

COMPLIANCE AUDIT REPORT

STATE OF MAINE
WORKERS' COMPENSATION BOARD



Sentry Insurance Company
As of December 12, 2001

Monitoring, Audit & Enforcement (MAE) Division

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SUMMARY

The Audit Division of the Maine Workers' Compensation Board examined 26 claim files for the period under examination (2000) to determine compliance with statutory and regulatory requirements in the following areas:

- Form filing
- Timeliness of indemnity payments
- Accuracy of indemnity payments

Of the claims files audited, there were 7 "lost time" claims, 10 "medical only" claims, 8 "incident only"¹ claims and 1 claim that was found to be out of the Maine jurisdiction.²

Our audit revealed:

- Two (2) reportable claims identified had not been reported to the Board at the time of audit.
 - ✓ Upon notification from this Division, Sentry Insurance Company filed the required Employer's First Report of Occupational Injury or Disease (WCB-1).
- Of the three (3) compensable lost time claims identified;
 - One (1) was calculated and paid correctly via salary continuation, and
 - Two (2) were determined to be indemnity underpayments
 - ✓ Upon notification from this Division, Sentry paid the claimant's the indemnity owed of \$885.53 (collectively).
- No general problems were identified in the methods used to determine average weekly wages and benefit rates. Two instances were discovered where the AWW and Benefit Rate appear to have been incorrectly determined which resulted in the underpayments mentioned above. However this division believes that these are isolated incidents and believes that Sentry Insurance Company understands the Maine Worker's Compensation Act and its requirements for wage information.
- The most significant form filing compliance problems appear to be in the filings of the;
 - Wage Statement (WCB-2)
 - The Schedule of Dependents and Filing Status Statement (WCB-2A)
 - Statement of Compensation Paid (WCB-11)

Compliance for all three of these forms was 0%. It appears that Sentry Insurance Company does not have an effective system for generating and filing these forms in a timely manner. This division would recommend that they confront this issue in the future.

¹ "Incident only" Claims incur no medical expenses and less than a day of lost time.

² This claim was improperly coded by Sentry in their database.

PENALTIES

◆ **Section 205(3), M.R.S.A. Penalties (payable to injured employees)**

“When there is not an ongoing dispute, if weekly compensation benefits or accrued weekly benefits are not paid within 30 days after becoming due and payable, \$50 per day must be added and paid to the worker for each day over 30 days in which the benefits are not paid. Not more than \$1,500 in total may be added pursuant to this subsection. For purposes of ratemaking, daily charges paid under this subsection do not constitute elements of loss.”

Penalties pursuant to 39-A M.R.S.A. Sec. 205(3) are paid directly to the injured employee. The penalties below are being sought. If you disagree, you have the right to a hearing before the Abuse Investigation Unit. Please provide proof of payment for all undisputed penalties.

CLAIM	PENALTY JUSTIFICATION	PENALTY AMOUNT
Marianne Lovejoy Vs. Carematrix Corp. Date of Injury: 9/12/00 Sentry File Number 51C151828 WCBN Number: 00-01-42-10	Subsequent payments were improperly discontinued, final payment was made on 10/30/01 reflecting 371 days late	\$1,500.00
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Total Penalties to Injured Employees		\$1,500.00

PENALTIES (Continued)

◆ Penalties Allowed by Law (Payable to the Workers' Compensation Board)

39-A M.R.S.A. Sec. 359(2)

“In addition to any other penalty assessment permitted under this Act, the board may assess civil penalties not to exceed \$10,000 upon finding, after hearing, that an employer, insurer or 3rd-party administrator for an employer has engaged in a pattern of questionable claims-handling techniques or repeated unreasonably contested claims. The board shall certify its findings to the Superintendent of Insurance, who shall take appropriate action so as to bring any such practices to a halt. This certification by the board is exempt from the provisions of the Maine Administrative Procedure Act.”

39-A M.R.S.A. Sec. 360(1)(A)

“The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete any report or form required by this Act or rules adopted under this Act;”

39-A M.R.S.A. Sec. 360(1)(B)

“The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete such a report or form within the time limits specified in this Act or rules adopted under this Act.”

- Thirteen (13) forms were filed late (\$1,300.00).

39-A M.R.S.A. Sec. 360(2)

“The board may assess, after hearing, a civil penalty in an amount not to exceed \$1,000 for an individual and \$10,000 for a corporation, partnership or other legal entity for any willful violation of this Act, fraud or intentional misrepresentation. The board may also require that person to repay any compensation received through a violation of this act, fraud or intentional misrepresentation or to pay any compensation withheld through a violation of this Act, fraud or misrepresentation, with interest at the rate of 10% per year.

INDEMNITY BENEFITS

As of October 17, 2001

A. Prompt Initial Payment of Benefits

			2000	
			Number	Percent
Check Mailed Within:				
0-14	Days	Compliant	4	100%
Total Due			4	100%

B. Prompt Subsequent Payment of Benefits

			2000	
			Number	Percent
Check Mailed Within:				
0-7	Days	Compliant	7	73%
8-14	Days		0	00%
15 +	Days		3	27%
Total Due			10	100%

C. Accuracy of Average Weekly Wage

			2000	
			Number	Percent
Calculated:				
Correct		Compliant	2	50%
Incorrect			1	25%
Unknown			1	25%
Total			4	100%

D. Accuracy of Weekly Benefit Rate

			2000	
			Number	Percent
Calculated:				
Correct		Compliant	2	50%
Incorrect			1	25%
Unknown			1	25%
Total			4	100%

FORM FILING

As of October 17, 2001

A. First Report (WCB-1)

		2000	
		Number	Percent
Received at the Board:			
Filed	Compliant	5	%
Filed Late		3	%
Not Required		18	%
Total Due		26	100%

B. Wage Statement (WCB-2)

		2000	
		Number	Percent
Received at the Board:			
Filed	Compliant	0	0%
Filed Late		3	100%
Total		3	100%

C. Schedule of Dependent(s) and Filing Status Statement (WCB-2A)

		2000	
		Number	Percent
Received at the Board:			
Filed	Compliant	0	00%
Filed Late		3	100%
Total		3	100%

D. Memorandum of Payment (WCB-3)

		2000	
		Number	Percent
Received at the Board:			
Filed	Compliant	4	100%
Filed Late		0	0%
Total		4	100%

FORM FILING (Continued)

As of October 17, 2001

E. Discontinuance or Modification (WCB-4)

		2000	
		Number	Percent
Received at the Board:			
Filed	Compliant	4	100%
Filed Late		0	0%
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Total		4	100%

F. Statement of Compensation Paid (WCB-11)

		2000	
		Number	Percent
Received at the Board:			
Filed	Compliant	0	0%
Filed Late		4	100%
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Total		4	100%