

ERRATA

2010 AUDITS OF WORKERS' COMPENSATION INSURERS, SELF-INSURED EMPLOYERS, AND THIRD-PARTY ADMINISTRATORS

JUNE 6, 2012

On an annual basis the Administrative Director of the Division of Workers' Compensation publishes a report detailing the results of audits conducted pursuant to Labor Code section 129 during the preceding calendar year. In the process of preparing the annual report for audits conducted in 2011, it came to my attention that there are arithmetical errors in the severity rate calculations for the audit performance factor for failure to pay accrued and undisputed indemnity for audits conducted at the full compliance (FCA) level for calendar year 2010. The exhibits containing the arithmetical errors are: Statewide Exhibit 4D, Findings for the 5 Audits that Met or Exceeded the FCA-Stage 1 Performance Rating of 2.08062; Statewide Exhibit 4E, Findings for the 5 Audits that Failed to Meet or Exceed the FCA-Stage 1 Performance Rating of 2.08062; and Statewide Exhibit 4F, Final Findings for the 5 Failed Audits. The arithmetical errors are minor and have no impact on the audit results. For sake of accuracy, however, 2010 Audits Statewide Exhibits 4D, 4E, and 4F have been corrected to reflect the true severity rate, the true factor for failure to pay accrued and undisputed indemnity, and the true final full compliance audit performance rating. The corrected exhibits are attached here to and have been added to the 2011 Audit Unit [Annual Report](#) for Audits Conducted in 2010 that is posted on the DWC website.

I regret any confusion that may have been caused by the inclusion of these minor arithmetical errors in Exhibits 4D, 4E and 4F to the 2011 Audit Unit Annual Report for Audits Conducted in 2010.

Rosa Moran, Administrative Director

Division of Workers' Compensation

Statewide Final Performance Rating of Randomly Selected Claims

Final Findings for the 5 Failed Audits

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY

A. Frequency Rate

claims with unpd indem 120 divide by # claims with payable indem 477 = 0.25157

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

Total unpd indem = \$ 295,018.38 divide by # of claims with obligation to pay indem. 477
Avg Unpd Ind = \$ 618.49

C. Severity Rate

Avg Unpd Ind. \$ 618.49 divide by avg unpd indem 2006-2008 of \$ 174.52 = 3.54393

D. Factor for Failure to pay Undisputed Accrued Indemnity

Frequency rate 0.25157 X Severity rate 3.54393 X modifier of 2
= 1.78311

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

# claims with late 1st TD	117	divide by # with TD payments	349	
# claims with first SC notice violations	35	divide by # with salary continuation	107	
Totals	152	divide by	Totals 456	=
				0.33333

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

# claims with late first PD	54	divide by # with first PD	178	
# 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	2	
Totals	54	divide by	Totals 180	=
				0.30000

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS

claims with late subseq payments 71 divide by # with subseq payments 289 = 0.24567

5. FACTOR FOR PROVISION OF AME/QME NOTICES, NOTICES OF POTENTIAL ELIGIBILITY FOR VOCATIONAL REHABILITATION, AND NOTICES FOR THE RIGHT TO SUPPLEMENTAL JOB DISPLACEMENT BENEFITS

# claims with AME/QME notice violations	103	divide by # requiring notices	399	
# claims with VR potential eligibility notice violations	0	divide by # requiring notices	0	
# claims with SJDB notice violations	58	divide by # requiring notices	143	
Totals	161		Totals 542	
				= 0.29705

FINAL FULL COMPLIANCE AUDIT PERFORMANCE RATING 2.95917