards.

Audit Penalty Assessments and Collections

Audit Subject & Location	R / T	INS/ SI/ TPA	Number of Files Audited					# of AP's Cited	Total \$ Violations Identified	\$ Not Subject to Assessment	Total \$ Subject to Assessment	Balance \$ Due	Appeals	
			I	D	C	A	Total						Y	N
PAR/FCA Audits														
Acclamation Insurance Management Services / Sacramento	R	TPA	52	0	0	0	52	52	\$7,460	\$7,460	\$0	\$0		X
American All Risk Loss Administrators / Fresno	R	TPA	57	0	1	0	58	59	\$6,950	\$6,950	\$0	\$0		X
American Claims Management / San Diego	R	TPA	59	0	3	0	62	56	\$25,490	\$25,490	\$0	\$0		X
AmTrust North America / Irvine	R	INS	132	65	5	6	208	1146	\$481,905	\$0	\$481,905	\$0		X
AmTrust North America / San Diego	R	INS	120	0	0	0	120	229	\$48,882	\$6,850	\$42,032	\$0		X
Association of California Water Agencies/JPIA / Roseville	R	SI	48	0	0	0	48	0	\$0	\$0	\$0	\$0		X
Barrett Business Services / Folsom	R	SI	52	0	1	0	53	46	\$23,560	\$23,560	\$0	\$0		X
Cannon Cochran Management Services / Irvine	R	TPA	124	45	3	25	197	1250	\$456,672	\$0	\$456,672	\$456,672	X	
Carl Warren & Company / Tustin	R	TPA	58	0	1	0	59	121	\$32,050	\$32,050	\$0	\$0		X
City of Burbank / Burbank	T	SI	46	0	0	0	46	35	\$7,425	\$7,425	\$0	\$0		X
City of Glendale / Glendale	R	SI	50	0	0	0	50	24	\$11,115	\$11,115	\$0	\$0		X
City of Long Beach / Long Beach	R	SI	54	0	0	0	54	20	\$1,050	\$1,050	\$0	\$0		X
City of Pasadena / Pasadena	R	SI	37	0	1	0	38	41	\$4,880	\$4,880	\$0	\$0		X
City of Redding / Redding	R	SI	38	0	0	0	38	24	\$3,880	\$3,880	\$0	\$0		X
City of Santa Monica / Santa Monica	R	SI	53	0	1	0	54	58	\$16,620	\$16,620	\$0	\$0		X
CompWest Insurance Company/San Francisco	R	INS	52	0	0	0	52	70	\$27,350	\$27,350	\$0	\$0		X
Corvel Corporation / Stockton	R	TPA	52	0	0	0	52	41	\$8,865	\$8,865	\$0	\$0		X
ESIS(An Ace Group Company/Southfield, MI	R	TPA	15	0	0	0	15	38	\$12,000	\$12,000	\$0	\$0		X
Farmers Insurance Exchange/Pleasanton	R	INS	56	0	0	0	56	98	\$28,545	\$28,545	\$0	\$0		X
Farmers Insurance Group / Westlake Village	R	INS	58	0	0	0	58	84	\$19,625	\$19,625	\$0	\$0		X
Fireman's Fund Ins., Co. /O'Fallon, MO	R	INS	38	0	0	0	38	52	\$18,750	\$18,750	\$0	\$0		X
Fresno Unified School District / Fresno	R	SI	49	0	0	0	49	35	\$5,290	\$5,290	\$0	\$0		X
Gallagher Bassett Services #138 / Orange	R	TPA	58	0	0	0	58	60	\$21,070	\$21,070	\$0	\$0		X
Gallagher Bassett Services #165 / Calabasas	R	TPA	124	0	0	0	124	178	\$40,150	\$3,350	\$36,800	\$0		X
Guard Insurance Group / Rancho Cordova	R	INS	52	0	0	0	52	99	\$21,860	\$21,860	\$0	\$0		X
Hutch & Son, TPA / Simi Valley	R	TPA	17	0	0	0	17	10	\$2,020	\$2,020	\$0	\$0		X
ICW Group / San Diego	R	INS	58	0	1	0	59	56	\$22,405	\$22,405	\$0	\$0		X
Liberty Mutual Group/Portland, OR	R	INS	113	33	0	0	146	682	\$207,648	\$0	\$207,648	\$0		X
LWP Claims Solutions, Inc. / Sacramento	R	TPA	56	0	0	0	56	64	\$13,090	\$13,090	\$0	\$0		X
Markel Insurance Services, Inc. / Ontario	R	TPA	51	0	0	0	51	75	\$12,780	\$12,780	\$0	\$0		X
Markel Services Inc./Henderson, NV	R	TPA	56	0	0	0	56	81	\$18,550	\$18,550	\$0	\$0		X
Meadowbrook Insurance Group / Las Vegas, NV	R	TPA	133	51	15	0	199	807	\$543,984	\$0	\$543,984	\$0		X
Metro Risk Management, LLC / Wilmington	R	TPA	1	0	0	0	1	0	\$0	\$0	\$0	\$0		X

Audit Penalty Assessments and Collections

Audit Subject & Location	R / T	INS/ SI/ TPA	Number of Files Audited					# of AP's Cited	Total \$ Violations Identified	\$ Not Subject to Assessment	Total \$ Subject to Assessment	Balance \$ Due	Appeals	
			I	D	C	A	Total						Y	N
Ryder Systems, Inc./Alpharetta, GA	R	TPA	27	0	0	0	27	51	\$12,180	\$12,180	\$0	\$0		X
Sedgwick Claims Management Services / Burbank	R	TPA	100	0	1	0	101	248	\$40,920	\$14,804	\$26,116	\$0		X
Sedgwick Claims Management Services / Encino	R	TPA	49	0	0	0	49	33	\$6,445	\$6,445	\$0	\$0		X
Sedgwick Claims Management Services / Encino	R	TPA	58	0	1	0	59	57	\$22,255	\$22,255	\$0	\$0		X
Sedgwick Claims Management Services / Rancho Cordova	R	TPA	54	0	0	0	54	25	\$3,330	\$3,330	\$0	\$0		X
Sedgwick Claims Management Services/Pleasanton	R	TPA	58	0	0	0	58	165	\$35,180	\$35,180	\$0	\$0		X
Sempra Energy Corporation / San Diego	R	SI	35	0	0	0	35	21	\$8,825	\$8,825	\$0	\$0		X
State Compensation Insurance Fund - OCC / Santa Ana	R	INS	58	0	4	0	62	49	\$25,980	\$25,980	\$0	\$0		X
State Compensation Insurance Fund - SCO / Santa Ana	R	SI / TPA	49	0	1	0	50	37	\$11,870	\$11,870	\$0	\$0		X
State Compensation Insurance Fund / Monterey Park	R	INS	58	0	1	0	59	61	\$34,400	\$34,400	\$0	\$0		X
The Hartford/Syracuse, NY	R	INS	39	0	0	0	39	48	\$19,040	\$19,040	\$0	\$0		X
The Travelers Companies, Inc. / Rancho Cordova	R	INS / TPA	58	0	2	0	60	64	\$7,960	\$7,960	\$0	\$0		X
York Risk Services Group, Inc. / Riverside	R	TPA	57	0	1	0	58	33	\$14,775	\$14,775	\$0	\$0		X
York Risk Services Group, Inc. / Roseville	R	TPA	59	0	3	0	62	77	\$9,400	\$9,400	\$0	\$0		X
TOTALS:	47		2,778	194	46	31	3,049	6,660	\$ 2,404,481	\$ 609,324	\$ 1,795,157	\$ 456,672	1	46

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

R - Routine	46	INS	Insurer	12
T - Target	1	SI	Self-Insured Employer	10
		TPA	Third Party Administrator	23
		INS / TPA	Insurer / Third Party Administrator	1
		SI / TPA	Self-Insured/Third Party Administrator	1
TOTAL	47	TOTAL		47

Statewide Summary of Penalties for PAR/FCA Audits

Cited by Type of Penalty

Type of Violation	# of Violations Cited	Total \$ Violations Cited	\$ Not Subject to Assessment	Total \$ Subject to Assessment	Total \$ Amount Collected	Appeal
Late first payment of temporary disability (TD) indemnity benefits.	860	\$485,582	\$201,376	\$284,206	\$250,070	X
Late first payment of permanent disability (PD) indemnity benefits.	76	\$62,620	\$20,830	\$41,790	\$37,310	X
Late subsequent payment of indemnity benefits.	825	\$242,445	\$91,868	\$150,577	\$135,249	X
Late first payment of death benefits (DB).	0	\$0	\$0	\$0	\$0	
Failure to issue benefit notices other than specific notices for denial of liability.	619	\$107,720	\$2,200	\$105,520	\$62,480	X
Late provision of benefit notices other than specific notices for denial of injury.	465	\$39,490	\$4,420	\$35,070	\$29,694	X
Failure to comply with requirements to provide notice of the QME/AME process.	1,705	\$253,132	\$104,530	\$148,602	\$128,402	X
Failure to pay any TD or to pay SC in lieu of TD.	320	\$452,480	\$144,920	\$307,560	\$227,400	X
Failure to pay any PD indemnity benefit.	37	\$59,400	\$8,360	\$51,040	\$32,640	X
Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.	229	\$57,020	\$17,640	\$39,380	\$31,060	X
Failure to pay any indemnity as ordered by the WCAB.	19	\$21,780	\$12,180	\$9,600	\$5,120	X
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.	12	\$5,750	\$1,000	\$4,750	\$3,150	X

Statewide Summary of Penalties for PAR/FCA Audits

Cited by Type of Penalty

Type of Violation	# of Violations Cited	Total \$ Violations Cited	\$ Not Subject to Assessment	Total \$ Subject to Assessment	Total \$ Amount Collected	Appeal
Failure to pay or object to medical treatment expense in the manner required by law or regulation.	986	\$452,800	\$0	\$452,800	\$266,400	X
Failure to pay or object to medical-legal expense in the manner required by law or regulation.	38	\$22,840	\$0	\$22,840	\$11,480	X
Failure to issue training or SJDB voucher (injuries on/after 01/01/04) in the manner required by law or regulation.	0	\$0	\$0	\$0	\$0	
Failure to provide notices denying all liability or death benefits as required.	18	\$9,140	\$0	\$9,140	\$9,140	X
Failure to timely respond to a request to provide or authorize medical treatment.	0	\$0	\$0	\$0	\$0	
Failure to include specific items or properly designate entries on a claim log.	132	\$19,240	\$0	\$19,240	\$15,400	X
Materially incomplete or inaccurate benefit notices including denial for all liability.	183	\$20,430	\$0	\$20,430	\$17,710	X
Failure to investigate.	5	\$14,200	\$0	\$14,200	\$12,600	X
Failure to fully or timely comply with any award or order of the WCAB for issues other than payment of indemnity under 8CCR§10111.2(a).	15	\$37,772	\$0	\$37,772	\$33,900	X
Penalties for failure to comply with any regulation of the AD not otherwise assessed.	113	\$19,040	\$0	\$19,040	\$7,680	X
Unsupported denial of all liability for a claim.	3	\$21,600	\$0	\$21,600	\$21,600	
TOTAL	6,660	\$2,404,481	\$609,324	\$1,795,157	\$1,338,485	

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

Calendar Year 2014

Statewide Exhibit 3

**Statewide Summary of
408 Notices of Compensation Due**

Type of Compensation	Amount Found Due
Temporary Disability	\$ 314,243.48
Permanent Disability	\$ 134,863.64
Self-Imposed Increase	\$ 51,988.96
Death Benefits	\$ 229.36
Penalty, Interest or Other	\$ 4,071.98
Total Compensation Due:	\$ 505,397.42

Statewide Exhibit 4
DWC ADMINISTRATIVE DIRECTOR'S 2014 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) AUDIT SUBJECT / LOCATION	PAR Standard 1.61895	FCA Stage 1 Standard 1.83494	FCA Stage 2 Final Rating	Unpaid Compensation All Claim Files 408/\$505,397.42
<p><i>The following audit subjects under the Profile Audit Review (LC 129) met or exceeded the PAR standard 1.61895 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.</i></p>					
1	Metro Risk Management, LLC / Wilmington	0.00000	n/a	n/a	0 / \$0.00
2	Association of California Water Agencies /JPIA / Roseville	0.00000	n/a	n/a	0 / \$0.00
3	City of Long Beach / Long Beach	0.33440	n/a	n/a	1 / \$428.54
4	Hutch & Son, TPA / Simi Valley	0.39287	n/a	n/a	2 / \$96.39
5	Sedgwick Claims Management Services / Rancho Cordova	0.40528	n/a	n/a	1 / \$213.54
6	City of Glendale / Glendale	0.42840	n/a	n/a	2 / \$260.90
7	Sedgwick Claims Management Services / Encino	0.52281	n/a	n/a	5 / \$2,060.72
8	American All Risk Loss Administrators / Fresno	0.73642	n/a	n/a	5 / \$3222.55
9	York Risk Services Group, Inc. / Riverside	0.74123	n/a	n/a	6 / \$10,725.53
10	Corvel Corporation / Stockton	0.74528	n/a	n/a	1 / \$2972.93
11	City of Redding / Redding	0.74744	n/a	n/a	1 / \$884.57
12	Barrett Business Services / Folsom	0.84746	n/a	n/a	8 / \$9,769.03
13	Fireman's Fund Ins., Co. / O'Fallon, MO	0.85417	n/a	n/a	0 / \$0.00
14	CompWest Insurance Company / San Francisco	0.86258	n/a	n/a	2 / \$214.89
15	The Traveler Companies, Inc. / Rancho Cordova	0.86608	n/a	n/a	8 / \$1644.43
16	City of Burbank / Burbank	0.87415	n/a	n/a	2 / \$827.92
17	LWP Claims Solutions, Inc. / Sacramento	0.90445	n/a	n/a	5 / \$4439.74
18	Fresno Unified School District / Fresno	0.97010	n/a	n/a	2 / \$86.99

DWC ADMINISTRATIVE DIRECTOR'S 2014 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) AUDIT SUBJECT / LOCATION	PAR Standard 1.61895	FCA Stage 1 Standard 1.83494	FCA Stage 2 Final Rating	Unpaid Compensation All Claim Files 408/\$505,397.42
19	Acclamation Insurance Management Services / Sacramento	0.97639	n/a	n/a	5 / \$871.14
20	State Compensation Insurance Fund / Monterey Park	1.00997	n/a	n/a	9 / \$4,475.90
21	State Compensation Insurance Fund - SCO / Santa Ana	1.02292	n/a	n/a	5 / \$14,551.97
22	York Risk Services Group, Inc. / Roseville	1.04064	n/a	n/a	2 / \$83.78
23	American Claims Management / San Diego	1.04444	n/a	n/a	10 / \$9,492.18
24	The Hartford / Syracuse, NY	1.05099	n/a	n/a	6/ \$1,404.63
25	Markel Insurance Services, Inc. / Ontario	1.10069	n/a	n/a	1 / \$1,004.76
26	Markel Services Inc. / Henderson, NV	1.10308	n/a	n/a	4 / \$6,591.91
27	ICW Group / San Diego	1.11205	n/a	n/a	12 / \$7,933.93
28	City of Pasadena / Pasadena	1.12038	n/a	n/a	10 / \$1,946.59
29	Gallagher Bassett Services #138 / Orange	1.12392	n/a	n/a	13 / \$8,513.61
30	Sempra Energy Corporation / San Diego	1.13526	n/a	n/a	4 / \$21,302.87
31	Sedgwick Claims Management Services / Encino	1.15080	n/a	n/a	10 / \$8,125.76
32	Farmers Insurance Exchange / Pleasanton	1.21780	n/a	n/a	7 / \$2,863.99
33	State Compensation Insurance Fund - OCC / Santa Ana	1.22866	n/a	n/a	7 / \$25,526.10
34	Farmers Insurance Group / Westlake Village	1.34217	n/a	n/a	8 / \$6,208.85
35	City of Santa Monica / Santa Monica	1.39135	n/a	n/a	8 / \$5,721.15
36	Carl Warren & Company / Tustin	1.40813	n/a	n/a	16 / \$8,287.68
37	Ryder Systems, Inc. / Alpharetta, GA	1.47885	n/a	n/a	1 / \$70.71
38	ESIS(An Ace Group Company) / Southfield, MI	1.55856	n/a	n/a	2 / \$229.43
39	Sedgwick Claims Management Services / Pleasanton	1.58414	n/a	n/a	11 / \$5,318.34
40	Guard Insurance Group / Rancho Cordova	1.61084	n/a	n/a	7 / \$8,626.85

DWC ADMINISTRATIVE DIRECTOR'S 2014 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) AUDIT SUBJECT / LOCATION	PAR Standard 1.61895	FCA Stage 1 Standard 1.83494	FCA Stage 2 Final Rating	Unpaid Compensation All Claim Files 408/\$505,397.42
	<i>Seven audit subjects under the Profile Audit Review (LC 129) failed to meet or exceed the PAR standard (1.61895 or less). The audits proceeded to the Full Compliance Audit Stage 1 [LC 129(b)(2)] and fo met or exceeded the FCA standard (1.83494 or less). Administrative penalties pursuant to Labor Code 129.5(c)(2) were assessed and unpaid compensation found due injured workers within each claim file was ordered paid.</i>				
41	Sedgwick Claims Management Services / Burbank	1.63364	1.74102	n/a	24 / \$13,046.63
42	AmTrust North America / San Diego	1.67317	1.67487	n/a	16 / \$9,873.21
43	Gallagher Bassett Services #165 / Calabasas	1.68801	1.77185	n/a	27 / \$28,954.60
	<i>Four audits subject under the Profile Audit Review (LC 129) failed to meet or exceed the PAR standard (1.61895 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 (1.83494 or less). These audits 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. Adminstrative penalties pursuant to Labor Code 129.5(c)(3) were assessed and unpaid compensation found due injured workers within each claim file was ordered paid.</i>				
44	Cannon Cochran Management Services / Irvine	1.75180	2.03440	2.03440	48 / \$93,345.69
45	Liberty Mutual Group / Portland, OR	2.01871	1.85277	1.85277	9 / \$8,933.72
46	Meadowbrook Insurance Group / Las Vegas, NV	2.44551	3.16639	3.16639	32 / \$65,213.70
47	AmTrust North America / Irvine	4.04184	4.09349	4.09349	43 / \$99,029.07