

4. In March 2014, the Company had Board claims-handling training at its Conshohocken, Pennsylvania office and, in June and October 2014, Company claim representatives attended open training at the Board's offices.
5. On June 23, 2014, the Board issued a Compliance Audit Report detailing its findings (the "Report"). The Board found that the Company engaged in questionable claims-handling techniques that violated 39-A M.R.S. § 359(2), including non-filing of forms, late forms filings, and inaccurate indemnity and medical payments.
6. The following table details the 2014 Report's findings, expressed as percentage:

Category	Compliance Percentage
Form Filing	
WCB-1 (First Report)	8
WCB-2 (Wage Statement)	39
WCB-2A (Tax/Dependents Statement)	0
WCB-2B (Fringe Benefit Worksheet)	40
WCB-3/4A (MOP)	14
WCB-3/4/4A (Disc/Mod)	7
WCB-8/4A (Disc/Reduction)	50
WCB-9 (NOC)	25
WCB-11 (Statement of Compensation Paid)	25
Timeliness of Benefit Payments	
Initial Payment of Indemnity	15
Subsequent Payment of Indemnity	47
Payment of Medical Bills	84
Payment of Orders	0
Accuracy of Indemnity Benefits	
Average Weekly Wage	23
Weekly Compensation Rate	23
Partial Benefits	50
Amount Paid	8
Accuracy of Medical Payments	
Amount Paid	64

7. In August 2014, the Board and the Company entered into a consent decree, in lieu of an administrative hearing, addressing the findings in the Report (the "Consent Decree"). The Company agreed in the Consent Decree that it had "engaged in a pattern of questionable claims-handling techniques and/or repeated unreasonably contested claims in violation of Section 359(2)" of the WCA by failing to:
 - (a) File or timely file forms with the Board;
 - (b) Pay or timely pay benefits; and
 - (c) Pay benefits accurately.

The Company agreed to pay a civil penalty of \$7,500 based on the violation of 39-A M.R.S. § 359(2).
8. On August 25, 2014, the Board certified these findings to the Superintendent as required by 39-A M.R.S. § 359(2).

II

MAINE LAW

9. 39-A M.R.S. § 359(2) provides in part that:

[T]he [workers' compensation] board ... 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 ... shall certify its findings to the Superintendent of Insurance, who shall take appropriate action so as to bring any such practices to a halt.

III

CONCLUSIONS OF LAW

10. The Company violated 39-A M.R.S. § 359(2) by engaging in a pattern of questionable claims-handling techniques through July 31, 2013.
11. The Superintendent must take appropriate action to bring to a halt the practices certified by the Board.
12. This Agreement constitutes appropriate action under 39-A M.R.S. § 359(2).

IV

COVENANTS

13. **Compliance and Assignment.** The Company shall comply with each provision of this Agreement. The Company's obligations under this Agreement are enforceable as orders of the Superintendent. The Company may not assign, delegate or transfer this Agreement or any of the Company's rights and duties hereunder, without the Superintendent's prior written consent, which may be exercised in his sole and absolute discretion. Any assignment, delegation or transfer without the Superintendent's consent shall be void. This paragraph does not affect any third-party administrator ("TPA") contracts entered into in the normal course of business.
14. **Section 359(2).** The Company shall bring to a halt the pattern of questionable claims-handling techniques.
15. **Handling of Maine Claims.** In order that Company claims may be handled by persons with sufficient knowledge and experience to meet the requirements of the WCA, the Company shall take the following steps:
- (a) *Maine Claims Handling.* The Company shall minimize, to the extent consistent with proper claims handling, the number of different persons assigned to handle WCA claims while this Agreement is in effect.
 - (b) *Maine Claims Supervisor.* The Company shall designate an officer to manage the handling of all WCA claims ("Claims Manager") and may in addition designate a second officer to serve as a backup if the Claims Manager is unavailable. The Company shall notify the Superintendent of the names and business contact information of the Claims Manager and any back-up officer within 30 days of the effective date of this Agreement. The Company shall notify the Superintendent

when it replaces a Claims Manager or back-up officer.

- (c) *Board Training.* The Claims Manager, back-up officer and any Company employee who handles WCA claims shall have one Board-conducted or Board-approved quarterly training each year. This requirement shall also apply to the employees of any TPA working on behalf of the Company. The Company shall certify to the Superintendent the completion of each training session within 30 days after it has been completed.

The Company shall require the Claims Manager or back-up officer to review and approve all of the Company's claims-handling activities subject to the WCA, to establish and maintain, while this Agreement is in effect, a log of all reviews and approvals, and to implement the written procedures adopted as required in paragraph 16 below.

This paragraph shall not be construed to limit the Company's authority to make personnel decisions (promotion, termination, transfer, etc.) as it sees fit.

16. **Written Procedures.** The Company shall adopt and implement written procedures to ensure that all claims for benefits under the WCA are paid in compliance with Maine law.

- (a) At a minimum, the Company's written procedures must include plans for:
- i. successful completion of the Board's EDI transaction testing requirements for lost time/indemnity claims;
 - ii. ensuring compliance with the benchmarks in Exhibit A;
 - iii. hiring and retaining supervisory and front-line individuals experienced in handling WCA claims;
 - iv. training in-house and TPA claims personnel on the provisions of the WCA concerning derivation of benefit levels from average weekly wages and accuracy of indemnity payments;
 - v. advising policyholder employers to cooperate in, and providing guidance to policyholder employers with respect to, meeting the reporting requirements of the WCA;
 - vi. ensuring that TPAs working on behalf of the Company comply with the requirements of the WCA;
 - vii. maintaining claims payment standards through ongoing internal and TPA education and supervision and policyholder employer advice and guidance; and
 - viii. implementing adequate claim review procedures, to include monitoring the accuracy and timeliness of WCB form filings and benefit payments.
- (b) The Company shall provide a copy of the adopted written procedures to the Superintendent, with a copy to the WCB Deputy Director, MAE Division, within 30 days of the effective date of this Agreement.
- (c) Should the Superintendent at any time identify any concerns with the Company's written procedures or the implementation thereof, the Company shall address those concerns to the Superintendent's satisfaction.

17. **Self-Audit.** In order to demonstrate that it has brought the pattern of questionable claims-handling techniques to a halt, the Company shall conduct, and provide to the

Superintendent a report of (the "Self-Audit Report"), a quarterly self-audit of all WCA indemnity and medical benefits claim activity as described below:

- (a) The self-audit period shall start on July 1, 2015 and end on June 30, 2017 ("Self-Audit Review Period"), shall apply to all claims with dates of injury on or after January 1, 1993 and shall measure compliance during the Self-Audit Review Period with the benchmarks in Exhibit A.
- (b) The Company shall deliver each Self-Audit Report to the Superintendent and the WCB Deputy Director, MAE Division, within 30 days after the end of the applicable period. The Company shall deliver the Self-Audit Reports quarterly, unless in his sole and absolute discretion the Superintendent allows a less frequent schedule. Each report shall be an Excel spreadsheet, formatted as shown in Exhibit A, and contain the following data, safe-guarded in accordance with the WCA, for each claim: the Board number, if known; the claimant's Social Security number (general format, no dashes); the claimant's last and first name (in that order); the date of injury; the Company claim number; and the TPA, if any.
- (c) Within 45 days after receiving each Self-Audit Report, the Superintendent may call a meeting with the Company to discuss the report's results. Failure to call this meeting shall not waive any of the Superintendent's or the Attorney General's rights under this Agreement. The Company shall direct the person(s) responsible for the self-audit to attend any such meeting.
- (d) The Company shall deliver with the last Self-Audit Report (the "Final Self-Audit Report") a certification in the form attached as Exhibit B, attesting to the accuracy of all claims performance audit information required under this Agreement. When the Company files the Final Self-Audit Report, and at other times as the Superintendent may direct, the Company shall provide a report on its implementation of the written procedures.
- (e) The Company shall deliver, upon the Superintendent's request, any and all work papers and documents, in any format, in its possession, custody or control, for the Superintendent to review any Self-Audit Report. The Company shall compile such information in an electronic format acceptable to the Superintendent.

18. **Look-Back Review.** In order to demonstrate that it has identified and corrected any underpaid indemnity, the Company shall, for the period starting August 1, 2013 and ending on June 30, 2015:

- (a) review the indemnity claims with dates of injury on or after January 1, 1993 presented to the Company under the WCA, their incapacity periods, and indemnity benefits, penalties and interest originally paid thereon;
- (b) recalculate the indemnity to ensure their compliance with the WCA;
- (c) pay to the appropriate claimants any underpaid indemnity, plus the penalties and interest provided for in the WCA, and file with the Board such related forms as the WCA requires; and
- (d) deliver to the Superintendent and the Deputy Director, MAE Division, by the date the Company must deliver the Final Self-Audit Report, an Excel spreadsheet report listing each claim so reviewed (the "Look-Back Report"). The Look-Back

Report shall contain the following data, safeguarded in accordance with the WCA, for each claim:

- i. the Board number, if known;
 - ii. the claimant's Social Security number (general format/no dashes);
 - iii. the claimant's last and first name (in that order);
 - iv. the date of injury;
 - v. Company name and claim file number;
 - vi. the incapacity periods;
 - vii. the amount of indemnity originally paid;
 - viii. whether or not the claim was settled under 39-A M.R.S. § 352 (Y or N) and the date of such settlement;
 - ix. the amount of underpaid indemnity paid as a result of the review;
 - x. the amount of penalties paid after review;
 - xi. the amount of interest paid after review; and
 - xii. the name of the person conducting the review.
- (e) The Company shall deliver with the Look-Back Report a certification attesting to the accuracy of all information in the report, in the form attached as Exhibit B.
- (f) This paragraph shall not apply to any (i) claim activities that are subject to the audits described in paragraph 17, (ii) claims discharged under 39-A M.R.S. § 352, (iii) claim activities that were previously audited by the Board and subsequently corrected by the Company or TPA or found not to need correction, or (iv) claims activities that are the subject of a look-back and reporting provision in a consent agreement to which the Bureau and a TPA working on behalf of the Company were party.
- (g) The Company shall also deliver, upon the Superintendent's request, any and all work papers and documents, in any format, in its possession, custody or control, for the Superintendent to review the Look-Back Report. The Company shall compile such information in an electronic format acceptable to the Superintendent.

19. Penalty.

- (a) Should the Superintendent determine that (i) the Company did not meet or exceed any one or more benchmarks in Exhibit A during the paragraph 17 Self-Audit Review Period or (ii) the Company failed to identify and correctly pay claims subject to review pursuant to paragraph 18 prior to the submission of the Company's Look-Back Report, such that there is a 7% or greater error ratio by the Company in identifying and correctly paying previously underpaid indemnity (including any penalties or interest due thereon pursuant to the WCA), the Superintendent may impose a civil penalty up to Fifty Thousand Dollars (\$50,000), and the Company shall deliver the penalty to the Superintendent within 30 days of receiving the determination.

- (b) The Superintendent may delegate to a third-party auditor all or any part of the review of the Final Self-Audit Report or Look-Back Report and the authority to request any papers and documents under paragraph 17 or paragraph 18.
 - (c) The Superintendent shall have twelve (12) months after receiving the last of the Final Self-Audit Report, Look-Back Report, and any papers and documents responding to a request by the Superintendent under paragraph 17 or paragraph 18 to make the determinations under this paragraph.
 - (d) The Superintendent's actions under this paragraph will be in his sole and absolute discretion. In exercising that discretion, the Superintendent may, when determining the amount of the civil penalty, take into account (i) the number and relative significance of the benchmarks that the Company missed and (ii) the Company's overall compliance with the benchmarks, (iii) the size of the claim population audited or examined under the terms of this paragraph and (iv) other mitigating factors deemed relevant to the Superintendent.
 - (e) Any action that the Superintendent takes under this paragraph will have resulted from the Company's continued failure through the last date that it delivers the Final Self-Audit Report, Look-Back Report or papers and documents responding to a request by the Superintendent under paragraph 17 or paragraph 18, to halt the pattern of questionable claims-handling techniques established by the Consent Decree.
 - (f) In taking action under this paragraph, the Superintendent may rely on the Self-Audit Reports, the Look-Back Report, and any papers or documents responding to the Superintendent's request, as conclusive evidence of the fact and extent of such failure.
 - (g) Any action taken under this paragraph will not limit further measures, penalties or remedies that the Superintendent or the Attorney General may impose or seek under paragraph 30 below.
 - (h) Should the Superintendent determine after review of the Self-Audit Report and Look-Back Report that grounds exist for action against the Company pursuant to 24-A M.R.S. § 417, he may notice an adjudicatory hearing in accordance with that section. Any such proceeding shall be limited in scope to considering whether the Company's certificate of authority should be suspended or revoked. Notwithstanding paragraph 25 below, in such a proceeding, the Company is entitled to all hearing and appeal rights set forth in Title 5, Chapter 375.
20. **Resolution of the Certification.** The Superintendent's authority over the Company pursuant to 39-A M.R.S. § 359 does not expire upon completion of the Company's obligations under this Agreement, but remains in effect until the Superintendent determines that the Company has brought its questionable claims handling techniques to a halt.
21. **Additional Civil Penalties.** If the Company fails to deliver any certification or report required under this Agreement within 14 days of the certification's or report's deadline, the Superintendent may in his sole and absolute discretion impose an additional civil penalty of \$500 for each failure and for each week thereafter until the late certification or report is delivered.

22. **Costs.** The Company shall pay, as provided by law, the Superintendent's reasonable costs and expenses of monitoring its compliance with, and enforcing the Company's obligations under, this Agreement.
23. **Recoupment.** The Company shall not recoup any payments of refunds, interest, or civil penalties made under this Agreement or any costs associated with complying with this Agreement in any future rate adjustments.
24. **Third-Party Administrators.** The Company shall ensure that TPAs working on its behalf comply with the WCA and this Agreement. The Company acknowledges its responsibility for the actions of its TPAs.

V

MISCELLANEOUS

25. **Waiver.** The Company waives:
 - (a) formal hearing in this matter;
 - (b) its right to appeal from this Agreement;
 - (c) objection to or appeal from any action that may be taken by the Superintendent or the Attorney General pursuant to this Agreement, including but not limited to the imposition of the penalties or suspension specified in paragraph 17 and paragraph 18; and
 - (d) objection to the Board's release to the Superintendent and the Attorney General of "audit working papers," as defined in Section 153 of the WCA, related to any audit of the Company and, in connection with this waiver, to the use of such papers by the Superintendent and Attorney General for purposes related to the implementation and enforcement of this Agreement.
26. **Public Record.** The Company acknowledges that this Agreement is a public record within the meaning of 1 M.R.S. § 402 and will be available for public inspection and copying as provided for by 1 M.R.S. § 408, and will be reported to the Regulatory Information Retrieval System database at the National Association of Insurance Commissioners.
27. **Advice of Counsel.** The Company understands that it has the right to consult with counsel before executing this Agreement.
28. **Bound Parties.** This Agreement does not bind any person or entity not a party to this Agreement, or limit the Superintendent's ability to seek any available legal remedy for alleged or actual violations of the WCA or the Maine Insurance Code against any Company affiliate or subsidiary not a party to this Agreement or against any entity from which the Company obtains WCA claims administrator services.
29. **Superintendent's Discretion.** Nothing in this Agreement shall limit the ability of the Superintendent, in his sole and absolute discretion, in order to determine whether the Company has brought to a halt all violations of 39-A M.R.S. § 359(2) established by the Consent Decree, to investigate the:

- (a) handling of the Company's indemnity claims having dates of injury after July 31, 2013;
 - (b) accuracy of the self-audit quarterly review described in paragraph 17; or
 - (c) accuracy of the indemnity claim review described in paragraph 18.
30. **Further Measures.** The purpose of the self-audit quarterly review described in paragraph 17 and the indemnity claim review described in paragraph 18 is to bring to a halt the violations established by the Consent Decree. Therefore, in consideration of the Company's execution of this Agreement, the Superintendent and the Attorney General agree that paragraph 19 sets forth all disciplinary measures to which the Company may be subject under the Maine Insurance Code for the claims activities subject to review under paragraphs 17 and 18. However, the Superintendent or the Attorney General may pursue any available legal remedy, including without limitation imposition of additional civil penalties and the limitation, suspension or revocation of workers' compensation authorities issued to the Company by the Superintendent should the Company:
- (a) engage in conduct that violates 39-A M.R.S. § 359(2) after the end of the period of the paragraph 17 and paragraph 18 reviews;
 - (b) violate any provision of this Agreement except as described in and governed by paragraph 19; or
 - (c) otherwise violate Maine law.
31. **Effective Date.** The effective date of this Agreement is the date entered in the Superintendent's signature line below.
32. **Modification.** This Agreement may be modified only by the written consent of all parties.

[THE REMAINDER OF THIS PAGE IS LEFT BLANK INTENTIONALLY]

Date: June 22, 2015

GUARANTEE INSURANCE COMPANY

By: *Eric S. Dawson*
Its: ERIC S. DAWSON
SVP / COUNSEL
Printed Name and Title

Subscribed and sworn to before me this 22ND day of JUNE, 2015.

Jessica V. Willis
Notary Public
Jessica V. Willis
Printed name
10/31/2015
Date commission expires



Dated: June 24, 2015

OFFICE OF THE MAINE ATTORNEY GENERAL

Jonathan R. Bolton
Jonathan R. Bolton
Assistant Attorney General

Effective Date: June 25, 2015

MAINE BUREAU OF INSURANCE

Eric A. Cioppa
Eric A. Cioppa
Superintendent

Exhibit A

Form of Self-Audit Worksheet

Timeliness of Form Filing									Timeliness of Indemnity Benefits				Accuracy of Indemnity and Medical Benefits				
	FROI	Wage Statement (WCB-2)	Schedule of Dependents (WCB-2A)	WCB-2B (Fringe Benefit Worksheet)	MOP (WCB-3 or -4A)	Modification/Reduction (WCB-4, -4A or -8)	Discontinuance (WCB-4, -4A or -8)	WCB-11 File	Initial Indemnity	Subsequent Indemnity	Payment of Medical Bills	Payment of Approved Agreements, Orders, Decisions	Average Weekly Wage	Weekly Benefit Rate	Partial	Indemnity Paid	Medical Paid
Bench- mark (%)	85	75	75	75	85	90	75	80	87	87	85	90	80	75	75	75	85
qq/yy (#/# xx%)																	
qq/yy																	
qq/yy																	
qq/yy																	

Exhibit B

Form of Certification

IN RE:

Guarantee Insurance Company

)
)
) AFFIDAVIT OF
) CORPORATE OFFICER
)
)
) Docket No. INS-15-100
)
)

The undersigned, being duly sworn, says:

1. Terms used but not defined in this affidavit shall have the meanings given them in the Consent Agreement entered into between the above Company, the Superintendent and the Attorney General under Bureau docket number INS-15-100.

2. I have read and understand the Consent Agreement and exhibits attached thereto.

3. I understand that the Board and Bureau may rely on the truthfulness of the information contained in and materials attached to this affidavit and that the truthfulness of this information is material to the ability of the Superintendent and the Board to evaluate the Company's compliance with the Consent Agreement.

4. I have read the materials attached to this affidavit. They accurately and completely summarize the information contained therein, as required by [paragraph 17/paragraph 18] of the Consent Agreement.

5. I hold the position identified below and have obtained all necessary authority from the Company to give this affidavit on its behalf in connection with the proceedings undertaken as Bureau Docket No. INS-15-100.

(name typed or printed)

(position typed or printed)

(company name typed or printed)

Acknowledgement

State of _____

County of _____

Personally appeared before me on _____, 20__, the above named _____ and, being duly sworn, affirmed that this affidavit is based upon his or her personal knowledge and is true and correct.

Before me,

Notary Public/Attorney-at-Law

[seal]

Printed Name: _____

My Commission Expires: _____