

**Market Conduct Examination**  
**Cambridge Integrated Services, Inc.**

**P.O. Box 9607**  
**Providence, RI 02940**

**Examination Period:**  
**1/1/06 - 12/31/06**

**STATE OF MAINE**

***BUREAU OF INSURANCE***

***IT IS HEREBY CERTIFIED THAT THE ANNEXED REPORT OF  
EXAMINATION FOR***

**Cambridge Integrated Services, Inc.**

has been compared with the original on file in this bureau and that it is a correct transcript thereof and of the whole of said original.

***IN WITNESS WHEREOF,***

I have hereunto set my hand and affixed the official seal of this Office at the City of Augusta this  
\_\_\_\_ day of July, 2007

---

Eric A. Cioppa  
Acting Superintendent  
Bureau of Insurance

I hereby certify that the attached report of a targeted market conduct examination dated May 25, 2007 shows the condition and affairs of Cambridge Integrated Services, Inc., as described in the scope of examination section of the report and has been filed in the Bureau of Insurance as a public document.

This report has been reviewed.

---

Kendra Godbout  
Director Financial Analysis

This \_\_\_\_ day of, July, 2007

Contents

HISTORY OF ENGAGEMENT ..... 4
SCOPE OF EXAMINATION ..... 5
METHODOLOGY ..... 5
STANDARDS..... 5
Standard G-4 The Company responds to claim correspondence in a timely manner. .... 5
Standard G-3 Claims are resolved in a timely manner. .... 6
Standard G-5 Claim files are adequately documented..... 6
APPLICATION OF TESTS ..... 7
TEST 1: Verify the timely filing of the following forms with the Workers' Compensation Board in accordance with the applicable Statute, Rules & Regulations, or Protocol: ..... 7
TEST 2: Verify that initial and subsequent indemnity payments were made in accordance with 39-A M.R.S.A. § 205 (2)..... 7
TEST 3: Verify that the average weekly wages are calculated accurately and the subsequent indemnity payments are calculated accurately for both total and partial incapacity. .... 8
1) Comment: ..... 8
Recommendation:..... 8
2) Comment: ..... 9
Recommendation:..... 9
3) Comment: ..... 9
Recommendation:..... 10
4) Comment: ..... 10
Recommendation:..... 10
CONCLUSION..... 10
ACKNOWLEDGMENT..... 10

May 25, 2007

The Honorable Eric A. Cioppa  
Acting Superintendent of Insurance  
State Of Maine  
Bureau of Insurance  
State House Station #34  
Augusta, ME 04333

Dear Sir:

Pursuant to the certification of findings in accordance with 39-A M.R.S.A § 359(2) from the State of Maine Workers' Compensation Board (WCB) and under the authority of 24-A M.R.S.A. § 221 and in conformity with your instructions, a targeted market conduct examination has been made of:

**Cambridge Integrated Services, Inc.**

**(NAIC Entity No. 957425)**

hereinafter referred to as the "Company". The examination covered indemnity claims that were open between January 1, 2006 to December 31, 2006, for employees residing in the State of Maine or claimants involved in losses in the State of Maine. The onsite phase of the examination was conducted at the offices of the Company servicing Maine businesses located at:

**Cambridge Integrated Services, Inc.**

**1420 Mineral Springs Avenue**

**North Providence, R.I. 02904**

The following report is respectfully submitted.

**HISTORY OF ENGAGEMENT**

Pursuant to 39-A M.R.S.A. § 153(9), the WCB established an audit, enforcement and monitoring program. The functions of the audit and enforcement program include but are not limited to auditing timeliness of payments and the claims-handling practices of insurers including the requirements of 39-A M.R.S.A. § 359. The WCB audited year 2003 claims and reported its results in a Compliance Audit Report dated May 31, 2005. Findings outlined in the audit report included non-filing of forms, late and inaccurate filing of forms, and untimely and inaccurate indemnity payments. The WCB determined that the pervasiveness and magnitude of the findings

constituted a pattern of questionable claims-handling techniques. In August 2005, the WCB and the Company entered into a Consent Decree establishing the patterns of questionable claims-handling techniques and assessing fines therefore.

In accordance with 39-A M.R.S.A. § 359(2), the WCB certified the audit findings to the Superintendent of Insurance. Section 359(2) requires the Superintendent of Insurance to take appropriate action to bring such practices to a halt.

## **SCOPE OF EXAMINATION**

In order to meet the statutory responsibilities of the Superintendent of Insurance, a determination as to whether or not the “pattern of questionable claims-handling techniques” found by the WCB still exists is in order. The examination was conducted in accordance with Title 24-A M.R.S.A. and the National Association of Insurance Commissioners (NAIC) Market Conduct Examiners’ Handbook and Guidelines (the “Handbook”) for purposes of sample determination and overall guidance. Specific procedures from the Handbook that apply to verifying the Company’s compliance with certain form filing and claim processing procedures, as outlined in Title 39-A M.R.S.A. and the WCB Rules and Regulations, were used as part of this examination. Specifically, the scope of the examination consisted of reviewing all indemnity claims that were open during the examination period of January 1, 2006 thru December 31, 2006 and had dates of injury on or after January 1, 1993, to determine if all Workers’ Compensation Board forms were filed timely and accurately and if indemnity claims were paid in a timely and accurate manner.

## **METHODOLOGY**

Company records indicated a total of 43 open lost time claims between January 1, 2006 and December 31, 2006. All of these claims were reviewed. In addition, the Company took over the Maine workers’ compensation book of business from Gates McDonald Company effective November 1, 2006. There were a total of 5 indemnity claims from this group in the last two months of 2006. All five files were included in the review. Five of the files reported by the Company were underwritten by Arch Insurance Company. These five files were reviewed but will be reported on in the Report of Examination for Arch Insurance Company.

## **STANDARDS**

The following standards were applied and tested through review of the selected claims. All references are from either Title 39-A M.R.S.A., WCB Rules and Regulations or WCB Protocols of the Monitoring, Audit & Enforcement Division. The specific Handbook standards and tests developed by the examiners are outlined in this section.

### **Standard G-4**

**The Company responds to claim correspondence in a timely manner.**

**Test Step 1:** Determine if correspondence (e.g. WCB forms) related to claims is responded to (filed) as required by applicable statutes, rules, regulations or protocols.

WCB-1, First Report of Injury	39-A M.R.S.A. § 303 Rules & Regs, Ch 8 § 13
WCB-2, Wage Statement	39-A M.R.S.A. § 303
WCB-2A, Schedule of Dependent(s) And Filing Status	39-A M.R.S.A. § 303
WCB-3, Memorandum of Payment	Rules & Regs, Ch 1 § 1.1
WCB-4, Discontinuance or Modification of Compensation	Rules & Regs, Ch 8 § 11
WCB-4A, Consent Between Employer and Employee	Rules & Regs, Ch 8 § 18
WCB-8, (21 Day) Certificate of Discontinuance or Reduction of Compensation	39-A M.R.S.A. § 205 (9)
WCB-9, Notice of Controversy (NOC)	Rules & Regs, Ch 1 § 1.1
WCB-11, Statement of Compensation Paid	Rules & Regs, Ch 8 § 1

Standard G-4 establishes a general framework for the timely correspondence of claim documentation. Failure to file any WCB forms within established time frames is a violation of 39-A M.R.S.A. § 360(1)(A) or (B).

### **Standard G-3**

**Claims are resolved in a timely manner.**

**Test Step 2:** Determine if initial and subsequent claim payments are made in a timely manner.

Standard G-3 establishes a general framework for the timely settlement of claims in accordance with 39-A M.R.S.A. § 205(2).

### **Standard G-5**

**Claim files are adequately documented.**

**Test Step 3:** Determine if quality of the claim documentation (e.g. wage statements, schedule of dependents and filing status) is sufficient to support or justify the ultimate claim determination (**accuracy of payment**) and meets state requirements.

Standard G-5 establishes a general framework for the adequacy of claim file documentation to correctly calculate claim payments in accordance with 39-A M.R.S.A. § 212, § 213 and § 215.

## APPLICATION OF TESTS

This section outlines the application of the tests to the claims selected. The results of testing those open indemnity claims during the examination period are delineated in the following tables:

### TEST 1: Verify the timely filing of the following forms with the Workers' Compensation Board in accordance with the applicable Statute, Rules & Regulations, or Protocol:

	Form Type	Filed Timely	Not Filed Timely	Not Filed	N/A	% In Compliance	2003 Audit (A)
Test	WCB-1	5	7 (B)	0	31	41.7%	43%
Test	WCB-2	5	4 (C)	0	34	55.5%	17%
Test	WCB-2A	4	5 (D)	0	34	44.4%	0%
Test	WCB-3	6	2 (E)	0	35	75.0%	25%
Test	WCB-4	5	0	1	37	83.3%	88%
Test	WCB-8	1	0	1	41	50.0%	50%
Test	WCB-9	2	1	0	40	66.7%	50%
Test	WCB-11 First	4	3 (F)	1	35	50.0%	
Test	WCB-11 Annual/Final	10	4	7	22	47.6%	

(A) - For comparative purposes, these compliant percentages are taken from the WCB Compliance Audit Report conducted on 2003 data.

(B) - Five of the 7 were filed late due to the Employer not notifying the Company in a timely manner.

(C) - Two of the four were filed late due to the Employer not notifying the Company in a timely manner.

(D) - Two of the five were filed late due to the Employer not notifying the Company in a timely manner.

(E) - Two were filed late due to the Employer not notifying the Company in a timely manner.

(F) - One of the three was filed late due to the Employer not notifying the Company in a timely manner.

### TEST 2: Verify that initial and subsequent indemnity payments were made in accordance with 39-A M.R.S.A. § 205 (2).

	Paid Timely	Not Paid Timely	N/A	% In Compliance	2003 Audit
Initial Payment	4	2	37	66.6%	36%
Subsequent Payments	219	57		79.3%	82%

**TEST 3: Verify that the average weekly wages are calculated accurately and the subsequent indemnity payments are calculated accurately for both total and partial incapacity.**

	Calculated Correctly	Calculated Incorrectly	NA	% of Compliance	2003 Audit
<b>Average Weekly Wage (AWW)</b>	14	5	24	73.7%	55%

	Paid Accurately	Not Paid Accurately	N/A	% In Compliance	2003 Audit
<b>Partial &amp; Total Indemnity Payments</b>	10	8	25	55.5%	27%

Numbers in this table represent number of claims rather than each specific calculation or payments. “Not Paid Accurately” represents 8 claim files where one or more payments were not made accurately.

In reviewing the information contained in this report, it is important to keep in mind the WCB’s benchmarks for routine monitoring of claims. The benchmark for timely initial indemnity payments is 80% compliance and for timely filing of memorandum of payments (WCB-3) the benchmark is 75% compliance.

**COMMENTS AND RECOMMENDATIONS**

**1) Comment:**

Test #1 was designed to determine compliance with Title 39-A’s form filing requirements. As shown in the Test #1 table, while there has been improvement in the timely filing of certain required forms, the overall compliance ratio is still at unacceptable levels. It should be noted at this point that there was an unusually high number of occurrences where the employer failed to communicate the lost time situations in a timely manner. This resulted in late filings of one or more of the require forms. If those errors had been removed from the population, compliance percentages would have increased an average of 19% for the five forms affected. In particular, the WCB’s benchmark for filing WCB-3s would have been met with a ratio of 83.3%.

**Recommendation:**

It is recommended that the Company develop additional protocols and procedures to emphasize to the employers the need to notify the Company in a timely manner of loss time occurrences so required forms may be filed within allowed time limits. Meeting with employers on a regular basis to explain Workers’ Compensation Act processes and to monitor employer compliance



with reporting requirements, should be considered.

It is recommended that the Company continue to train and monitor its adjusting staff to ensure an adequate understanding of Maine requirements for timely filing of WCB forms. The Company is currently utilizing a checklist provided by the Board's Monitoring Division as well as evaluating an internally created checklist. It is highly recommended that some form of checklist continue to be utilized to assist adjusters in tracking the timely filing of required forms.

## **2) Comment:**

Test #2 was designed to determine compliance with Title 39-A requirements for timely payment of initial and subsequent benefits. The percentage of compliance for initial payments made timely has almost doubled from the 2003 WCB audit but is still at an unacceptable level. Compliance concerning subsequent payments has maintained approximately the same level as the 2003 WCB audit.

The primary test applied to subsequent payments is the time period between indemnity payment checks. Section 205 (2) of Title 39-A states in part that "[s]ubsequent incapacity payments must be made weekly and in a timely fashion." The Board interprets this to mean that such payments must be at 7-day intervals. However, the fact that two payments are more than 7 days apart does not automatically indicate a break in the stream of benefits. For example, if the insurer pays one week's benefits early because of a holiday and resumes its normal payment schedule the following week, the second payment will be more than seven days after the previous. If the insurer paid all benefits due for these periods, there was no benefit interruption notwithstanding the payment schedule change. By far, the majority of the errors noted under subsequent payments were of this type.

## **Recommendation:**

It is recommended that the Company continue to develop and implement policies and procedures to ensure that claims adjusters are aware of WCB payment requirements and that managers monitor performance regularly to ensure compliance. Steps that the Company might take to ensure compliance with the law include training both senior and new claims personnel on the provisions of Title 39-A. Relevant topics include calculation of average weekly wages, derivation of benefit levels from average weekly wages, indemnity payment, and completing and filing relevant forms with the WCB; maintaining claims payment standards through ongoing staff education and supervision; and auditing claims payments through the Company's internal performance management audit program in order to assess employee understanding of claims payment under, and compliance with, Title 39-A.

## **3) Comment:**

Test #3 was designed to verify accurate calculation of the average weekly wage and determine if indemnity payments were calculated accurately for both total and partial incapacity. While this category showed marked improvement from the 2002 WCB Compliance Audit Report, the compliance level is still unacceptably low. Incorrect payments resulted from various errors, including:

- Incorrect calculation of average weekly wage
- Applying benefits tables incorrectly

**Recommendation:**

It is recommended that the Company implement policies and procedures to ensure that claims adjusters understand Title 39-A and WCB regulations and that managers monitor performance regularly to ensure compliance with Maine law.

**4) Comment:**

As a routine part of all market conduct examinations, license status for all individuals and entities are verified. It was noted that the company called Future Comp was processing Maine claims as a Third Party Administrator. FutureComp is not licensed in Maine in any capacity. At least one adjuster, Neelam Khera, is currently licensed as a non-resident adjuster, but the records indicate that the individual is employed by Banknorth Insurance Agency Inc. MA.

**Recommendation:**

The Company needs to insure that all individuals and entities that process Maine claims on behalf of or affiliated with Cambridge Integrated Services are properly licensed in Maine.

**CONCLUSION**

This examination reviewed all workers' compensation indemnity claims for Maine employees that were open during the period of January 1, 2006 thru December 31, 2006 and had dates of injury occurring on or after January 1, 1993. While there has been an improvement in the areas of concern, adequate levels of compliance have not been reached. The Company must continue to improve the weak areas and maintain those performance levels that do meet compliance requirements. It must also do a better job of communicating to employers their need to cooperate in meeting the filing requirements of the Workers' Compensation Act.

**ACKNOWLEDGMENT**

The courtesy and cooperation extended by the officers and employees of the Company during the course of the Examination is hereby acknowledged. The Examination was conducted and is respectfully submitted by the undersigned.

STATE OF MAINE

COUNTY OF KENNEBEC, SS

Van E. Sullivan, being duly sworn according to law, deposes and says that in accordance with the authority vested in him by Eric Cioppa, Acting Superintendent of Insurance, pursuant to the Insurance Laws of the State of Maine, he has made an examination on the condition and affairs of the

**Cambridge Integrated Services, Inc.**

As described in the scope of examination section of the report, subscribed to by him, is true to the best of his knowledge and belief.

The following examiners from the Bureau of Insurance assisted:

- Paul C. Greenier
- Carolee B. Nichols

---

Van E. Sullivan  
Market Conduct Division Supervisor

Subscribed and sworn to before me  
This \_\_\_\_ day of August 2007

---

Notary Public  
My commission expires: