



SELF INSURANCE

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BY THE NUMBERS

- 4.2 Million CA Workers Protected
 - ❖ ~ 15% Increase since last year
- \$207 Billion of Insured Payroll
- 275,843 Total Open Claims
- ~22 Billion Risk Portfolio

1 in 4 California Workers covered by SI Plans
LARGEST SI WC MARKETPLACE IN THE COUNTRY

BY THE NUMBERS

PRIVATE SELF-INSURED EMPLOYERS

- **\$5.5 BB** Total Reserves
- **93,850** Total Open Claims (12-31-14 Employer Annual Reports)
- **\$58,092** Average Open Claim Reserves (2014)

BY THE NUMBERS

	PRIVATES	PUBLICS
Employees	2,190,516	1,991,021
Payroll	90 BB	118 BB
Estimated Liabilities (EFL)	5.5 BB \$5,452,255,818 (2014)	7.8 BB \$7,836,579,223 (2014/2015 FY)
Open Claims	93,850	181,993
Average Claim Reserve	\$58,095	\$43,060

NEW SELF INSURERS

	NEW SIs	# EMPLOYEES	\$ REVENUES
2011	0	0	0
2014-15 (12 months)	15	47,550	\$10.2 Billion
Pending (120 days)	?	24,100	\$10.6 Billion



PROGRAM INTEGRITY

SOPHISTICATED SAFEGUARDS

- ✓ Strict Underwriting Criteria
- ✓ Financial Evaluation and Audits
- ✓ Credit Risk Monitoring/Standards
- ✓ Strict Collateral Requirements
- ✓ Field Claims Audits
- ✓ Independent Actuaries
- ✓ Actuarial Level I & II Peer reviews
- ✓ Dual Monitoring (OSIP & SISF)
- ✓ Checks and Balances

WHAT'S NEW

- **E-filing**
 - Financial E-Filing
 - Actuarial E-Filing
- **Alternative Security Program**
 - Immediate Entry (Pre-application approval)
- **21-Day Application Approval**

WHAT'S COMING 2015-2016

- E-Filing Enhancements
 - Annual Report
 - Greater User Flexibility and Control
- Regulations – Dramatic Reform
 - To clarify language
 - To update regulations
 - To streamline processes (application process) and procedures
 - Easy to do business with
 - Speed of Business

STATUS OF REGULATIONS PACKAGE

- Public Hearing 12/21/2015
- Pending responses to comments
- Target effective date: 07/01/2016



HOW ARE DEPOSITS CALCULATED?

ACTUARIAL METHOD

Losses – Excess + IBNR + ULAE + ALAE

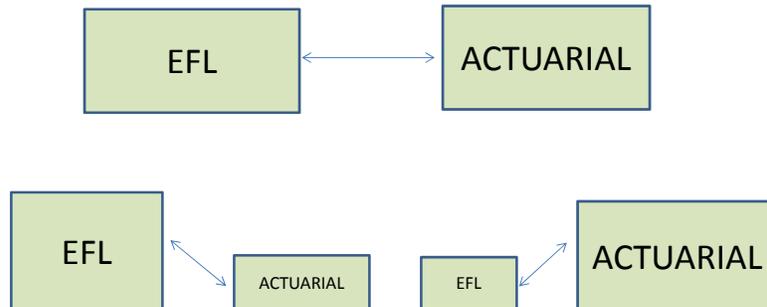
ALTERNATIVE METHOD

EFL – Excess x 1.85

ESTABLISHED BY THE CHIEF

Special Circumstances

ACTUARIAL METHOD



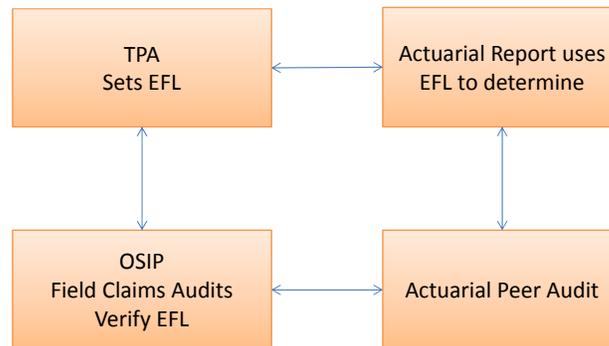
ACTUARIAL METHOD

- No requirement to file an actuarial study or summary if either:
 - 10 files or fewer claims, or
 - Less than \$1M of total EFL

ESTABLISHED BY THE CHIEF

- CCR Section 15209(a)(1) – lack of actuarial study or summary
 - Financial and loss information available
- CCR Section 15210.1(d) – good cause including, but not limited to:
 - Understated EFL
 - Poor administration of claims or payments of benefits due injured workers found in audits
 - Lack of an effective safety and health program
 - Impairment of financial condition

CHECKS AND BALANCES



FIELD CLAIMS AUDIT

TYPES OF AUDIT:

- ❖ Routine
 - ❖ 3-year cycle (active and revoked)
 - ❖ Private self-insured employers and groups
- ❖ Revocation
- ❖ Special

ROUTINE: 2-PHASE AUDIT PROCESS

PRIVATE SELF-INSURED EMPLOYERS AND SELF-INSURED GROUPS

FREE HIGH PERFORMING SELF-INSURED
EMPLOYERS FROM FREQUENT AUDITS

- STEP 1
 - Annual review of all filed Annual Reports
 - Identification of problematic and outlier reports

ROUTINE: 2-PHASE AUDIT PROCESS

- STEP 2
 - Focused audits with random sample file selection (open claims)
 - Sample of closed files and claims denied within the last 12 months
 - Revoked employers pay for cost of audit

REVOCATION

- Discretion of Chief upon revocation of a self-insured employer
- May include all claims
- Employer pays for cost of audit

SPECIAL

- Any public self-insured employer upon showing of good cause
 - Labor Code 3702.6(a)(c):
 - The director shall, upon a showing of good cause, order a special audit of any public self-insured employer to determine the adequacy of estimates of future liability of claims.
 - CCR Section 15403:
 - Pursuant to Labor Code Sections 129 and 3702.6, the Manager may order an audit of any self insurer or individual claim file at such reasonable times as is deemed necessary.

SPECIAL

- Any self-insured employer (private or public) due to complaints
 - CCR Section 15431.2(b):
 - The Manager shall review any complaints received and may investigate the complaint, determine what benefits may be due and order payment thereof, audit the claim records of the self-insurer or administrator, and take action to revoke the certificate or certificate to administer for cause.

SPECIAL

- Audit due to adverse findings in a routine audit
- Questions on financial strength of the employer
- Employer pays audit cost

AUDIT CONCERNS

COMPETENCY/CLAIMS HANDLING

- Competency
 - All claims decisions made by a person certified to administer self-insurance claims
 - Employer control
- Claims handling
 - Compliance to statutes and regulations
 - Duty to conduct investigation
 - Delivery of benefits

MAINTENANCE OF RECORDS

➤ Recordkeeping and Maintenance of Records

- Claim logs
- Claims maintained in California
- Claim file contents
 - Complete
 - Current
 - Both paper and electronic files available
 - Electronic documents easily retrievable



***** Audit costs for revoked employers increase due to poor claims file maintenance**

PROPER CLOSURE OF CLAIMS

PREMATURE CLOSURE OF CLAIMS

Underestimation of EFL

Actuarial Study affected

Deposit affected

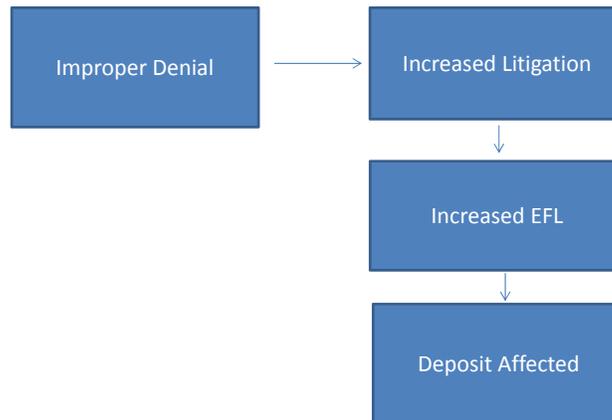
PROPER CLOSURE OF CLAIMS

- 2-year rule (employee is entitled to future benefits)
- All benefits provided and paid
- Employee advised of all remedies prior to closure and given ample time to seek remedies
- Liens paid, dismissed, or fully satisfied
- Final judgment on claims where applications for adjudication of claims were filed

PROPER DENIAL OF CLAIM

- Must have factual, medical, or legal basis
- Administrator's actions between time claim was opened until claim was denied
- Documentation supporting denial
- Denial rate higher than industry norm
- May be referred to the DWC Audit Unit for target audit

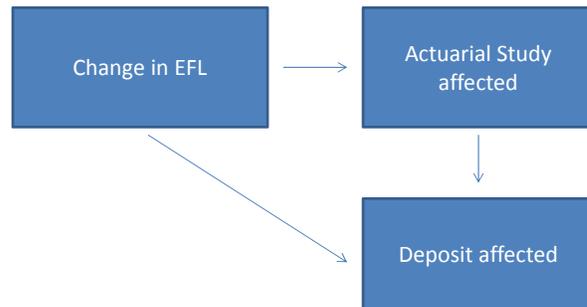
PROPER DENIAL OF CLAIM



RESERVES

- Made by administrator, not employer
- Use CCR 15300 as guide
- Adjust immediately upon:
 - Receipt of medical reports
 - Orders of the Appeals Board
 - Receipt of other relevant information affecting value of the claim
 - At least annually
- Include itemized written documentation showing bases for calculation in the claims file

ACCURACY OF ANNUAL REPORT



QUESTIONS?

