

## **TO: Workers' Compensation Claims Administrators**

**RE: 2021 Annual Report of Inventory for Claims Reported During Calendar Year (CY) 2020.**

Title 8, California Code of Regulations, Section 10104 requires claims administrators of California workers' compensation claims to file with the Administrative Director, by April 1 of each year, an Annual Report of Inventory indicating the number of claims reported at each adjusting location for the preceding calendar year. The report for CY 2020 must be filed by April 1, 2021. Enclosed is an Annual Report of Inventory. Even if you had no claims reported in the prior year, you must complete and submit the report. Each adjusting location is required to submit an Annual Report of Inventory, whether or not they receive a form for reporting claims from this office.

### **When completing the Annual Report of Inventory, be mindful of the following requirements:**

- The population of claims reported must distinguish the claims by type: indemnity claims, denied claims, and medical-only claims.
- The DWC Audit Unit definition of "indemnity claim" is a claim "... that *has resulted* in the payment..." of indemnity [8CCR§10100.2 (x)].
- The DWC Audit Unit definition of "adjusting location": "Separate underwriting companies, self-administered, self-insured employers, and/or third party administrators operating at one location shall be combined as one audit subject..." (but) "... only if claims are administered under the same management at that location... For auditing purposes, any separate office or location whose staff includes local management may be considered a single adjusting location" [8CCR§10100.2(a)].

### **Instructions for Completion of the Annual Report of Inventory**

The DWC Audit Unit definition of "Contact Person" is a person whom the Audit Unit may contact with questions concerning the contact person's office.

The Audit Unit definition of "Mailing Address" is the address where the Audit Unit may send correspondence to the contact person for that office.

**Part 1** of the Annual Report of Inventory must be completed for each adjusting location of California workers' compensation claims, including self-insured claims and/or insured claims, whether insured under specific workers' compensation policies, under commercial line policies, or the workers' compensation endorsement of homeowner commercial line policies. The report must include all workers' compensation claims, open and closed, reported at the location during the preceding year.

**Part 2** of the Annual Report of Inventory must be completed for each adjusting location that administers claims for more than one entity. For instance, if claims are administered for separate underwriting companies that are part of an insurance group and/or for self-insured employers, the numbers of claims reported for each separate

underwriting company of the insurer group and/or client (insurer or self-insured employer) of the TPA must be indicated separately on Part 2 of the Report of Inventory.

- Claims Administrators having two types of operations at the same location (i.e., - self-administered insurer and a third-party administrator for insurers, self-insured employers or legally uninsured employers) must submit individual reports for each operation if the separate entities (e.g., the insurer and the TPA) are under separate management.
- If claims reported to an adjusting location in 2020 were subsequently transferred during CY 2020 to another adjusting location, the claims shall be reported for the adjusting location of record on December 31, 2020.

DWC's Research Unit has asked that the Audit Unit request the claims administrator's FEIN number for each adjusting location, and the FEIN for all underwriting companies and/or clients for which claims are administered at the given location. This information will be used by the Research Unit to match claims information submitted electronically to Workers' Compensation Information System with that reported to the Audit Unit on the Annual Report of Inventory.

Penalties of up to \$500 per location for failure to timely file this Report of Inventory may be assessed under Title 8, California Code of Regulations, and Section 10111.1(b) (11) or 10111.2(b) (26). This report must be filed no later than April 1, 2021.

The DWC Audit and Enforcement Unit accepts the forms via email, mail and fax.

**Audit Unit mailbox:** [DWCAuditUnit@dir.ca.gov](mailto:DWCAuditUnit@dir.ca.gov)

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If you have any questions, please contact the Sacramento Audit Unit office at (916) 928-3180 or Los Angeles at (213)620-2312.

Thank you for your cooperation.

Division of Workers' Compensation - Audit and Enforcement Unit

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