



2018 AUDITS

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

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

2018 Audits of Workers' Compensation Insurers, Self-Insured Employers, and Third-Party Administrators

Pursuant to Labor Code section 129(e), the Administrative Director of the Division of Workers' Compensation (DWC) submits this 29th annual workers' compensation report summarizing the results of audits conducted by the DWC Audit & Enforcement Unit.

2018 Audit Results

Profile Audit Review (PAR) standard – 1.47573 / Full Compliance Audit (FCA) standard – 1.67487

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 53 profile audit reviews (PAR audits), of which 51 were routinely selected and 2 were target audits, which would have been conducted based on the failure of a prior audit. The PAR audit subjects consisted of 19 insurance companies, 10 self-administered/self-insured employers, 21 third-party administrators (TPA), and 3 insurance companies/third-party administrators that combined claims-adjusting locations.

In all audits, claim files were selected for review on a random basis, 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 prior to the 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, 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 done of indemnity claims in the "FCA stage 1 sample."

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In 2018, within the PAR/FCA audits, compliance officers audited 3,695 claim files, of which 3,634 were randomly selected claims in which some form of indemnity benefits was paid. Targeted claims audited included 61 files based on complaints received by the DWC.

A further 5 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, and Sections 10100.2 through 10115.2) took effect May 20, 2009. The audit regulations are crafted to produce more efficient audits of workers' compensation claims administrators and establish procedures and penalty provisions for statutory and regulatory obligations.

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

Pursuant to CCR, Title 8, Section 10107.1(c)(3), when the 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 first notices of salary continuation in lieu of TD payment
- The percentage of claims with late first payments of PD or death benefits
- The percentage of claims with late subsequent indemnity payments
- The percentage 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).

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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 audit. In other words, a PAR performance rating for a 2018 audit that falls within the range of the 80% best scores of all audits conducted from 2015 through 2017 meets or exceeds the PAR performance standard for 2018, which is 1.47573.

Performance Ratings of Audit Subjects

The performance for the 53 audit subjects in 2018 is broken down as follows:

- Forty-three audit subjects (81.1%) met or exceeded the PAR 2018 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.
- Ten audit subjects (18.9%) failed to meet or exceed the PAR standard, and their audits expanded into a full compliance audit of indemnity claims (FCA stage 1). Six of them failed to meet or exceed the FCA 2018 performance standard, and their audits expanded into full compliance audit of indemnity claims (FCA stage 2), and a sample of denied claims to be audited was 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, Section 10107.1(d) and 10107.1(e). The other four met or exceeded the FCA 2018 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, Sections 10107.1(d).

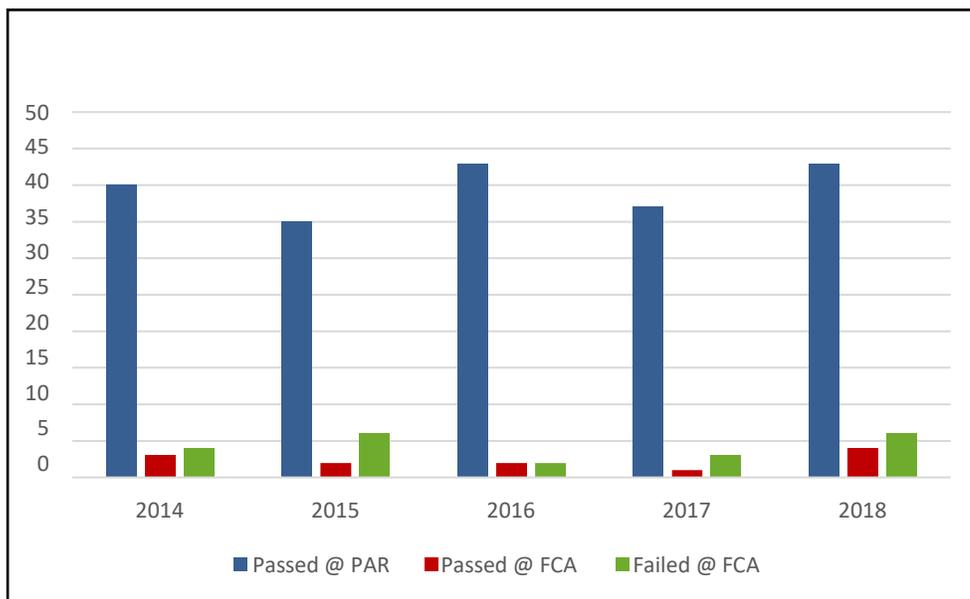
The **DWC Administrative Director's 2018 Audit Ranking Report** ([Statewide Exhibit 4](#)) is part of this annual report. The Ranking Report provides the performance ratings for the 53 audit subjects listed from the best to worst performer.

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 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.

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

Figure 1 summarizes audit performance from 2014 through 2018.



Violations of the Administrative Director's Regulations

As a result of PAR/FCA audits conducted during the calendar year 2018, the Audit & Enforcement Unit found and cited 8,171 violations against claims administrators, with administrative penalties totaling \$2,092,334.40 ([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 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).

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[Statewide Exhibit 2](#) provides a detailed analysis of all penalties assessable, by type and those cited in 2018. In accordance with Labor Code section 129.5(c) and regulatory authority, the Audit & Enforcement Unit did not assess \$638,738.00 for administrative penalties of the cited violations for 43 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 totaled \$1,453,596.40.

Figure 2 Penalty Assessments and Collections, 2014-2018.

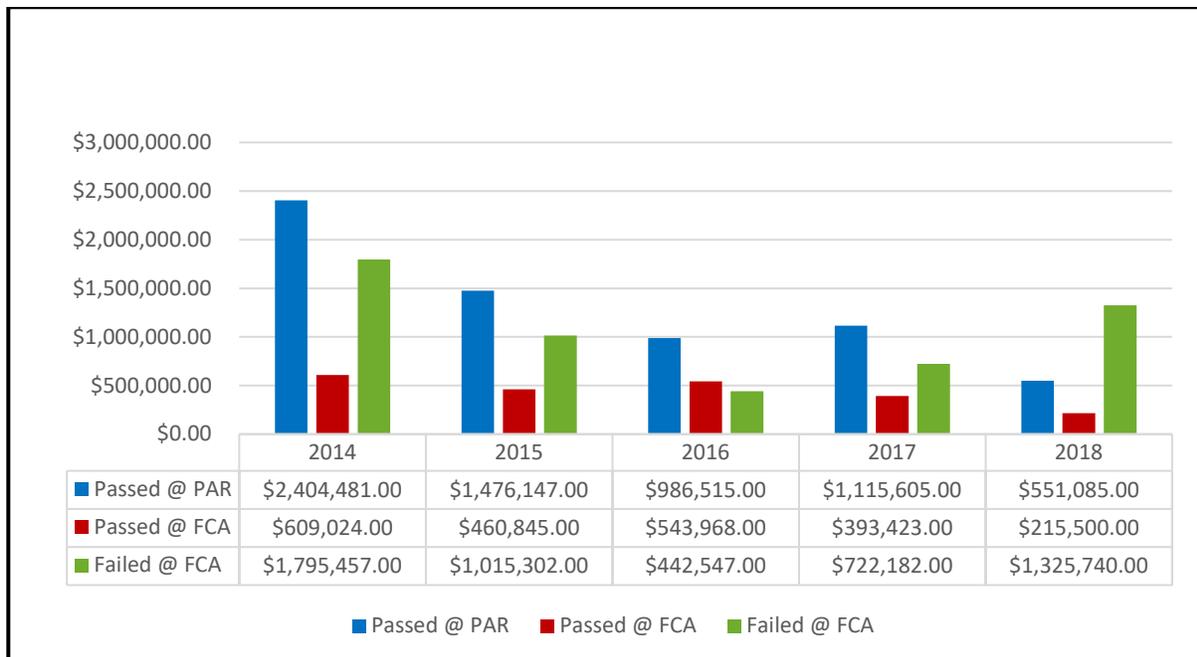


Figure 2 illustrates the violations cited and penalties assessed and collected in the PAR/FCA audit process in calendar years 2014 through 2018.

Unpaid Compensation Due to Employees

PAR/FCA audits conducted in 2018 reveal that 11.691% of the 3,695 claims reviewed had unpaid indemnity. The Audit & Enforcement Unit issued 432 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 \$521,586.48 in unpaid compensation is broken down as follows: \$516,063.96 owed in 431 randomly selected claims; and \$5,522.52 owed in 1 additional claim audited and complaint claims submitted to the Audit & Enforcement Unit. The total compensation cited to be paid was \$521,586.48 ([Statewide Exhibit 3](#)), an average of \$1,207.38 per file in which compensation was unpaid.

2018 Audits of Workers' Compensation Insurers, Self-Insured Employers, and Third-Party Administrators

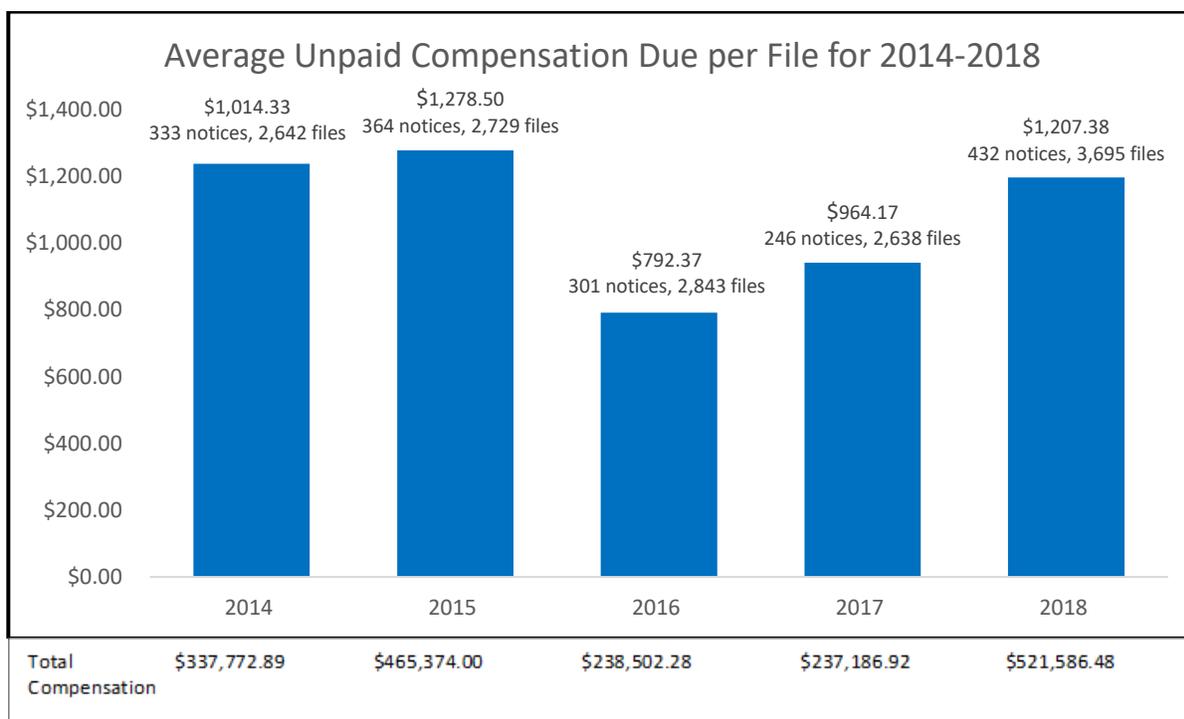
- \$282,914.54 in temporary disability indemnity and salary continuation in lieu of temporary disability (54.241% of the unpaid compensation)
- \$175,958.54 in permanent disability indemnity (33.735% of the unpaid compensation)
- \$60,343.58 in 10% self-imposed increases for late indemnity payments (11.569% of the unpaid compensation)
- \$2,369.82 in interest and penalty or failure to reimburse medical expenses (0.45434% of the unpaid compensation)
- \$0 in death benefits

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 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 into this fund. For audits conducted in 2018, \$5,515.57 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 2014.

Figure 3: Average Unpaid Compensation Due per File for 2014-2018



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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 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 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 2018, the Audit Unit conducted a target audit of the Liberty Mutual Insurance Company Portland, Oregon, and Meadowbrook Insurance Group, La Palma, as a consequence of a failed PAR/FCA routine audit. The companies both improved claims practices, and their performance met or exceeded the profile audit review.

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 claim inventory for 353 active adjusting locations operating in California.

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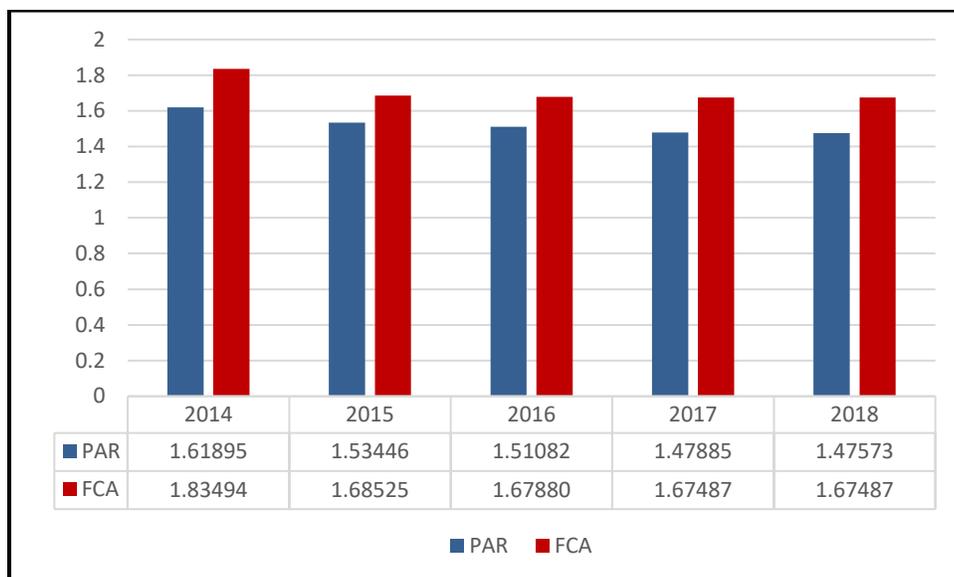
In addition to the penalty assessments totaling \$1,453,596.40 that were assessed as a result of audits conducted in 2018, an additional (28) penalties totaling \$4,200.00 were assessed based on the failure of claims administrators to either file or timely file the ARI with the Audit & Enforcement Unit. The penalty assessments are issued pursuant to CCR, Title 8, and Section 10111.2(b)(25). These penalties are not included as part of the audit data within this report.

Profile Audit Performance Standards/Full Compliance Audit Standards for 2018

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 2017 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 2015 and 2016 performance rating scores to develop the 2018 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 a historical analysis of the PAR/FCA performance standards set for audits conducted in calendar years 2014 through 2018.

Figure 4: PAR/FCA Performance Rating 2014-2018



Description of Statewide Exhibits

Statewide Exhibit 1. Audit Penalty Assessments and Collections is a listing of audits conducted in 2018. It provides a summary of all files audited by type, the number and amount of penalties, amount collected, 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 the California Code of Regulations, Title 8, Section 10111.2, into various categories showing total and 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 432 audited claims for which notices of compensation due were issued.

Statewide Exhibit 4. The DWC Administrative Director's 2018 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 2018 according to their performance measured by the profile audit review and full compliance audit 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														
J.T.2 Integrated Resources/Oakland	R	TPA	55	0	0	0	55	18	\$3,430.00	\$3,430.00	\$0.00	\$0.00		X
North Bay Schools Insurance Authority/Fairfield	R	SI	51	0	0	0	51	17	\$1,975.00	\$1,975.00	\$0.00	\$0.00		X
Athens Administrators/San Diego	R	TPA	56	0	0	0	56	23	\$3,500.00	\$3,500.00	\$0.00	\$0.00		X
Zenith Insurance Company/Roseville	R	INS	56	0	0	0	56	28	\$11,475.00	\$11,475.00	\$0.00	\$0.00		X
TriStar Risk Management/Concord	R	TPA	56	0	0	0	56	22	\$5,045.00	\$5,045.00	\$0.00	\$0.00		X
Keenan and Associates/Redwood City	R	TPA	53	0	0	0	53	21	\$1,705.00	\$1,705.00	\$0.00	\$0.00		X
Sentry Insurance/Parker Services/Sentry Insurance/Stevens Pt. WI	R	INS	56	0	0	0	56	33	\$9,845.00	\$9,845.00	\$0.00	\$0.00		X
Safeway, Inc. Pleasanton	R	TPA	57	0	0	0	57	50	\$7,405.00	\$7,405.00	\$0.00	\$0.00		X
Intercare Holdings Insurance Services/Salinas	R	TPA	51	0	0	0	51	33	\$6,655.00	\$6,655.00	\$0.00	\$0.00		X
The Traveler's Companies, Inc./St. Paul, MN	R	TPI	48	0	0	0	48	41	\$4,925.00	\$4,925.00	\$0.00	\$0.00		X
Sedgwick Claims Management Services/Albany, NY	R	TPA	31	0	0	0	31	28	\$12,895.00	\$12,895.00	\$0.00	\$0.00		X
Liberty Mutual Insurance Company/Portland, OR	T	INS	57	0	0	0	57	49	\$11,325.00	\$11,325.00	\$0.00	\$0.00		X
Alaska National Insurance Company/Walnut Creek	R	INS	57	0	0	0	57	46	\$12,240.00	\$12,240.00	\$0.00	\$0.00		X
Sentry Insurance/Parker Insurance, Inc./Stevens Point, County of San Bernardino/San Bernardino	R	INS	57	0	0	0	57	57	\$16,825.00	\$16,825.00	\$0.00	\$0.00		X
York Risk Services Group, Inc./El Dorado Hills	R	TPA	57	0	0	0	57	65	\$16,575.00	\$16,575.00	\$0.00	\$0.00		X
Southern California Edison/Rosemead	R	SI	49	0	0	0	49	54	\$14,825.00	\$14,825.00	\$0.00	\$0.00		X
Los Angeles Department of Water and Power/Los Angeles	R	SI	55	0	0	0	55	48	\$11,350.00	\$11,350.00	\$0.00	\$0.00		X
Tristar Risk Management/Alhambra	R	TPA	58	0	0	0	58	43	\$12,905.00	\$12,905.00	\$0.00	\$0.00		X
Sedgwick Claims Management Services/Brea	R	TPA	41	0	0	0	41	42	\$9,650.00	\$9,650.00	\$0.00	\$0.00		X
Farmers Insurance Exchange/Orange	R	INS	51	0	0	0	51	41	\$17,475.00	\$17,475.00	\$0.00	\$0.00		X
Claimquest Incorporation/Brea	R	TPA	54	0	0	0	54	40	\$13,600.00	\$13,600.00	\$0.00	\$0.00		X
Berkshire Homestate Companies/San Francisco	R	TPI	59	0	0	0	59	50	\$16,880.00	\$16,880.00	\$0.00	\$0.00		X
ICW Group/Sacramento	R	INS	57	0	1	0	58	78	\$17,755.00	\$17,755.00	\$0.00	\$0.00		X
State Compensation Insurance Fund-IE/Riverside	R	INS	58	0	0	0	58	62	\$12,735.00	\$12,735.00	\$0.00	\$0.00		X
Sempre Energy Employee Care Services/Los Angeles	R	SI	48	0	0	0	48	68	\$10,840.00	\$10,840.00	\$0.00	\$0.00		X
Municipal Pooling Authority/Walnut Creek	R	SI	48	0	0	0	48	32	\$2,425.00	\$2,425.00	\$0.00	\$0.00		X
California Claims Management Services, Inc./Scottsdale, AZ	R	TPA	47	0	0	0	47	49	\$10,075.00	\$10,075.00	\$0.00	\$0.00		X
Intercare Holding Insurance Services Inc./Glendale	R	TPA	56	0	0	0	56	61	\$13,520.00	\$13,520.00	\$0.00	\$0.00		X
City of Torrance/Torrance	R	SI	40	0	0	0	40	32	\$15,575.00	\$15,575.00	\$0.00	\$0.00		X
National Interstate Insurance Company/Richfield, OH	R	INS	56	0	0	0	56	70	\$16,990.00	\$16,990.00	\$0.00	\$0.00		X
Tristar Risk Management/Signal Hill	R	TPA	56	0	1	1	58	53	\$12,680.00	\$12,680.00	\$0.00	\$0.00		X
Southland Claims Services, Inc./Garden Grove	R	TPA	34	0	0	0	34	37	\$12,550.00	\$12,550.00	\$0.00	\$0.00		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
PAR/FCA Audits														
City of Simi Valley/Simi Valley	R	SI	33	0	0	0	33	48	\$6,970.00	\$6,970.00	\$0.00	\$0.00		X
Sedgwick Claims Management Services/Ontario	R	TPA	57	0	1	0	58	69	\$15,285.00	\$15,285.00	\$0.00	\$0.00		
Crum and Forster Insurance/Orange	R	INS	56	0	0	0	56	73	\$17,030.00	\$17,030.00	\$0.00	\$0.00		X
Liberty Mutual Ins. Grp. and Helmsman Management,/Glendale	R	TPI	59	0	0	0	59	77	\$20,205.00	\$20,205.00	\$0.00	\$0.00		X
Gallagher Bassett Services #174/Aliso Viejo	R	TPA	58	0	2	0	60	75	\$20,750.00	\$20,750.00	\$0.00	\$0.00		X
Tristar Risk Management/San Diego	R	TPA	57	0	5	0	62	75	\$26,150.00	\$26,150.00	\$0.00	\$0.00		X
Sedgwick Claims Management Services/Culver City	R	TPA	54	0	0	0	54	89	\$24,340.00	\$24,340.00	\$0.00	\$0.00		X
Meadowbrook Insurance Group/La Palma	T	INS	58	0	0	0	58	96	\$41,910.00	\$41,910.00	\$0.00	\$0.00		X
City of Los Angeles/Los Angeles	R	SI	57	0	0	0	57	64	\$7,865.00	\$7,865.00	\$0.00	\$0.00		X
City of Santa Ana/Santa Ana	R	SI	47	0	0	0	47	67	\$13,275.00	\$13,275.00	\$0.00	\$0.00		X
The Hartford/Rancho Cordova	R	INS	136	0	1	0	137	225	\$70,480.00	\$23,420.00	\$47,060.00	\$0.00		X
State Compensation Insurance Fund/Stockton	R	INS	130	0	1	0	131	236	\$49,725.00	\$21,153.00	\$28,572.00	\$0.00		X
Acclamation Insurance Management Services/Pomona	R	TPA	129	0	0	1	130	254	\$41,875.00	\$31,325.00	\$10,550.00	\$0.00		X
ICW Group/Woodland Hills	R	INS	136	0	0	0	136	228	\$53,420.00	\$11,755.00	\$41,665.00	\$0.00		X
Nationwide Agribusiness/Columbus, OH	R	INS	94	49	0	0	143	463	\$81,709.60	\$0.00	\$81,709.60	\$0.00		X
Protective Insurance Company/Carmel, IN	R	INS	121	54	2	0	177	939	\$201,152.00	\$0.00	\$201,152.00	\$0.00		X
Murphy & Beane Inc./Culver City	R	TPA	63	39	4	1	107	1717	\$238,143.00	\$0.00	\$238,143.00	\$0.00		X
Amtrust North America/Covina	R	INS	133	58	10	2	203	1219	\$486,502.80	\$0.00	\$486,502.80	\$0.00		X
Chubb Ltd./Los Angeles	R	INS	125	64	33	0	222	590	\$290,618.00	\$0.00	\$290,618.00	\$0.00		X
Allied Insurance, A Nationwide Insurance Co./ Des Moines, IA	R	INS	10	30	0	0	40	125	\$27,624.00	\$0.00	\$27,624.00	\$0.00		X
TOTALS:			3,335	294	61	5	3,695	8,171	\$2,092,334.40	\$638,738.00	\$1,453,596.40	\$0.00		

R - Routine 51
T - Target 2
TOTAL 53

INS Insurer 19
SI / TPA Self-Insured Employer 10
TPA Third-Party Administrator 21
INS / TPA Insurer/Third-Party Administrator 3

TOTAL 53

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 indemnity benefits (TD)	887	\$394,322.00	\$183,803.00	\$210,519.00	\$210,519.00	N
Late first payment of permanent disability indemnity benefits (PD)	106	\$74,459.60	\$39,102.00	\$35,357.60	\$35,357.60	N
Late subsequent payment of indemnity benefits	708	\$174,025.80	\$61,382.00	\$112,643.80	\$112,643.80	N
Late first payment of death benefits (DB)	1	\$100.00	\$100.00	\$0.00	\$0.00	N
Failure to issue benefit notices other than specific notices for denial of liability	389	\$54,344.00	\$3,880.00	\$50,464.00	\$50,464.00	N
Late provision of benefit notices other than specific notices for denial of injury	489	\$30,323.00	\$10,531.00	\$19,792.00	\$19,792.00	N
Failure to comply with requirements to provide notice of the QME/AME process	2,123	\$337,281.00	\$195,930.00	\$141,351.00	\$141,351.00	N
Failure to pay any TD or SC in lieu of TD	358	\$334,216.00	\$102,040.00	\$232,176.00	\$232,176.00	N
Failure to pay any PD indemnity benefit	32	\$46,236.00	\$18,400.00	\$27,836.00	\$27,836.00	N
Failure to pay any 10% self-imposed increase for any late paid indemnity benefits	239	\$47,468.00	\$15,100.00	\$32,368.00	\$32,368.00	N
Failure to pay any indemnity as ordered by the WCAB	18	\$24,544.00	\$5,920.00	\$18,624.00	\$18,624.00	N
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	\$5,670.00	\$2,550.00	\$3,120.00	\$3,120.00	N
Failure to pay or object to medical treatment expense in the manner required by law or regulation	2,012	\$415,722.00	\$0.00	\$415,722.00	\$415,722.00	N

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-legal expense in the manner required by law or regulation	42	\$21,120.00	\$0.00	\$21,120.00	\$21,120.00	N
Failure to issue training or SJDB voucher (injuries on/after 1/1/2004) 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	35	\$14,240.00	\$0.00	\$14,240.00	\$14,240.00	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	108	\$12,936.00	\$0.00	\$12,936.00	\$12,936.00	N
Materially incomplete or inaccurate benefit notices including denial for all liability	416	\$20,475.00	\$0.00	\$20,475.00	\$20,475.00	N
Failure to investigate	13	\$15,160.00	\$0.00	\$15,160.00	\$15,160.00	N
Failure to fully or timely comply with any award or order of the WCAB for issues other than payment of indemnity under 8 CCR§10111.2(a)	10	\$19,240.00	\$0.00	\$19,240.00	\$19,240.00	N
Penalties for failure to comply with any regulation of the AD not otherwise assessed	164	\$18,624.00	\$0.00	\$18,624.00	\$18,624.00	N
Unsupported denial of all liability for a claim	9	\$31,828.00	\$0.00	\$31,828.00	\$31,828.00	N
TOTAL	8,171	\$2,092,334.40	\$638,738.00	\$1,453,596.40	\$1,453,596.40	

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

**Statewide Summary of
432 Notices of Compensation Due**

Type of Compensation	Amount Found Due
Temporary Disability	\$282,914.54
Permanent Disability	\$175,958.54
Self-Imposed Increase	\$60,343.58
Death Benefits	\$-
Penalty, Interest or Other	\$2,369.82
Total Compensation Due	\$521,586.48

DWC ADMINISTRATIVE DIRECTOR'S 2018 AUDIT RANKING REPORT
Issued in accordance with Labor Code §129(e) and Title 8, California Code of Regulations, §10107.1(c)(3)

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	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) AUDIT SUBJECT/LOCATION	PAR Standard 1.47573	FCA Stage 1 Standard 1.67487	FCA Stage 2 Final Rating	Unpaid Compensation All Claim Files 431/ \$516,063.96
	<i>The following audit subjects under the Profile Audit Review (LC 129) met or exceeded the PAR standard (1.47573 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 to be paid.</i>				
1	J.T.2 Integrated Resources/Oakland	0.36406	n/a	0.36406	2/\$599.80
2	North Bay Schools Insurance Authority/Fairfield	0.37291	n/a	0.37291	2/\$282.17
3	Athens Administrators/San Diego	0.37697	n/a	0.37697	1/\$69.53
4	Zenith Insurance Company/Roseville	0.39038	n/a	0.39038	2/\$343.07
5	TriStar Risk Management/Concord	0.41027	n/a	0.41027	1/\$50.00
6	Keenan and Associates/Redwood City	0.41073	n/a	0.41073	0/\$0.00
7	Sentry Insurance/Parker Services/Sentry Insurance Mutual/Phoenix, AZ	0.52350	n/a	0.52350	3/\$584.50
8	Safeway, Inc./ Pleasanton	0.53756	n/a	0.53756	3/\$1,415.15
9	Intercare Holdings Insurance Services/Salinas	0.64033	n/a	0.64033	3/\$2,040.65
10	The Traveler's Companies, Inc./St. Paul, MN	0.65565	n/a	0.65565	5/\$725.60
11	Sedgwick Claims Management Services/Albany, NY	0.76409	n/a	0.76409	2/\$312.70
12	Liberty Mutual Insurance Company/Portland, OR	0.76572	n/a	0.76572	4/\$977.74
13	Alaska National Insurance Company/Walnut Creek	0.78594	n/a	0.78594	5/\$2,384.79
14	Sentry Insurance/Parker Insurance, Inc./Stevens Point, WI	0.81231	n/a	0.81231	3/\$1,965.32
15	County of San Bernardino/San Bernardino	0.83030	n/a	0.83030	7/\$2,541.11
16	York Risk Services Group, Inc./El Dorado Hills	0.83407	n/a	0.83407	8/\$2,007.08
17	Southern California Edison /Rosemead	0.83772	n/a	0.83772	5/\$1,657.20
18	Los Angeles Department of Water and Power/Los Angeles	0.84652	n/a	0.84652	3/\$325.91
19	Tristar Risk Management/Alhambra	0.87423	n/a	0.87423	1/\$72.74
20	Sedgwick Claims Management Services/Brea	0.90312	n/a	0.90312	5/\$1,959.34
21	Farmers Insurance Exchange/Orange	0.92398	n/a	0.92398	5/\$5,799.12

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	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)	PAR	FCA Stage 1	FCA Stage 2	Unpaid Compensation
	AUDIT SUBJECT/LOCATION	Standard	Standard	Final	All Claim Files
22	Claimquest Incorporation/Brea	0.93574	n/a	0.93574	8/\$4,907.69
23	Berkshire Homestate Companies /San Francisco	0.94920	n/a	0.94920	12/\$7,799.59
24	ICW Group/Sacramento	0.95815	n/a	0.95815	4/\$422.00
25	State Compensation Insurance Fund-IE/Riverside	0.95915	n/a	0.95915	4/\$3,340.06
26	Sempra Energy Employee Care Services/Los Angeles	0.96923	n/a	0.96923	2/\$7,001.57
27	Municipal Pooling Authority/Walnut Creek	0.97915	n/a	0.97915	4/\$651.57
28	California Claims Management Services, Inc./Torrance	1.14872	n/a	1.14872	4/\$3,994.69
29	Intercare Holding Insurance Services Inc./Glendale	1.15194	n/a	1.15194	10/\$3,228.83
30	City of Torrance/Torrance	1.16247	n/a	1.16247	2/\$27,535.69
31	National Interstate Insurance Company/Richfield, OH	1.16366	n/a	1.16366	6/\$4,677.77
32	Tristar Risk Management/Signal Hill	1.27162	n/a	1.27162	7/\$5,185.25
33	Southland Claims Services, Inc./Garden Grove	1.27582	n/a	1.27582	2/\$8,821.97
34	City of Simi Valley/Simi Valley	1.30503	n/a	1.30503	1/\$542.02
35	Sedgwick Claims Management Services/Ontario	1.31083	n/a	1.31083	9/\$12,676.78
36	Crum and Forster Insurance/Orange	1.31429	n/a	1.31429	5/\$5,512.23
37	Liberty Mutual Ins. Grp. and Helmsman Management Services/Glendale	1.31604	n/a	1.31604	11/\$7,206.60
38	Gallagher Bassett Services #174/Aliso Viejo	1.37539	n/a	1.37539	13/\$9,728.15
39	Tristar Risk Management/San Diego	1.43845	n/a	1.43845	16/\$10,534.52
40	Sedgwick Claims Management Services/Culver City	1.44583	n/a	1.44583	9/\$2,995.56
41	Meadowbrook Insurance Group/La Palma	1.46250	n/a	1.46250	8/\$3,791.29
42	City of Los Angeles/Los Angeles	1.46587	n/a	1.46587	4/\$2,470.37
43	City of Santa Ana/Santa Ana	1.46656	n/a	1.46656	3/\$11,642.08

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<p><i>Ten audit subjects under the Profile Audit Review (LC 129) failed to meet or exceed the PAR standard (1.47573 or less). The audit proceeded to the Full Compliance Audit Stage 1 [LC 129(b)(2)] and four of the ten met or exceeded the FCA 1 standard (1.67487 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></p>					
44	The Hartford/Rancho Cordova	1.63875	1.38286	1.38286	10/\$20,032.61
45	State Compensation Insurance Fund/Stockton	2.88649	1.60183	1.60183	15 \$30,674.66
46	Acclamation Insurance Management Services/Pomona	1.73186	1.62931	1.62931	7/\$17,376.99
47	ICW Group/Woodland Hills	1.68032	1.66328	1.66328	10/\$29,781.96
<p><i>Six audit subjects under the Profile Audit Review (LC 129) failed to meet or exceed the PAR standard (1.47573 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 (1.67487 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</i></p>					
48	Nationwide Agribusiness/Columbus, OH	2.70394	2.27021	2.27021	20/\$12,690.92
49	Protective Insurance Company/Carmel, IN	2.51534	2.93615	2.93615	40/\$17,741.43
50	Murphy & Beane Inc./Culver City	4.15557	3.44281	3.16690	18/\$19,615.09
51	Amtrust North America/Covina	5.53980	4.28094	4.28094	43/\$89,398.57
52	Chubb Ltd./Los Angeles	4.18381	6.22197	5.11936	48/\$92,536.50
53	Allied Insurance, A Nationwide Insurance Co./Des Moines, IA	7.67367	11.98503	11.98503	6/\$15,435.43