

HELLING & ASSOCIATES

MANAGEMENT CONSULTANTS

PERSONAL & CONFIDENTIAL

September 23, 2008

**Jeannette Workman
Manager
LAWCX
1831 "K" Street
Sacramento, CA 95811**

Re: ABAG Shared Risk Pool Excess Workers' Compensation Claims Audit

Dear Jeannette:

Please consider this the biannual Workers' Compensation Claims Audit conducted on behalf of LAWCX, which covered the claims of the ABAG Shared Risk Pool. As you know, the members of the Pool are: Association of the Bay Area Governments (ABAG), the Town of Los Altos Hills, the Town of Ross and the City of Saratoga.

This Audit was done on September 16, 2008 at the offices of the Authority's Claims Administrator, Gregory B. Bragg & Associates, Inc. (Bragg), in Walnut Creek, California.

CLAIMS ADMINISTRATION

The Pool became a member of LAWCX on July 1, 2001, and selected Bragg to handle their claims as of September 2001.

Lynn Cavalcanti continues as the Claims Manager for the Walnut Creek office and is responsible for the overall program. She joined Bragg on December 29, 2003, and has over fifteen years of Workers' Compensation claims.

She has a Bachelor of Arts degree in 1983 from Long Island University in New York, and also has a Master of Arts degree from the University of Phoenix in California which she received in 2001.

The supervisor on the account, who was previously the claims examiner, is Barbara Minton. She attended Diablo Valley Community College, and has also taken some of the Insurance Education Association courses in Workers' Compensation. She is certified by the State of California as a Workers' Compensation Claims Administrator.

The day-to-day claims handling is now done by Lorraine J. Maull, who joined Bragg on March 27, 2006. She has 14 years of claims assistance experience and 4 years of experience as a claims examiner. She actually handles the future medical claims for the Pool. She is not yet certified by the State as a Workers' Compensation Claims Administrator.

SCOPE OF AUDIT

As you know we are to review all of the open indemnity claims (lost time from work) with an incurred (paid plus reserves) in excess of \$50,000. We also reviewed all of the closed indemnity files that were closed since our audit two years ago where the payments exceed that amount.

However, there were only two open indemnity files and none closed that fell within the criteria.

The Pool has a \$150,000 self-insured retention, and the reporting requirements by LAWCX are that there has to be notification to the Authority regarding any claim, either paid or reserved, for 50% or more of the covered member's retention. In addition, the members have to give LAWCX immediate written notice of any injury involving the following types of accident.

- 1. A fatality;**
- 2. An amputation of a major extremity;**
- 3. Any serious head injury (including skull fracture or loss of sight of either or both eyes);**
- 4. Any injury to the spinal cord;**

5. Any second- or third-degree burns to 25 percent or more of the body;
6. Any accident that causes serious injury to two or more employees;
7. Any claim believed to be fraudulent and where \$20,000 has been paid in out-care expenses;
8. Any disability of more than one year or when it appears reasonably likely that there will be a disability of more than one year.

FILE REVIEW

We reviewed the following open files:

1. **Member:** Town of Los Altos Hills
Claim Number: 0000012
Date of Loss: November 1, 1999
Paid: \$45,694 **Reserves:** \$25,676 **Incurred:** \$71,370

This loss involves a 43-year-old (at the time of injury) maintenance worker who alleges that doing tree trimming, clearing paths and other job tasks caused pain in his left shoulder.

The diagnosis was a left shoulder impingement syndrome and conservative treatment was originally rendered. Thereafter, the employee's condition became Permanent and Stationary and the Disability Evaluation Unit on August 23, 2001 rated the permanent disability at 13% or \$5,915.

However, the claimant continued to complain of pain; consequently, surgery was performed on March 8, 2002 consisting of a left shoulder decompression, debridement of a rotator cuff tear and an excision of the distal clavicle.

The claimant subsequently returned to modified duties on May 1, 2002, and thereafter again became Permanent and Stationary.

The claim was settled by a Stipulated Findings and Award of 13%, as well as future medical treatment to the left shoulder. The settlement was approved by the Worker's Compensation Appeals Board on June 3,

2002. The file remains open for the future medical treatment provision, which was used by the claimant on June 13, 2008.

2. Member: ABAG
Claim Number: 9800001
Date of Loss: January 12, 1998
Paid: \$39,321 Reserves: \$43,403 Incurred: \$82,724

This 45-year-old administrative assistant slipped and fell on a liquid substance, sustaining an injury.

The diagnosis was a cervical and lumbar strain, as well as a right knee strain.

The claimant treated with a chiropractor who, after extensive treatment with no lost time from work, finally declared her Permanent and Stationary.

The file was settled directly with the employee by a Stipulated Findings and Award of 22%, or \$12,880, as well as future medical treatment to the spine.

The settlement was approved by the Worker's Compensation Appeals Board on November 19, 2002.

The file remains open for the future medical treatment provision, with the claimant treating with a chiropractor. However, Utilization Review has denied any further chiropractor treatments, with the last one occurring on July 19, 2006. We note the total chiropractic treatments on this file have amounted to \$17,187.80.

In view of no further treatment having occurred in the past two years, the administrator is about to close this file. The treatments are scrutinized by utilization review.

SUMMARY

The biannual Workers' Compensation claims audit was conducted on behalf of LAWCX on the ABAG Shared Pool claims, with this audit occurring on September 16, 2008.

The Workers' Compensation claims continue to be handled by Gregory B. Bragg & Associates, Inc. from their offices in Walnut Creek, California.

We are required to review all of the open indemnity (lost time from work) files with an incurred (paid plus reserves) in excess of \$50,000. We are also required to audit those indemnity files that have been closed since our last audit two years ago, where the payments exceeded that amount.

However, as there currently are only two open indemnity files, we reviewed those two files and no closed files.

As always, if you have questions regarding the audit, please feel free to communicate with me at any time.

Yours sincerely,

Hans J. Helling

HJH:eda/gn