



Notice No. 107

NOTICE TO INSURANCE CARRIERS AND SELF-INSURED EMPLOYERS UNDER THE LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT

SUBJECT: Audits verifying Form LS-513, Report of Payments

The Division of Longshore and Harbor Workers' Compensation (DLHWC) each year conducts a limited number of audits in order to verify the information contained in certain Forms LS-513, Report of Payments, submitted to it. These reports are filed annually by each authorized insurance carrier and each self-insured employer and form part of the basis for calculating Special Fund assessments under section 44 of the Longshore and Harbor Workers' Compensation Act (33 U.S.C. 944(d)(2)).

The purpose of this Notice is to provide each insurance carrier and self-insured employer with a statement of the method we will use to select the companies to be audited each year.

Since about 84% of the payments reported to the DLHWC are made by the forty insurance carriers and self-insured employers who report the most payments, the audit process will primarily focus on the top twenty insurance carriers and the top twenty self-insured employers measured by the total indemnity payments reported for each calendar year. The companies to be audited each year will be selected in the following manner:

1. Any insurance carrier or self-insured employer found by audit to have underreported payments to the extent that an additional assessment payment into the Special Fund exceeding \$400,000 was made to the DLHWC during the previous year.
2. Three insurance carriers and one self-insured employer that have not been audited during the previous 3 years in the case of an insurance carrier and 4 years in the case of a self-insured employer will be randomly selected for audit each year from the top ten in each group.
3. Three insurance carriers and one self-insured employer that have not been audited during the previous 4 years in the case of an insurance carrier and 5 years in the case of a self-insured employer will be randomly selected from the second ten in each group.
4. Additional audits will be randomly selected from the remaining group of insurance carriers and self-insured employers that have not been audited within the last 6 years.

The above selection criteria are subject to the following factors.

1. Although the audits will initially review payments reported for the calendar year immediately prior to the audit, the auditors will attempt to locate underreported payments for previous years and will include any unreported payments for prior years discovered during the course of the audit.
2. The number of audits each year may be affected by the amount of money available for audits. In the event that DLHWC is unable to fund all of the audits set forth above, it may reduce the number

U.S. Department of Labor

Employment Standards Administration
Office of Workers' Compensation Programs
Division of Longshore and
Harbor Workers' Compensation
Washington, D.C. 20210



of audits in categories 2 to 4. In the event that funding allows for more audits than specified it may increase the number of audits in categories 2 to 4.

This Notice is effective immediately.

All questions concerning this Notice should be directed to the undersigned at 202-693-0925.

MICHAEL NISS
Director, Division of Longshore
And Harbor Workers' Compensation