

# Additional Information on Routine Audits

Under Labor Code Section 3702.6 (a) each private self-insured employer is subject to an audit every three years addressing the adequacy of estimates of future liability of claims.

Individual private self-insurers may be allowed to administer their claims or contract for the services of a third party administrator. In either case, the person administering the claims must have individual competence as an administrator for a self-administered self-insurer by successfully passing the written examination designed to test technical knowledge of workers' compensation law and claims administration.

An auditor from the Office of Self-Insurance Plans reviews the self-insurer's annual reports as well as loss runs provided by the administrator of claims. The auditor then selects a number of claims to review which may have the largest shortfall, goes to the claims administrator's site to physically review the files and determines whether the estimates of future liability listed in the last annual report are adequate.

When the audit is completed, audit findings are reviewed with the claims administrator and self-insured employer. The review includes detail on any shortfall and other issues found. A shortfall could include a deficit in estimated future medical costs, indemnity payable to the injured worker, or both. If a shortfall is found, the self insured employer's security deposit would also be increased.