

State of California  
Department of Industrial Relations  
Division of Workers' Compensation  
Audit & Enforcement Unit

## 2021 AUDITS

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



State of California  
Gavin Newsom, Governor

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

## **2021 Audit Results**

### **Profile Audit Review (PAR) standard 1.46656/Full Compliance Audit (FCA) standard 1.85379**

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 & Enforcement Unit completed 40 audits, of which 37 were routinely selected for PAR. In addition, another 3 audits were selected as target audits based on the failure of a prior audit. The PAR audit subjects consisted of 13 insurance companies, 4 self-administered/self-insured employers, 18 third-party administrators (TPA), and 5 insurance companies/third-party administrators that combined claims-adjusting locations. The Audit & Enforcement Civil Penalty Unit completed 1 Utilization Review Investigation based on a credible referral and complaint.

In all audits, claim files were randomly selected for review, with the number of indemnity and denied cases selected based on the number of claims reported in each of those populations for the audit subject in the three calendar years before the audit commenced. 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, section 10107.1(c) and (d), either a "PAR sample" of up to 59 or a "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 of indemnity claims in the "FCA stage 1 sample."

In 2021, within the PAR/FCA audits, compliance officers audited 2,883 claim files, of which 2,824 were randomly selected claims, and 53 claim files were audited based on CCR, Title 8, section 10107.1, complaints received by the DWC. In addition, compliance officers conducted Civil Penalty Audits and Investigations based on CCR, Title 8, section 10106.1(b) which included 1 target claim file audit based on credible complaints, referrals received by the DWC, and 5814 awards, as identified in Labor Code section 5814. A further 5 audited claims were designated as "additional" files. 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 in the log.

### **Basis for the PAR Performance Rating**

The current audit regulations (CCR, Title 8, sections 10100.2–10115.2) took effect May 20, 2009. The audit regulations are crafted to produce more efficient audits of workers' compensation claims administrators, and to establish procedures and penalty provisions for statutory and regulatory obligations.

Pursuant to CCR, Title 8, section 10107.1(c)(3), when the DWC Audit & Enforcement 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 percentage of randomly selected claims with unpaid indemnity and the amount of unpaid indemnity in those claims
- The percentage of randomly selected claims with late first temporary disability (TD) payments and/or failure to comply with the regulations for the provision of the first notice of salary continuation in lieu of TD payment
- The percentage of claims with late first payments of permanent disability (PD) or death benefits
- The percentage of claims with late subsequent indemnity payments
- The percentage of claims with violations involving a failure to comply with the regulations for the provision of notices to advise injured workers of the

process for selecting Agreed Medical Examiners (AME) or Qualified Medical Examiners (QME).

The amended Labor Code section 4650(b)(2) came into effect January 1, 2013, and now provides that, under specific circumstances set by statute, PD indemnity is not payable to an injured employee until after the Workers' Compensation Appeals Board (WCAB) awards it.

As calculated pursuant to CCR, Title 8, section 10107.1(c)(3), low performance rating numbers reflect good claims-handling performance, and high performance 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 audit. In other words, a PAR performance rating for a 2021 audit that falls within the range of the 80% best scores of all audits conducted from 2018 through 2020 meets or exceeds the PAR performance standard for 2021, which is 1.46656.

### **Performance Ratings of Audit Subjects**

The performance for the 40 audit subjects in 2021 can be broken down as follows:

- Thirty-one audit subjects (77.50%) met or exceeded the PAR 2021 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). However, these audit subjects were ordered to pay all unpaid compensation.
- Nine audit subjects (22.50%) failed to meet or exceed the PAR standard, and their audits expanded into full compliance audits of indemnity claims (FCA stage 1). Six of them failed to meet or exceed the FCA 2021 performance standard, and their audits expanded into full compliance audits of indemnity claims (FCA stage 2), and samples of denied claims to be audited were added. These audit subjects were assessed administrative penalties for all penalty citations in accordance with Labor Code section 129.5(c) and CCR, Title 8, sections 10107.1(d) and (e). The other three met or exceeded the FCA 2021 performance standard and therefore had penalty citations assessed for unpaid and late payment of indemnity pursuant to Labor Code section 129.5(c)(2) and CCR, Title 8, section 10107.1(d).

The **DWC Administrative Director's 2021 Audit Ranking Report** (Statewide Exhibit 4) is part of this annual report. The Ranking Report provides the performance ratings for the 40 audit subjects listed, from the best to the 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 audit subject that fails to meet or exceed the FCA standard is judged 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.

### **Violations of the Administrative Director's Regulations**

As a result of PAR/FCA audits conducted during calendar year 2021, the Audit & Enforcement Unit found and cited 5,457 violations against claims administrators, with administrative penalties totaling \$1,794,708.30 (Statewide Exhibit 1).

Not all administrative penalties are subject to collection. Under the Labor Code, no penalties are assessed on "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 will be assessed for indemnities that were unpaid and paid late, 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 a full compliance audit 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 2021. In accordance with Labor Code section 129.5(c) and regulatory

authority, the Audit & Enforcement Unit did not assess \$640,911.20 for administrative penalties of the cited violations for (34) of the audits that met or exceeded the PAR/FCA stage 1 audit performance standard. All violations cited in the audit that failed the FCA stage 2 performance standard were assessed. The assessed penalties subject to collection from claims administrators for FCA audits totaled \$1,153,797.10.

As a result of the referral/complaint a Utilization Review Investigation was completed during the calendar year 2021, the Audit and Enforcement Civil Penalty Unit cited \$180,700.00 in administrative penalties.

### **Unpaid Compensation Due to Employees**

Audits conducted in 2021 reveal that 11.5% of the 2,883 claims reviewed had an unpaid indemnity. The DWC Audit & Enforcement Unit issued 332 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 \$430,236.20 (Statewide Exhibit 3). The unpaid compensation can be broken down as follows: \$430,236.20 owed in 2,830 of randomly selected claims, \$0 owed in 53 complaint claims submitted to the Audit Unit. An average of \$152.03 per file was found in which compensation was unpaid based on the random sample files only.

- \$286,555.57 in TD indemnity and salary continuation in lieu of TD (66.61% of the unpaid compensation)
- \$86,362.16 in PD indemnity (20.07% of the unpaid compensation)
- \$56,184.00 in 10% self-imposed increases for late indemnity payments and unpaid compensation (13.06% of late paid and unpaid compensation)
- \$1,134.47 in interest and penalty other .26% of the unpaid compensation)
- \$0.00 in death benefits (0%).

When a Notice of Compensation Due is issued with the final audit findings and becomes final, the compensation is due and payable within fifteen (15) days of receipt of the notice. 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 & Enforcement Unit within thirty (30) days of receipt of the notice.

When the Audit Unit finds unpaid compensation due, and the injured worker cannot be located at the time of the audit, the unpaid compensation is payable by the claims administrator to the Workers' Compensation Administration Revolving Fund. In these instances, the injured worker can apply to the DWC for payment of monies deposited into this fund. In 2021, the Audit Unit collected \$3,470.41 for this fund.

## **Civil Penalty Issues**

### **Civil Penalty under Labor Code section 129.5(e)**

A claims administrator identified for a return target audit because of the 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 in 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 to the public or those dealing with the employer or insurer.

Any employer, insurer, or third-party administrator that fails to meet the FCA performance standards in two consecutive full compliance audits shall be 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 2021, the Audit Unit conducted target audits of the Cannon Cochran Management Services, Inc., Scottsdale, Arizona, Cherokee Insurance Company, Sterling Heights, Michigan and Protective Insurance Company, Carmel, Indiana because of a failed PAR/FCA routine audit. In addition, the Audit Civil Penalty Unit conducted a civil penalty Utilization Review Investigation of ESIS; Chatsworth based referral/complaint received by the audit unit. This matter is currently on appeal. The amount for this penalty is not listed with the audit penalty exhibits, as this is a separate penalty for a Utilization Review Investigation, and not a PAR and/or Target audit.

## **Other Issues**

### ***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 & Enforcement 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. The Audit Unit monitors the claims inventory for 362 active adjusting locations operating in California. In 2021, the Audit staff provided claims training workshops to 39 Claims Administrators' locations. In addition to the 40 audits completed in 2021, the Audit Unit conducted 35 Routine Utilization Review investigations of Claims Administrators, and results of these investigations were published in February 2022 on the DWC Audit website.

The DWC Audit & Enforcement Unit reviews, logs and tracks all complaints. In 2021, the Audit Unit tracked and logged 1,098 complaints. The Audit Unit submits all complaints to claims administrators for investigation and response to the Audit Unit within thirty days, except for complaints marked "confidential" (claims files for complaints marked confidential are reviewed by the Audit Supervisor for possible target audit action, and the complaint claim file is reviewed at the time of the audit). The Audit Unit reviews all claims administrator responses to determine whether further target or audit action is needed. In 2021, the Audit Unit tracked recoveries, which are additional payments and penalties issued to workers' compensation claimants and providers as a result of a complaint filed with the Audit Unit. The Audit Unit collected \$570,224.24 in additional payments to claimants and providers.

### **Profile Audit Performance Standards/Full Compliance Audit Standards for 2021**

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 2020 audit results and using the performance ratings for the five factors subject to the PAR program. The results were then combined with the 2019 and 2020 performance rating scores to develop the rating scores for 2021 (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.

### **Description of Statewide Exhibits**

Statewide ([Exhibit 1](#)). Audit Penalty Assessments and Collections is a listing of audits conducted in 2021. It summarizes all files audited by type, the number and amount of penalties, the amount collected the balance due, and the number of appeals.

Statewide ([Exhibit 2](#)). Summary of Penalties for PAR/FCA Audits describes and separates the schedule of administrative penalties described in CCR, Title 8, and section 10111.2, into various categories showing the total and the amount of



assessable administrative penalties in this statewide audit finding.

Statewide ([Exhibit 3](#)). Statewide Summary of Notices of Compensation Due gives, by type of indemnity, the amount of unpaid compensation found in the 332 audited claims for which notices of compensation due were issued.

Statewide ([Exhibit 4](#)). The DWC Administrative Director's 2021 Audit Ranking Report is issued in accordance with Labor Code section 129(e). The report ranks all insurers, self-insured employers, and TPA audited during 2021 according to their performance measured by the PAR and FCA performance standards.

**Exhibit 1: PCA/FCA Audits**

Audit Subject & Location	RT	INS/ SI/ TPA	No. of Files Audited I	No. of Files Audited D	No. of Files Audited C	No. of Files Audited A	No. of Files Audited TOTAL	No. of APs Cited	Total\$ Violations Identified	\$ Not Subject to Assessment	Total\$ Subject to Assessment	Balance\$ Due	Appeal Yes	Appeal No
1. Accelerated Claims Service / Orange	R	TPA	17	0	0	0	17	15	\$4,575.00	\$4,575.00	\$-	\$0.00		X
2. Acclamation Insurance Management Services / Santa Clarita	R	TPA	53	0	0	0	53	53	\$15,120.00	\$15,120.00	\$-	\$0.00		X
3. AIG Claims, Inc. / San Diego	R	TPA	57	0	1	0	58	140	\$21,645.00	\$21,645.00	\$-	\$0.00		X
4. American Claims Management / San Diego	R	TPA	133	64	6	0	203	570	\$275,004.00	\$55,000.80	\$220,003.20	\$0.00		X
5. AMTrust North America / Irvine	R	INS	134	0	1	0	135	245	\$42,455.00	\$10,700.00	\$31,755.00	\$0.00		X
6. Broadspire A Crawford Company / Brea	R	TPA	135	65	43	17	260	1,062	\$512,638.00	\$102,527.60	\$410,110.40	\$0.00		X
7. Broadspire, A Crawford Company / Folsom	R	TPA	131	0	0	0	131	299	\$80,670.00	\$50,786.00	\$29,884.00	\$0.00		X
8. Brotherhood Mutual Insurance Company / Fort Wayne, IN	R	INS	44	0	0	0	44	58	\$12,540.00	\$12,540.00	\$-	\$0.00		X
9. Cannon Cochran Management Services Inc. / Las Vegas, NV	R	TPA	52	0	0	0	52	45	\$20,920.00	\$20,920.00	\$-	\$0.00		X
10. Cannon Cochran Management Services, Inc. / Scottsdale, AZ	T	TPA	52	0	0	0	52	41	\$10,585.00	\$10,585.00	\$-	\$0.00		X

Audit Subject & Location	R/T	INS/ SI/ TPA	No. of Files Audited I	No. of Files Audited D	No. of Files Audited C	No. of Files Audited A	No. of Files Audited TOTAL	No. of APs Cited	Total\$ Violations Identified	\$ Not Subject to Assessment	Total\$ Subject to Assessment	Balance\$ Due	Appeal Yes	Appeal No
11. Cherokee Insurance Company / Sterling Heights, MI	T	INS	33	0	0	0	33	16	\$2,465.00	\$2,465.00	\$-	\$0.00		X
12. County of Sacramento Workers' Comp Div. / Sacramento	R	SI	57	0	0	0	57	49	\$6,910.00	\$6,910.00	\$-	\$0.00		X
13. Gallagher Bassett Services #094 / Folsom	R	TPA	59	0	0	0	59	69	\$20,490.00	\$20,490.00	\$-	\$0.00		X
14. Gallagher Bassett Services #170 / Corona	R	TPA	57	0	0	0	57	78	\$11,125.00	\$11,125.00	\$-	\$0.00		X
15. Great American Insurance Group / Cincinnati, OH	R	INS	55	0	0	0	55	77	\$17,310.00	\$17,310.00	\$-	\$0.00		X
16. Keenan & Associates / Pleasanton	R	TPA	53	0	0	0	53	27	\$3,405.00	\$3,405.00	\$-	\$0.00		X
17. Markel Service, Inc. / Henderson, NV	R	TPA	54	0	0	0	54	58	\$20,445.00	\$20,445.00	\$-	\$0.00		X
18. Midwest General Insurance Agency / Springfield, IL	R	TPA	57	0	0	1	58	90	\$24,390.00	\$24,390.00	\$-	\$0.00		X
19. Mitsui Sumitomo Insurance Group / Los Angeles	R	INS	54	0	0	0	54	104	\$38,015.00	\$38,015.00	\$-	\$0.00		X
20. National Steel & Shipbuilding Co., A Dynamics Co. / San Diego	R	SI	15	0	0	0	15	18	\$2,750.00	\$2,750.00	\$-	\$0.00		X
21. Pacific Claims Management / Fresno	R	INS/ TPA	57	0	0	0	57	44	\$7,780.00	\$7,780.00	\$-	\$0.00		X

Audit Subject & Location	R/T	INS/ SI/ TPA	No. of Files Audited I	No. of Files Audited D	No. of Files Audited C	No. of Files Audited A	No. of Files Audited TOTAL	No. of APs Cited	Total\$ Violations Identified	\$ Not Subject to Assessment	Total\$ Subject to Assessment	Balance\$ Due	Appeal Yes	Appeal No
22. Pegasus Risk Management / Modesto	R	TPA	55	0	0	0	55	61	\$12,315.00	\$12,315.00	\$-	\$0.00		X
23. Preferred Employers Insurance Company / San Diego	R	INS	57	0	0	0	57	86	\$22,470.00	\$22,470.00	\$-	\$0.00		X
24. Protective Insurance Company / Carmel, IN	T	INS/ TPA	124	62	0	0	186	773	\$195,544.80	\$0.00	\$195,544.80	\$0.00		X
25. RICA & RICC / San Francisco	R	INS	58	0	0	0	58	12	\$2,460.00	\$2,460.00	\$-	\$0.00		X
26. Safeway at Fullerton / Fullerton	R	INS/ TPA	129	63	0	65	257	653	\$235,784.00	\$47,156.80	\$188,627.20	\$0.00		X
27. Schools Insurance Authority / Sacramento	R	SI	56	0	1	0	57	4	\$1,525.00	\$1,525.00	\$-	\$0.00		X
28. Sedgwick Claims Management Services / Brea	R	TPA	59	0	0	0	59	41	\$9,425.00	\$9,425.00	\$-	\$0.00		X
29Sedgwick Claims Management Services / Concord	R	TPA	59	0	0	0	59	49	\$11,755.00	\$11,755.00	\$-	\$0.00		X
30Sedgwick Claims Management Services / Roseville	R	TPA	51	0	0	0	51	26	\$4,110.00	\$4,110.00	\$-	\$0.00		X
31. State Compensation Ins. Fund - Orange County / Santa Ana	R	INS	57	0	1	0	58	43	\$12,560.00	\$12,560.00	\$-	\$0.00		X
32. State Compensation Ins. Fund - State Contracts Svcs / Santa Ana	R	TPA	118	0	0	1	119	107	\$50,390.00	\$7,930.00	\$42,460.00	\$9,000.00	X	
33. The Travelers Companies Inc. / Richardson, TX	R	INS/ TPA	56	0	0	0	56	93	\$17,720.00	\$17,720.00	\$-	\$0.00		X

Audit Subject & Location	R/T	INS/ SI/ TPA	No. of Files Audited I	No. of Files Audited D	No. of Files Audited C	No. of Files Audited A	No. of Files Audited TOTAL	No. of APs Cited	Total\$ Violations Identified	\$ Not Subject to Assessment	Total\$ Subject to Assessment	Balance\$ Due	Appeal Yes	Appeal No
34. The Travelers Companies, Inc. / Walnut Creek	R	INS/ TPA	59	0	0	0	59	37	\$12,410.00	\$12,410.00	\$-	\$0.00		X
35. Triumphe Casualty Company / Richfield, OH	R	INS	27	12	0	2	41	157	\$23,285.00	\$0.00	\$23,285.00	\$0.00		X
36. Utica National Insurance Group / Amherst, NY	R	INS	11	21	0	1	33	64	\$12,127.50	\$0.00	\$12,127.50	\$0.00		X
37. Warner Bros. Studio Facilities / Burbank	R	SI	31	0	0	0	31	4	\$650.00	\$650.00	\$-	\$0.00		X
38. Zenith Insurance Company / Fresno	R	INS	58	0	0	0	58	35	\$3,035.00	\$3,035.00	\$-	\$0.00		X
39. Zenith Insurance Company / Los Angeles	R	INS	56	0	0	0	56	26	\$4,965.00	\$4,965.00	\$-	\$0.00		X
40. Zenith Insurance Company / San Diego	R	INS	57	0	0	0	57	28	\$10,940.00	\$10,940.00	\$-	\$0.00		X
			2,537	287	53	87	2,964	5,457	\$1,794,708.30	\$640,911.20	\$1,153,797.10	\$9,000.00		

R - Routine 37  
T - Target 3  
TOTAL 40

INS Insurer 13  
SI Self-Insured Employer 4  
TPA Third-Party Administrator 18  
INS/TPA Insurer/Third-Party Administrator 5  
TOTAL 40

**Statewide Summary of Penalties for PAR/FCA Audits  
Cited by Type of Penalty**

<b>Type of Violation</b>	<b># of Violations Cited</b>	<b>Total \$ Violations Cited</b>	<b>\$ Not Subject to Assessment</b>	<b>Total \$ Subject to Assessment</b>	<b>Total \$ Amount Collected</b>	<b>Appeal</b>
Late first payment of temporary disability indemnity benefits. (TD)	642	\$328,668.20	\$148,534.20	\$180,134.00	\$177,545.92	Y
Late first payment of permanent disability indemnity benefits (PD).	53	\$63,850.80	\$23,526.00	\$40,324.80	\$40,240.01	Y
Late subsequent payment of indemnity benefits.	661	\$212,375.00	\$73,234.20	\$139,140.80	\$136,120.31	Y
Late first payment of death benefits (DB).	2	\$560.00	\$112.00	\$448.00	\$448.00	N
Failure to issue benefit notices other than specific notices for denial of liability.	304	\$59,923.20	\$9,176.00	\$50,747.20	\$50,747.20	N
Late provision of benefit notices other than specific notices for denial of injury.	251	\$23,615.60	\$4,786.20	\$18,829.40	\$18,829.40	N
Failure to comply with requirements to provide notice of the QME/AME process.	1,926	\$336,206.50	\$185,554.20	\$150,652.30	\$150,652.30	N
Failure to pay any TD or SC in lieu of TD.	278	\$351,804.00	\$110,224.00	\$241,580.00	\$239,396.77	Y
Failure to pay any PD indemnity benefit.	22	\$37,732.00	\$8,680.00	\$29,052.00	\$28,564.48	Y
Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.	162	\$49,738.00	\$16,480.00	\$33,258.00	\$32,961.25	Y
Failure to pay any indemnity as ordered by the WCAB.	6	\$4,940.00	\$1,900.00	\$3,040.00	\$2700.86	Y
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.	3	\$3,640.00	\$1,528.00	\$2,112.00	\$2,112.00	N

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.	246	\$99,836.00	\$18,488.00	\$81,348.00	\$81,348.00	N
Failure to pay or object to medical-legal expense in the manner required by law or regulation.	17	\$13,672.00	\$2,648.00	\$11,024.00	\$11,024.00	N
Failure to issue training or SJDB voucher (injuries on/after 01/01/04) in the manner required by law or regulation.	0	\$0.00	\$0.00	\$0.00	\$0.00	N
Failure to provide notices denying all liability or death benefits as required.	10	\$6,168.00	\$728.00	\$5,440.00	\$5,440.00	N
Failure to timely respond to a request to provide or authorize medical treatment.	0	\$0.00	\$0.00	\$0.00	\$0.00	N
Failure to include specific items or properly designate entries on a claim log.	200	\$46,530.00	\$9,266.00	\$37,264.00	\$37,264.00	N
Materially incomplete or inaccurate benefit notices including denial for all liability.	527	\$39,589.00	\$5,846.40	\$33,742.60	\$33,742.60	N
Failure to investigate.	4	\$4,300.00	\$760.00	\$3,540.00	\$3,540.00	N
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).	3	\$19,760.00	\$2,512.00	\$17,248.00	\$17,248.00	N
Penalties for failure to comply with any regulation of the AD not otherwise assessed.	129	\$17,400.00	\$2,048.00	\$15,352.00	\$15,352.00	N
Unsupported denial of all liability for a claim.	11	\$74,400.00	\$14,880.00	\$59,520.00	\$59,520.00	N
<b>TOTAL</b>	<b>5,457</b>	<b>\$1,794,708.30</b>	<b>\$640,911.20</b>	<b>\$1,153,797.10</b>	<b>\$1,144,797.10</b>	

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

**Statewide Summary of  
332 Notices of Compensation Due**

<b>Type of Compensation</b>	<b>Amount Found Due</b>
Temporary Disability	\$286,555.57
Permanent Disability	\$86,362.16
Self-Imposed Increase	\$56,184.00
Death Benefits	\$ —
Penalty, Interest or Other	\$1,134.47
<b>Total Compensation Due:</b>	<b>\$430,236.20</b>

Unpaid compensation for all claims files was \$430,236.20.



**Routine and Target Audits conducted pursuant to Labor Code Sections 129(b)(1)(2)(3), and 129.5(c)(1)(2)(3)**

(Rankings from the best to the worst performers)

The following audit subjects under the Profile Audit Review (LC 129) met or exceeded the PAR standard (1.46656 or less). All administrative penalties were not assessed pursuant to Labor Code Section 129.5(c)(1). The unpaid compensation found due to injured workers within each claim file was ordered paid.

<b>AUDIT SUBJECT/LOCATION</b>	<b>PAR Standard 1.46656</b>	<b>F Stage 1 Standard 1.85379</b>	<b>F Stage 2 Final Rating</b>	<b>Unpaid Compensation</b>
1. Warner Bros. Studio Facilities / Burbank	0.12071		0.12071	1 / \$37.22
2. Schools Insurance Authority / Sacramento	0.12662		0.12662	0 / \$0
3. RICA & RICC / San Francisco	0.18081		0.18081	4 / \$1,180.52
4. Zenith Insurance Co. / Los Angeles	0.39891		0.39891	2 / \$591.38
5. Cherokee Insurance Company / Sterling Heights, MI	0.41021		0.41021	0 / \$0
6. Keenan & Associates / Pleasanton	0.44436		0.44436	0 / \$0
7. Zenith Insurance Company / San Diego	0.48055		0.48055	3 / \$640.32
8. Sedgwick Claims Management Services / Roseville	0.48449		0.48449	3 / \$2,181.00
9. Zenith Insurance Company / Fresno	0.56083		0.56083	0 / \$0
10. The Travelers Companies, Inc. / Walnut Creek	0.57713		0.57713	3 / \$1,476.63
11. Sedgwick Claims Management Services / Concord	0.64662		0.64662	2 / \$327.13
12. State Compensation Insurance Fund - / Santa Ana	0.66558		0.66558	4 / \$3,490.59
13. Cannon Cochran Management Services, Inc. / Scottsdale, AZ	0.66662		0.66662	1 / \$343.65
14. County of Sacramento Workers' Comp Div. / Sacramento	0.68141		0.68141	4 / \$1,164.97
15. Pacific Claims Management / Fresno	0.71468		0.71468	7 / \$3,462.53
16. National Steel & Shipbuilding Co., A Dynamics Co. / San Diego	0.95852		0.95852	4 / \$993.78
17. Gallagher Bassett Services #094 / Folsom	0.96667		0.96667	4 / \$1,521.72
18. Great American Insurance Group / Cincinnati, OH	1.01430		1.01430	3 / \$234.83

<b>AUDIT SUBJECT/LOCATION</b>	<b>PAR Standard 1.46656</b>	<b>F Stage 1 Standard 1.85379</b>	<b>F Stage 2 Final Rating</b>	<b>Unpaid Compensation</b>
19. Sedgwick Claims Management Services / Brea	1.03581		1.03581	7 / \$7,891.06
20. Brotherhood Mutual Insurance Company / Fort Wayne, IN	1.03959		1.03959	8 / \$1,157.63
21. Pegasus Risk Management / Modesto	1.08961		1.08961	3 / \$1,239.00
22. Gallagher Bassett Services #170 / Corona	1.19579		1.19579	6 / \$6,337.82
23. Midwest General Insurance Agency / Springfield, IL	1.23766		1.23766	8 / \$6,065.42
24. Cannon Cochran Management Services Inc. / Las Vegas, NV	1.23844		1.23844	8 / \$10,296.64
25. Mitsui Sumitomo Insurance Group / Los Angeles	1.32780		1.32780	3 / \$1,300.82
26. Accelerated Claims Service / Orange	1.34405		1.34405	4 / \$2,452.36
27. The Travelers Companies Inc. / Richardson, TX	1.38001		1.38001	11 / \$3,148.39
28. Markel Service, Inc. / Henderson, NV	1.43923		1.43923	8 / \$13,471.30
29. Acclamation Insurance Management Services / Santa Clarita	1.44635		1.44635	7 / \$15,087.47
30. Preferred Employers Insurance Company / San Diego	1.44692		1.44692	8 / \$3,845.56
31. AIG Claims, Inc. / San Diego	1.45407		1.45407	4 / \$5,047.06

Nine audit subjects under the Profile Audit Review (LC 129) failed to meet or exceed the PAR standard (1.46656 or less). The audit proceeded to the Full Compliance Audit Stage 1 [LC 129(b)(2)] and three of the nine met or exceeded the Full Compliance Audit Stage 1 standard (1.85379 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.

<b>AUDIT SUBJECT/LOCATION</b>	<b>PAR Standard 1.46656</b>	<b>F Stage 1 Standard 1.85379</b>	<b>F Stage 2 Final Rating</b>	<b>Unpaid Compensation</b>
32. State Comp. Ins. Fund - State Contracts Services / Santa Ana	1.95773	1.57561	1.57561	20 / \$32,772.75
33. AMTrust North America / Irvine	1.76323	1.60024	1.60024	22 / \$7,624.92
34. Broadspire, A Crawford Company / Folsom	2.17294	1.84625	1.84625	12 / \$36,299.76

Six audit subjects under the Profile Audit Review (LC 129) failed to meet or exceed the PAR standard (1.46656 or less) and proceeded to the Full Compliance Audit Stage 1 [LC 129(b)(2)], where they failed to meet or exceed the Full Compliance Audit Stage 1 standard (1.85379 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 to injured workers within each claim file was ordered paid.

<b>AUDIT SUBJECT/LOCATION</b>	<b>PAR Standard 1.46656</b>	<b>F Stage 1 Standard 1.85379</b>	<b>F Stage 2 Final Rating</b>	<b>Unpaid Compensation</b>
35. Triumphe Casualty Company / Richfield, OH	3.07240	2.51148	2.47444	6 / \$9,054.44
36. Protective Insurance Company / Carmel, IN	3.07870	3.01032	2.61320	22 / \$32,997.08
37. Utica National Insurance Group / Amherst, NY	2.87794	2.72833	2.72833	3 / \$1,677.86
38. American Claims Management / San Diego	4.30400	3.17345	3.17345	35 / \$77,415.95
39. Broadspire A Crawford Company / Brea	3.43098	3.95390	3.90306	41 / \$52,609.16
40. Safeway at Fullerton / Fullerton	1.93532	4.03012	4.03012	41 / \$84,797.48