



## **2016 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**

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

## 2016 Audit Results

### **Profile Audit Review (PAR) standard–1.53446/Full Compliance Audit (FCA) standard–1.68525**

LC 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 indemnities owed to an 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 the provision of notice for a qualified or agreed medical evaluation are also measurable performance factors.

The DWC Audit & Enforcement Unit completed 47 profile audit reviews (PARs), which were all routinely selected; there were 0 target audits, which would have been conducted based upon the failure of a prior audit. The PAR subjects consisted of 7 insurance companies, 14 self-administered/self-insured employers, 22 third-party administrators (TPA), and 4 insurance companies/third-party administrators' combined claims-adjusting locations.

At 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 commencement of an audit. In addition, if any complaints were received regarding possible violations of the LC 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 "full compliance audit (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 conducted of indemnity claims in the "FCA stage 1 sample."

In 2016, in the PAR/FCA audits, compliance officers audited 2,843 claim files, of which 2,774 were randomly selected claims in which some form of indemnity benefits was paid. Targeted claims audited included 66 files based on complaints received by the DWC. Another 3 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 were 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 through 10115.2) became effective on May 20, 2009. The audit regulations are crafted to produce more efficient audits by workers' compensation claims administrators and establish new procedures and penalty provisions for statutory and regulatory obligations.

The audit regulations are currently being amended to address the statutory changes brought about by the adoption of Senate Bill (SB) 863. As of January 1, 2013, the amended Labor Code section 4650(b)(2) came into effect and now provides that, under specific circumstances set by statute, permanent disability (PD) indemnity will not be payable to an injured employee until 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 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; and
- 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 or Qualified Medical Examiners.

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 year before the audit. In other words, a PAR performance rating for a 2016 audit that falls

within the range of the 80% best scores of all audits conducted from 2012 through 2014 will meet or exceed the PAR performance standard for 2016, which is 1.53446.

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

The performance ratings for the 47 audit subjects in 2016 were as follows:

- Forty-three audit subjects (91%) met or exceeded the PAR 2016 performance standard and therefore had no penalty citations assessed in accordance with LC section 129.5(c) and CCR, Title 8, section 10107.1(c)(4). However, these audit subjects were ordered to pay all unpaid compensation.
- Four audit subjects (9%) failed to meet or exceed the PAR standard, and their audits were expanded to a full compliance audit of indemnity claims (FCA stage 1) Two of these audit subjects (50% of those that failed to meet or exceed the PAR standard) met or exceeded the FCA 2016 performance standard and therefore had penalty citations assessed for unpaid and late payment of indemnities in accordance with LC section 129.5(c)(2) and CCR, Title 8, sections 10107.1(d).
  - 2) The remaining two of the four audit subjects (50% of those that failed to meet or exceed the PAR standard) failed to meet or exceed the FCA 2016 performance standard and their audits expanded into full compliance audit of indemnity claims (FCA stage 2) and added a sample of denied claims to be audited. These audit subjects were assessed administrative penalties for all penalty citations in accordance with LC section 129.5(c) and CCR, Title 8, Section 10107.1(d) and 10107.1(e).

The **DWC Administrative Director's 2016 Audit Ranking Report** (see [Statewide Exhibit 4](#)) is part of this annual report. The Ranking Report rates the performance of the 47 audit subjects in order, from the best to the worst performer.

In accordance with LC 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 who fails to meet or exceed the FCA standard is deemed to have failed the audit. Although 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 indicates the number of Notice(s) of Compensation Due issued for the individual adjusting locations.

**Figure 1** shows a synopsis of audit performance from 2012 to 2016.

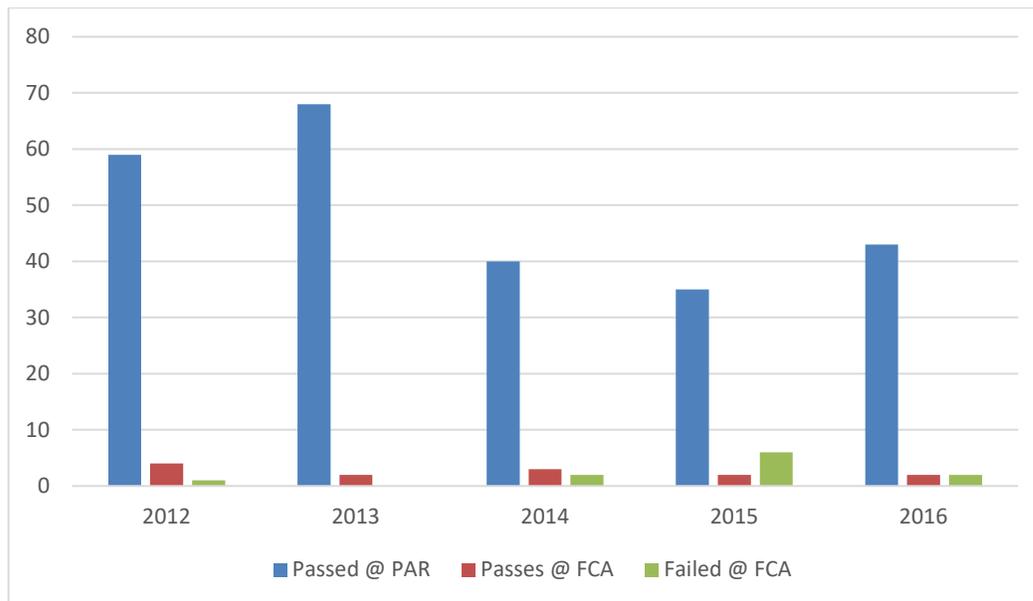


Figure 1. Audit Results for 2012-2016

### Violations of the Administrative Director’s Regulations

As a result of PAR/FCA audits conducted during calendar year 2016, the Audit & Enforcement Unit found and cited 3,736 violations against claims administrators, with administrative penalties totaling \$986,515 (see [Statewide Exhibit 1](#)).

Not all administrative penalties are subject to collection. Under the LC, 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 LC section 129.5(c)(1). If an audit subject fails the PAR but passes the second level, or FCA stage 1, under LC 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 LC 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 2016. In accordance with LC section 129.5(c) and regulatory authority, the Audit & Enforcement Unit did not assess \$543,968 for administrative penalties of the cited violations. The violations that, by law, were not assessed occurred in the 43 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 \$442,547.

**Figure 2** illustrates the violations cited and penalties assessed and collected in the PAR/FCA audit process for calendar years 2012 to 2016.

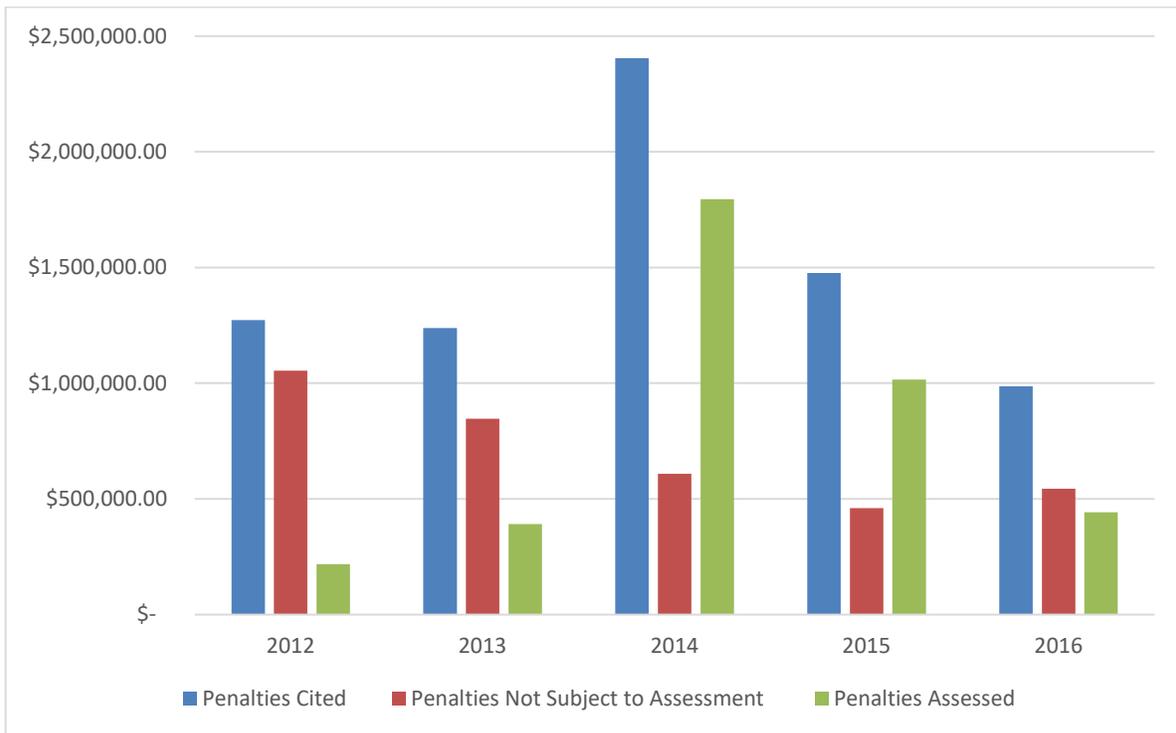


Figure 2. Penalty Assessments and Collections for 2012-2016

### Unpaid Compensation Due to Employees

PAR/FCA audits conducted in 2016 reveal that 10% of the 2,843 claims reviewed had unpaid indemnities. The Audit & Enforcement Unit issued 297 Notices of Compensation Due with the final audit reports. Copies of these notices were sent to injured workers in accordance with LC section 129(c). The total compensation cited to be paid was \$238,502.28 (see [Statewide Exhibit 3](#)), an average of \$803.04 per file with unpaid compensation. This total unpaid compensation consists of \$215,775.87 owed in 294 randomly selected claims and \$22,726.41 found to be owed in 7 additional claims audited and complaints claims submitted to the Audit & Enforcement Unit.

**2016 Audits of Workers' Compensation Insurers, Self-Insured Employers, and Third-Party Administrators**

- \$152,230.38 in temporary disability indemnity and salary continuation in lieu of temporary disability (63.83% of the unpaid compensation)
- \$57,551 in permanent disability indemnity (24.13% of the unpaid compensation)
- \$26,896.60 in 10% self-imposed increases for late indemnity payments (11.28% of the unpaid compensation)
- \$1,824.30 in interest and penalty or failure to reimburse medical expenses (00.76% 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. In order to avoid penalty assessments under LC 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 by claims administrators. For audits conducted in 2016, \$94.41 was paid into this fund because the injured workers could not be located.

**Figure 3** shows undisputed compensation found to be due in routine and target audits conducted since 2012.

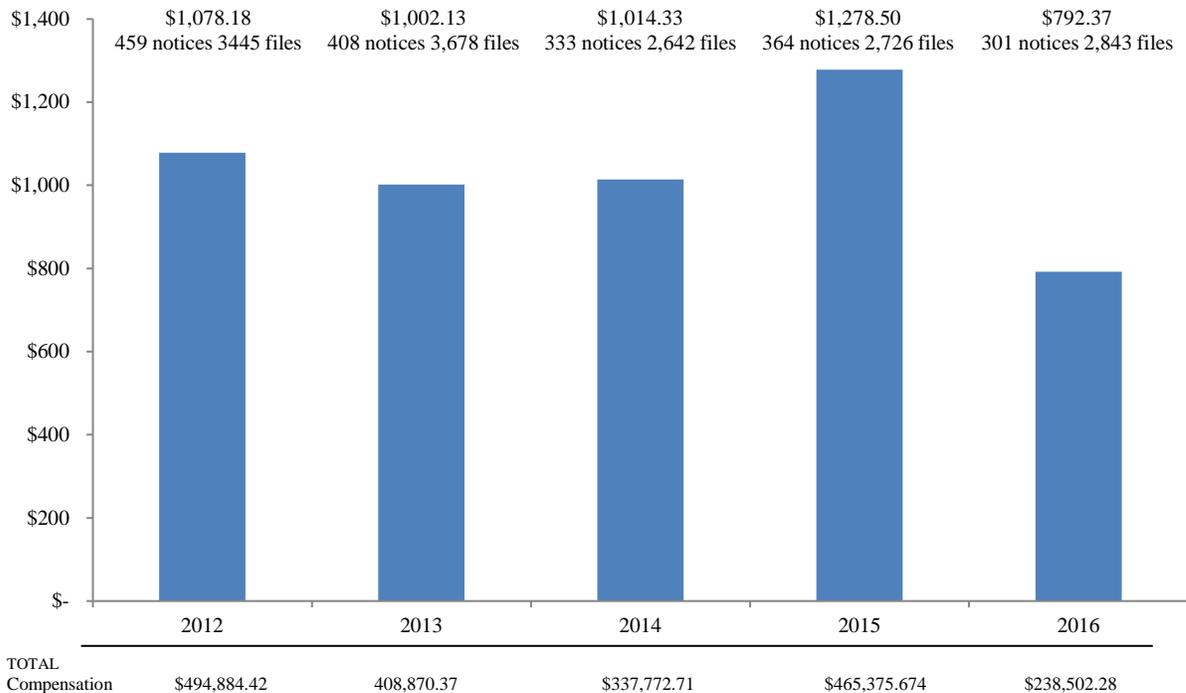


Figure 3. Average Unpaid Compensation Due per File for 2012–2016

## Civil Penalty Issues

### Civil Penalty under LC section 129.5(e)

A claims administrator identified for a return target audit because of failure of a PAR/FCA audit conducted in 2003 or later may be subject to a civil penalty under LC section 129.5(e), which reads in part:

In addition to the penalty assessments permitted by 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 rebuttably 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.

## Other Issues

### The 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. Reports submitted in 2016 identify 395 locations adjusting claims, of which 307 are in California, and 88 are out of state.

In addition to the penalty assessments totaling \$986,515 that were assessed as a result of audits conducted in 2016, an additional 16 penalties totaling \$7,600 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, section 10111.2(b)(25). These penalties are not included as part of the audit data in this report.

**Profile Audit Performance Standards/Full Compliance Audit Standards for 2016**

The PAR and FCA performance standards have been updated pursuant to LC section 129(b) and CCR, Title 8, sections 10107.1(c), (d), and (e). This was accomplished by taking the 2015 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 2013 and 2014 performance rating scores to develop the 2016 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** shows a historical analysis of the PAR/FCA performance standards set for audits conducted in calendar years 2012 to 2016.

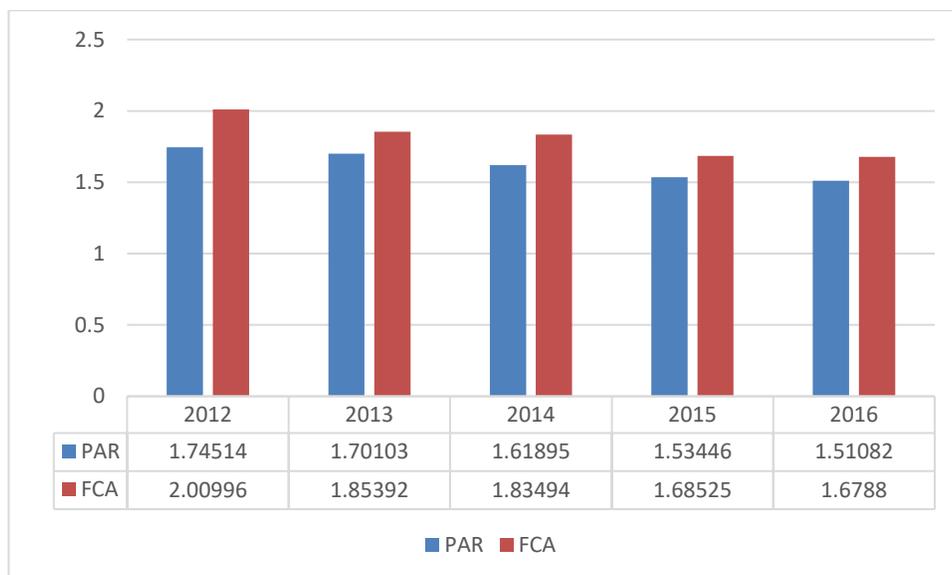


Figure 4. PAR/FCA Performance Rating for 2012-2016

## Description of Statewide Exhibits

**Statewide Exhibit 1–Audit Penalty Assessments and Collections** is a listing of audits conducted in 2016. It provides a summary of all files audited by type, the numbers and amounts of penalties, amounts 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 CCR, Title 8, section 10111.2, into various categories showing totals and amounts of assessable administrative penalties for this statewide audit finding.

**Statewide Exhibit 3–Statewide Summary of Notices of Compensation Due** gives, by type of indemnity, the amounts of unpaid compensation found in the 297 audited claims for which notices of compensation due were issued.

**Statewide Exhibit 4–The DWC Administrative Director’s 2016 Audit Ranking Report** is issued in accordance with LC section 129(e). The report ranks all insurers, self-insured employers, and third-party administrators audited during 2016 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
<b>PAR/FCA Audits</b>														
AdminSure / Diamond Bar	R	TPA	58		0	0	58	23	\$4,955	\$4,955	\$0			X
Albertsons Companies Inc. (formerly Vons) / Fullerton	R	SI	56		1	0	57	87	\$26,710	\$26,710	\$0			X
Berkshire Hathaway Homstate Companies / San Diego	R	INS	59		1	0	60	43	\$8,905	\$8,905	\$0			X
Broadspire / Folsom, CA	R	TPA	57		2	0	59	72	\$16,060	\$16,060	\$0			X
Ca. Fair Service Authority / Sacramento, CA	R	SI	30		0	0	30	37	\$6,150	\$6,150	\$0			X
Cannon Cochran Management Services / Concord, CA	R	TPA	56		0	0	56	63	\$10,835	\$10,835	\$0			X
City of San Jose / San Jose, CA	R	SI	78	47	3	0	128	567	\$142,215		\$142,215			X
Corvel / Folsom, CA	R	TPA	132	50	7	0	189	575	\$255,060		\$255,060			X
Corvel Corporation / Camarillo	R	TPA	56		0	0	56	88	\$6,850	\$6,850	\$0			X
Corvel Corporation / Rancho Cucamonga	R	TPA	58		11	0	69	77	\$16,780	\$16,780	\$0			X
County of Riverside / Riverside	R	SI	55		0	0	55	69	\$9,280	\$9,280	\$0			X
County of Sacramento / Sacramento, CA	R	SI	55		1	0	56	55	\$6,195	\$6,195	\$0			X
County of San Diego / San Diego	R	SI	54		0	0	54	105	\$9,820	\$9,820	\$0			X
E&J Gallo / Modesto, CA	R	SI	42		0	0	42	25	\$9,475	\$9,475	\$0			X
Enstar Administrators (formerly Seabright) / Orange	R	INS / TPA	57		1	0	58	45	\$15,555	\$15,555	\$0			X
Farmers Insurance Exchange / Scottsdale, AZ	R	INS	25		0	0	25	45	\$8,825	\$8,825	\$0			X
Farmers Insurance Exchange / Austin, TX	R	INS	55		0	0	55	86	\$21,930	\$5,430	\$16,500			X
Gallagher Bassett / Roseville, CA	R	TPA	57		2	0	59	29	\$15,340	\$15,340	\$0			X
Gallagher Bassett / Gold River, CA	R	TPA	58		0	0	58	49	\$7,690	\$7,690	\$0			X
Gallagher Bassett Services #187 / San Diego	R	TPA	134		0	2	136	170	\$46,645	\$17,873	\$28,772			X
Illinois Midwest General Insurance / Springfield, IL	R	TPA	57		0	0	57	45	\$10,385	\$10,385	\$0			X
Intercare / Rocklin, CA	R	TPA	56		1	0	57	65	\$15,575	\$15,575	\$0			X
Lance Camper Manufacturing Corp. / Lancaster	R	SI	19		0	0	19	24	\$2,945	\$2,945	\$0			X
Liberty Mutual / Rocklin, CA	R	INS / TPA	59		5	0	64	108	\$13,285	\$13,285	\$0			X
Liberty Mutual Group / Aliso Viejo	R	INS	53		0	0	53	59	\$9,375	\$9,375	\$0			X
Loma Linda University / San Bernardino	R	SI	47		0	0	47	35	\$6,020	\$6,020	\$0			X
LWP Claims Solutions, Inc. / Glendale	R	TPA	51		0	0	51	52	\$9,120	\$9,120	\$0			X
Nordstrom, Inc. / Santa Ana	R	SI	51		0	0	51	32	\$7,650	\$7,650	\$0			X
Northern Claims Management / Santa Rosa, CA	R	TPA	54		0	0	54	50	\$3,680	\$3,680	\$0			X
Pacific Claims Management / Fresno, CA	R	INS / TPA	54		0	0	54	52	\$11,385	\$11,385	\$0			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
Pegasus / Modesto, CA	R	TPA	57		0	0	57	61	\$12,080	\$12,080	\$0			X
Redwood Empire Muni Insurance Fund / Sonoma, CA	R	SI	54		0	0	54	26	\$4,420	\$4,420	\$0			X
RICA/RICC / San Francisco, CA	R	INS	58		0	0	58	29	\$5,165	\$5,165	\$0			X
SCIF / Fresno, CA	R	INS	58		0	0	58	48	\$9,230	\$9,230	\$0			X
Sedgwick / Walnut Creek, CA	R	TPA	59		4	0	63	79	\$21,055	\$21,055	\$0			X
Sedgwick / Roseville, CA	R	TPA	51		0	0	51	14	\$1,450	\$1,450	\$0			X
Sedgwick / Rancho Cordova, CA	R	TPA	58		0	0	58	58	\$15,815	\$15,815	\$0			X
Sedgwick Claims Management / San Diego	R	TPA	54		2	0	56	29	\$5,485	\$5,485	\$0			X
Sedgwick Claims Management Services / Long Beach	R	TPA	59		12	0	71	79	\$23,150	\$23,150	\$0			X
Sedgwick Claims Management Services / Riverside	R	TPA	58		0	0	58	70	\$29,335	\$29,335	\$0			X
Shasta County Risk Management / Redding, CA	R	SI	39		0	0	39	21	\$11,250	\$11,250	\$0			X
Sutter Health / Sacramento, CA	R	SI	57		0	0	57	55	\$9,765	\$9,765	\$0			X
The Walt Disney Company / Anaheim	R	SI	57		1	1	59	62	\$17,645	\$17,645	\$0			X
York Risk Services Group, Inc. / Rancho Cucamonga	R	TPA	59		0	0	59	46	\$20,635	\$20,635	\$0			X
York Risk Services Group, Inc. / Valencia	R	TPA	57		2	0	59	92	\$29,325	\$29,325	\$0			X
Zenith / Fresno, CA	R	INS	58		0	0	58	26	\$5,440	\$5,440	\$0			X
Zurich North America / Woodland Hills	R	INS / TPA	58		3	0	61	109	\$30,575	\$30,575	\$0			X
<b>TOTALS:</b>			<b>2,684</b>	<b>97</b>	<b>59</b>	<b>3</b>	<b>2,843</b>	<b>3,736</b>	<b>\$986,515</b>	<b>\$543,968</b>	<b>\$442,547</b>	<b>\$0</b>		<b>47</b>

File type: I - Indemnity; D - Denied; C - Complaint; A - Additional

R - Routine	47
T - Target	0
<b>TOTAL</b>	<b>47</b>

INS	Insurer	7
SI	Self-Insured Employer	14
TPA	Third-Party Administrator	22
INS / TPA	Insurer/Third-Party Administrator	4
SI / TPA	Self-Insured/Third-Party Administrator	0
<b>TOTAL</b>		<b>47</b>

**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)	525	\$208,300	\$153,427	\$54,873	\$54,873	N
Late first payment of permanent disability indemnity benefits (PD).	44	\$31,320	\$23,628	\$7,692	\$7,692	N
Late subsequent payment of indemnity benefits.	331	\$78,029	\$64,038	\$13,991	\$13,991	N
Late first payment of death benefits (DB).	1	\$80	\$80	\$0	\$0	N
Failure to issue benefit notices other than specific notices for denial of liability.	163	\$28,850	\$3,530	\$25,320	\$25,320	N
Late provision of benefit notices other than specific notices for denial of injury.	224	\$16,442	\$4,010	\$12,432	\$12,432	N
Failure to comply with requirements to provide notice of the QME/AME process.	1,569	\$207,164	\$148,040	\$59,124	\$59,124	N
Failure to pay any TD or SC in lieu of TD.	240	\$185,000	\$106,440	\$78,560	\$78,560	N
Failure to pay any PD indemnity benefit.	17	\$18,560	\$10,700	\$7,860	\$7,860	N
Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.	111	\$24,255	\$17,975	\$6,280	\$6,280	N
Failure to pay any indemnity as ordered by the WCAB.	15	\$10,650	\$10,650	\$0	\$0	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.	7	\$15,850	\$1,450	\$14,400	\$14,400	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 treatment expense in the manner required by law or regulation.	273	\$111,555	\$0	\$111,555	\$111,555	N
Failure to pay or object to medical-legal expense in the manner required by law or regulation.	12	\$4,800	\$0	\$4,800	\$4,800	N
Failure to issue training or SJDB voucher (injuries on/after 01/01/04) in the manner required by law or regulation.	0	\$0	\$0	\$0	\$0	N
Failure to provide notices denying all liability or death benefits as required.	12	\$6,240	\$0	\$6,240	\$6,240	N
Failure to timely respond to a request to provide or authorize medical treatment.	0	\$0	\$0	\$0	\$0	N
Failure to include specific items or properly designate entries on a claim log.	15	\$3,000	\$0	\$3,000	\$3,000	N
Materially incomplete or inaccurate benefit notices including denial for all liability.	16	\$2,160	\$0	\$2,160	\$2,160	N
Failure to investigate.	4	\$8,400	\$0	\$8,400	\$8,400	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).	2	\$2,160	\$0	\$2,160	\$2,160	N
Penalties for failure to comply with any regulation of the AD not otherwise assessed.	155	\$23,700	\$0	\$23,700	\$23,700	N
Unsupported denial of all liability for a claim.	0	\$0	\$0	\$0	\$0	N
<b>TOTAL</b>	<b>3,736</b>	<b>\$986,515</b>	<b>\$543,968</b>	<b>\$442,547</b>	<b>\$442,547</b>	

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

**Calendar Year**      2016

**Statewide Exhibit 3**

**Statewide Summary of  
301 Notices of Compensation Due**

<b>Type of Compensation</b>	<b>Amount Found Due</b>
Temporary Disability	\$ 152,230.38
Permanent Disability	\$ 57,551.00
Self-Imposed Increase	\$ 26,896.60
Death Benefits	\$ -
Penalty, Interest or Other	\$ 1,824.30
<b>Total Compensation Due:</b>	<b>\$ 238,502.28</b>

## DWC ADMINISTRATIVE DIRECTOR'S 2016 AUDIT RANKING REPORT

Issued in accordance with Labor Code §129(e) and Title 8, California Code of Regulations, §10107.1(c)(3)

<b>Routine and Target Audits conducted pursuant to Labor Code Sections 129(b)(1)(2)(3), and 129.5(c)(1)(2)(3)</b> (Rankings from the best to the worst performers)		<b>PAR</b>	<b>FCA Stage 1</b>	<b>FCA Stage 2</b>	<b>Unpaid Compensation</b>
<b>AUDIT SUBJECT / LOCATION</b>		<b>Standard 1.51082</b>	<b>Standard 1.6788</b>	<b>Final Rating</b>	<b>All Claim Files 301 / \$238,502.28</b>
<i>The following audit subjects under the Profile Audit Review (LC 129) met or exceeded the PAR standard (1.53446 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.</i>					
1	Sedgwick / Roseville, CA	0.20584	n/a	n/a	1 / \$47.50
2	Zenith / Fresno, CA	0.39853	n/a	n/a	1 / \$240.00
3	AdminSure / Diamond Bar	0.38544	n/a	n/a	3 / \$5753.63
4	Gallagher Bassett / Roseville, CA	0.48760	n/a	n/a	5 / \$2,150.40
5	Nordstrom, Inc. / Santa Ana	0.49425	n/a	n/a	9 / \$2,579.92
6	RICA/RICC / San Francisco, CA	0.54517	n/a	n/a	0 / \$0.00
7	Sedgwick Claims Management / San Diego	0.56684	n/a	n/a	10 / \$4,538.20
8	Berkshire Hathaway Homstate Companies / San Diego	0.62018	n/a	n/a	8 / \$2,422.74
9	Loma Linda University / San Bernardino	0.63365	n/a	n/a	4 / \$353.13
10	Redwood Empire Muni Insurance Fund / Sonoma, CA	0.63901	n/a	n/a	1 / \$110.10
11	Gallagher Bassett / Gold River, CA	0.64427	n/a	n/a	3 / \$920.76
12	Shasta County Risk Management / Redding, CA	0.66955	n/a	n/a	1 / \$9,716.07
13	SCIF / Fresno, CA	0.66979	n/a	n/a	3 / \$1,282.11
14	Illinois Midwest General Insurance / Springfield, IL	0.69269	n/a	n/a	4 / \$4,537.03
15	LWP Claims Solutions, Inc. / Glendale	0.73330	n/a	n/a	3 / \$949.03
16	Pegasus / Modesto, CA	0.75779	n/a	n/a	5 / \$526.98
17	Pacific Claims Management / Fresno, CA	0.76651	n/a	n/a	5 / \$2,643.05
18	York Risk Services Group, Inc. / Rancho Cucamonga	0.77030	n/a	n/a	4 / \$4,482.67
19	Northern Claims Management / Santa Rosa, CA	0.08028	n/a	n/a	0 / \$0.00
20	E&J Gallo / Modesto, CA	0.83587	n/a	n/a	7 / \$6,267.07

## DWC ADMINISTRATIVE DIRECTOR'S 2016 AUDIT RANKING REPORT

Issued in accordance with Labor Code §129(e) and Title 8, California Code of Regulations, §10107.1(c)(3)

	<b>Routine and Target Audits conducted pursuant to Labor Code Sections 129(b)(1)(2)(3), and 129.5(c)(1)(2)(3)</b> (Rankings from the best to the worst performers) <b>AUDIT SUBJECT / LOCATION</b>	<b>PAR</b>  <b>Standard</b> <b>1.51082</b>	<b>FCA</b> <b>Stage 1</b>  <b>Standard</b> <b>1.6788</b>	<b>FCA</b> <b>Stage 2</b>  <b>Final</b> <b>Rating</b>	<b>Unpaid</b> <b>Compensation</b>  <b>All Claim Files</b> <b>301 / \$238,502.28</b>
21	Lance Camper Manufacturing Corp. / Lancaster	0.84323	n/a	n/a	0 / \$0.00
22	The Walt Disney Company / Anaheim	0.86778	n/a	n/a	10 / \$2,575.54
23	Liberty Mutual Group / Aliso Viejo	0.92165	n/a	n/a	5 / \$973.10
24	Sutter Health / Sacramento, CA	0.92849	n/a	n/a	4 / \$735.91
25	Sedgwick / Rancho Cordova, CA	0.93381	n/a	n/a	2 / \$6,398.41
26	Liberty Mutual / Rocklin, CA	0.96032	n/a	n/a	4 / \$417.17
27	Sedgwick / Walnut Creek, CA	0.98697	n/a	n/a	7 / \$8,949.07
28	County of Sacramento / Sacramento, CA	1.00454	n/a	n/a	0 / \$0.00
29	Cannon Cochran Management Services / Concord, CA	1.04046	n/a	n/a	6 / \$1,939.88
30	Sedgwick Claims Management Services / Riverside	1.05353	n/a	n/a	13 / \$6,290.83
31	Enstar Administrators (formerly Seabright) / Orange	1.06476	n/a	n/a	9 / \$6,741.32
32	Broadspire / Folsom, CA	1.12840	n/a	n/a	4 / \$805.51
33	Corvel Corporation / Rancho Cucamonga	1.17968	n/a	n/a	13 / \$3,512.38
34	Corvel Corporation / Camarillo	1.19347	n/a	n/a	6 / \$3,736.49
35	County of Riverside / Riverside	1.19664	n/a	n/a	9 / \$2,004.73
36	Ca. Fair Service Authority / Sacramento, CA	1.23224	n/a	n/a	2 / \$121.93
37	Sedgwick Claims Management Services / Long Beach	1.27138	n/a	n/a	11 / \$11,368.86
38	Intercare / Rocklin, CA	1.29549	n/a	n/a	8 / \$11,794.96
39	York Risk Services Group, Inc. / Valencia	1.29793	n/a	n/a	14 / \$6,485.38
40	Albertsons Companies Inc. (formerly Vons) / Fullerton - onsite	1.31122	n/a	n/a	10 / \$4,451.11
41	Farmers Insurance Exchange / Scottsdale, AZ	1.32020	n/a	n/a	4 / \$1,781.22
42	County of San Diego / San Diego	1.45340	n/a	n/a	1 / \$617.28
43	Zurich North America / Woodland Hills	1.50327	n/a	n/a	10 / \$29,742.91

DWC ADMINISTRATIVE DIRECTOR'S 2016 AUDIT RANKING REPORT

Issued in accordance with Labor Code §129(e) and Title 8, California Code of Regulations, §10107.1(c)(3)

	<b>Routine and Target Audits conducted pursuant to Labor Code Sections 129(b)(1)(2)(3), and 129.5(c)(1)(2)(3)</b> (Rankings from the best to the worst performers) <b>AUDIT SUBJECT / LOCATION</b>	<b>PAR</b>  <b>Standard</b> <b>1.51082</b>	<b>FCA Stage 1</b>  <b>Standard</b> <b>1.6788</b>	<b>FCA Stage 2</b>  <b>Final</b> <b>Rating</b>	<b>Unpaid Compensation</b>  <b>All Claim Files</b> <b>301 / \$238,502.28</b>
<p><i>Four audit subjects under the Profile Audit Review (LC 129) failed to meet or exceed the PAR standard (1.51082 or less). The audit proceeded to the Full Compliance Audit Stage 1 [LC 129(b)(2)] and two of the four met or exceeded the FCA standard (1.6788 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	Gallagher Bassett Services #187 / San Diego	1.55021	1.50740	n/a	25 / \$24,003.35
45	Farmers Insurance Exchange / Austin, TX	1.98145	1.67138	n/a	4 / \$12,428.92
<p><i>Two audit subjects under the Profile Audit Review (LC 129) failed to meet or exceed the PAR standard (1.51082 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 (1.6788 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.</i></p>					
46	Corvel / Folsom, CA	3.19502	2.41756	2.41756	32 / \$36,504.71
47	City of San Jose / San Jose, CA	2.56838	3.05285	3.05285	10 / \$16,089.91