

10-15-1997

Maine Workers' Compensation Board Actuarial Review

Advanced Risk Management Techniques, Inc

Maine Workers' Compensation Board

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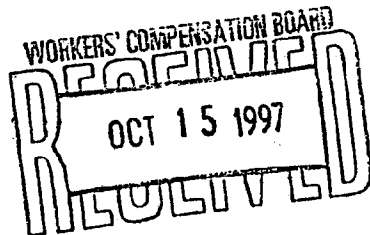
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ADVANCED RISK MANAGEMENT TECHNIQUES, INC.

**MAINE
WORKERS' COMPENSATION BOARD**

**ACTUARIAL REVIEW
39-A M.R.S.A. §213**



October 14, 1997

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Independent Consultants

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ADVANCED RISK MANAGEMENT TECHNIQUES, INC.

October 14, 1997

Client 415-013

State of Maine
State Office Building
27 State House Station
Augusta, Maine 04333-0027

Attn: Mr. Paul Dionne
Director of Benefits Administration

ACTUARIAL REVIEW 39-A M.R.S.A. §213

We have completed our actuarial review of 39-A M.R.S.A. §213. This report contains our conclusions and the details of our analysis.

This report is intended for the sole use of the Maine Workers' Compensation Board for the specific items listed in the Scope of Work. Use of this report by other entities is disclaimed.

Please call me at (714) 472-8324 if you have any questions or comments. We appreciate the opportunity to work with you on this interesting assignment.

Respectfully submitted,

ADVANCED RISK MANAGEMENT TECHNIQUES, INC.

By _____
Steven A. Glicksman, FCAS, MAAA
Principal & Director of Actuarial Services

SAG:arm
C:\MMISC4\Maine-WC.10-14

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I. EXECUTIVE SUMMARY

The Maine Workers' Compensation Board (the Board) has requested Advanced Risk Management Techniques, Inc. (ARM Tech) to perform an actuarial review of the permanent impairment (PI) threshold and adjust the indemnity benefit duration as described in 39-A M.R.S.A. §213.

The PI threshold is important in that injured workers above the threshold are eligible for workers' compensation benefits beyond 260 weeks. Injured workers that fall below the PI threshold are not (without the special discretion of the Board).

The 260-week limitation of indemnity benefits for injured workers falling below the PI threshold is subject to an extension of up to 520 weeks (maximum). The impetus for the extension is the Board's finding that the frequency of such cases is not greater than the national average.

PI Threshold

We have calculated the PI threshold effective January 1, 1998 to be 12%. Injured workers with 12% or greater PI ratings should be eligible for extended benefits.

Based on historical reported claims, we project 1,289 PI claims will be reported in 1997. The PI threshold is such that the 25% most severely injured workers are above the threshold. Therefore, about 323 injured workers are eligible for extended indemnity benefits.

We are sensitive to the fact that the receipt of the extended indemnity benefits is a very important issue to individual injured workers. However, in perspective, the aggregate statewide cost difference to employers and insurers of a 1% variance in the PI threshold is modest. Lowering or raising the PI threshold by 1% may only impact a few dozen injured workers annually.

Recommend Changes in Data Collection

39-A M.R.S.A §213 (2) is very specific in that it calls for the actuarial review to include an analysis of all claims receiving a PI rating. The data has not been collected or compiled because:

- There is no administrative process to determine whether an injured worker or employer should obtain a PI rating. 39-A M.R.S.A §213 does require a PI rating be determined.
- In the absence of an administrative process, only the workers with the most severe injuries would have reason to get a PI rating. It would have been meaningless to collect and compile these statistics as they would have been based on only severely injured workers.

As such, there is incomplete data for claims with injury dates October 17, 1991 to December 31, 1992 and no data for claims with injury dates January 1, 1993 and subsequent. We recommend a remedy to the situation to be in compliance with 39-A M.R.S.A §213.

We recommend:

- The State create an administrative process where a PI rating is determined for all permanently impaired claimants. The estimated cost of this requirement is roughly an additional \$536,250 per year at 1998 employment and cost levels.
- The Board revise Form WCB-11 to facilitate compliance with 39-A M.R.S.A §213. The estimated costs to revise WCB-11 are minimal.
- The Board be authorized to compile the data on WCB-11. We estimate the cost of this to be roughly \$50,000 per year at 1998 employment and cost levels.

Recommend Extending Maximum Benefit Duration

The impetus for the extension is whether the frequency of claims (payable under 39-A M.R.S.A §212 and 39-A M.R.S.A §213) is less than the national average. The extension is 52 weeks per year subject to a maximum of 520 weeks.

We recommend indemnity benefits not be extended in duration.

We compared the State to 42 other states. We found the State to have greater frequency of permanent and temporary indemnity claims than the median frequency of the 42 other states.

II. BACKGROUND

The Board has requested ARM Tech perform an actuarial review of the PI threshold and adjust the indemnity benefit duration as described in 39-A M.R.S.A. §213 (See Appendix A).

The PI threshold is important in that injured workers above the threshold are eligible for workers' compensation benefits beyond 260 weeks. Injured workers that fall below the threshold are not eligible (without the special discretion of the Board). Until December 31, 1997, the PI threshold is defined to be personal injury in excess of 15% of the body. There is to be an adjustment to the threshold effective January 1, 1998.

The adjustment of the threshold is such that 25% of the most severely injured workers are to be above the threshold (and eligible for workers' compensation benefits beyond 260 weeks). The other 75% of injured workers fall below the threshold (and are not eligible without the special discretion of the Board).

Finally, the 260-week limitation of benefits for injured workers below the PI threshold is subject to an extension of up to 520 weeks. The impetus for the extension is the Board's finding that the frequency of such cases is not greater than the national average. The costs of the extension are to be borne by the Employment Rehabilitation Fund (ERF).

III. SCOPE OF WORK

The broad scope of work is to perform an actuarial review of the permanent impairment threshold, as described in 39-A M.R.S.A. §213.

Our specific scope of work is detailed below:

1. **Calculate PI Threshold:** Calculate the PI threshold effective January 1, 1998.

39-A M.R.S.A §213 (2) calls for the actuarial review to calculate the PI threshold as of January 1, 1998. The PI threshold is such that the 25% most severely injured workers are to be above the threshold. The other 75% of injured workers fall below the PI threshold.

2. **Recommend Changes in Data Collection:** Recommend to the Board changes in data collection procedures.

39-A M.R.S.A §213 (2) is very specific in that it calls for the actuarial review to include an analysis of all claims receiving a PI rating. We will recommend to the Board changes in current data collection procedures to be in compliance, as warranted.

3. **Recommend Extending Maximum Benefit Duration:** Recommend to the Board whether PI benefits should be extended in duration.

The 39-A M.R.S.A §213 (4) calls for a possible extension in benefit duration (from the current maximum 260 weeks) for injured workers falling below the PI threshold. The impetus for the extension is whether the frequency of claims (payable under 39-A M.R.S.A §212 and 39-A M.R.S.A §213) is less than the national average adjusted for industry mix (as measured by the Unit Statistical Plan [USP]). The extension is 52 weeks per year subject to a maximum of 520 weeks.

IV. CONCLUSIONS

Our conclusions are:

1. **Calculate PI Threshold:** We have calculated the PI threshold effective January 1, 1998 to be 12%. Injured workers with 12% or greater PI ratings should be eligible for extended benefits.

The PI threshold is such that the 25% most severely injured workers are above the threshold. The other 75% of injured workers fall below the PI threshold.

Our conclusion is subject to the data issues discussed in Chapter V.

2. **Recommend Changes in Data Collection:** We recommend changes be made in data collection procedures.

39-A M.R.S.A §213 (2) is very specific in that it calls for the actuarial review to include an analysis of all claims receiving a PI rating. Currently, there is no administrative process to:

- Determine whether an injured worker or employer should obtain a PI rating. The only party interested in getting a PI rating is an injured worker with close to or greater than a 15% PI rating. This is because workers with a PI rating of greater than 15% are eligible for workers' compensation indemnity beyond 260 weeks.
- Collect and compile PI ratings for those injured workers and employers that have obtained them. Since only workers with PI ratings greater than 15% would have reason to get a PI rating, it would have been meaningless to collect and compile the statistics for purposes of compliance with 39-A M.R.S.A §213.

As such, there is incomplete data for claims with injury dates October 17, 1991 to December 31, 1992 and no data for claims with injury dates January 1, 1993 and subsequent. We recommend a remedy to the situation to be in compliance with 39-A M.R.S.A. §213.

First, we recommend the State create an administrative process for a PI rating to be determined for all permanently impaired claimants. The estimated cost of this requirement is roughly \$715,000 per year at 1998 employment and cost levels. The \$715,000 is based on approximately 1,300 reported PI ratings at \$550 per rating. The 1,300 PI ratings are based on historical figures. The \$550 per PI rating amount

is based on our informal discussions with the Board. About 25% of the \$715,000 is already being spent for those injured workers that have historically gotten PI ratings. So the additional costs are \$536,250 (\$715,000 less 25%). The actual costs may vary.

The second recommendation is that the Board revise Form WCB-11. The Board issues WCB-11 to injured workers, insurers and employers. Filing WCB-11 is already a requirement. It is our recommendation WCB-11 be revised to facilitate compliance with 39-A M.R.S.A §213.

A draft of WCB-11 is shown as Appendix B. We understand the adopted WCB-11 differs from the draft. Item 19 of draft WCB-11 asks for a PI rating pursuant to 39-A M.R.S.A. §213. Our recommendation is that Item 19 be expanded to include:

- Item 19 A - Is the injured worker permanently impaired?
- Item 19 B - If the answer to Item 19 A is yes, has the injured worker received a permanent impairment rating?

Note: 39-A M.R.S.A §213 requires all permanently impaired workers to obtain a permanent impairment rating.

- Item 19 C - If the answers to Item 19 A and Item 19 B are yes, what is the permanent impairment rating?

The estimated costs to revise WCB-11 are minimal.

The third recommendation is that the Board be authorized to compile the data on WCB-11. This may require an appropriation for additional clerical staff and/or an outside consultant. We estimate the cost of this to be roughly \$50,000 per year at 1998 employment and cost levels. The actual cost may vary.

3. **Recommend Extending Maximum Benefit Duration:** We recommend indemnity benefits not be extended in the duration.

The 39-A M.R.S.A §213 (4) calls for a possible extension in benefit duration (from the current maximum 260 weeks) for injured workers falling below the PI threshold. The impetus for the extension is whether the frequency of claims (payable under 39-A M.R.S.A §212 and 39-A M.R.S.A §213) is less than the national average adjusted for industry mix (as measured by the Unit Statistical Plan [USP]). The extension is 52 weeks per year subject to a maximum of 520 weeks.

We compared the State to 42 other states (including the District of Columbia). We found the State to have greater frequency than the median frequency of the 42 other states. The State was number 31 out of the 43 in the sample. Exhibit 3 details the analysis.

The analysis in Exhibit 3 does not strictly meet 39-A M.R.S.A §213 (4). This is because 39-A M.R.S.A §213 (4) calls for a frequency analysis using the national average adjusted for industry mix as measured by the USP. Using the national average adjusted for industry mix as measured by the USP is problematic. The following is a list of the more obvious reasons:

- In many states self-insureds, pools, captives and trusts are not required to submit data to rating organizations. Data for whole industries is often not collected.
- In several states employers may opt out of workers' compensation and adopt alternative indemnification plans. Data is different and often not collected.
- In most states there are several competing workers' compensation rating services. Some states have monopolistic programs. Each may have different coding plans.

Collection and analysis of the exact data prescribed by statute is beyond practicality, if it could be done at all. Although it does not address the above issues, we used the 1997 Statistical Bulletin issued by the National Council on Compensation Insurance (NCCI). The 1997 Statistical Bulletin provides the most current available frequency data by a participating state. We believe this to be a practical and reasonable alternative.

V. DATA SOURCE AND DATA ISSUES

A. DATA SOURCE

The data used in this actuarial review was provided by the Board and is contained in Appendix C. The Board compiled the data from WCB-11. WCB-11 contains amounts paid for PI. Based on the amount paid and the schedule in 39-A M.R.S.A. §56-B, the PI ratings were calculated. A brief synopsis (as prepared by the Board) of 39-A M.R.S.A. §56-B is:

1. Injuries from November 20, 1987 to October 16, 1991

In 1987, §56 and §56-A were repealed and replaced by §56-B. While the calculation of disfigurement benefits remains the same as it was under §56-A, the calculation of permanent impairment is significantly different.

For workers injured between November 20, 1987 and October 16, 1991, there are no scheduled injuries. Also, permanent impairment is awarded based on impairment to the body as a whole, as opposed to the specific body part. The number of weeks of presumed total incapacity depends on the level of whole person permanent impairment. Incapacity is presumed to be total for:

- One week for each percent of permanent impairment to the body as a whole from zero to 14%.
- Three weeks for each percent of permanent impairment to the body as a whole from 15% to 50%.
- Four and a half weeks for each percent of permanent impairment to the body as a whole from 51% to 85%.
- Eight weeks for each percent of permanent impairment to the body as a whole greater than 85%.

Compensation is determined by multiplying two-thirds of the State average weekly wage by the number of weeks of presumed incapacity. These permanent impairment benefits are paid in addition to any compensation received by an employee for lost time from work due to an injury.

2. Injuries from October 17, 1991 through December 31, 1992

The permanent impairment provisions applicable to employees injured from October 17, 1991 through December 31, 1992 are exactly the same as those set forth above with the sole exception that permanent impairment benefits are reduced by compensation received by an employee for lost time from work due to an injury.

3. Injuries on or After January 1, 1993

Pursuant to 39-A M.R.S.A. §213 (2), certain injuries are conclusively presumed to cause 800 weeks of total incapacity. (For example, the actual loss of both legs or both feet above the ankle.) Section 213 (3) states that the actual loss of certain body parts is considered to cause total incapacity for a set number of weeks. (For example, the loss of a thumb is considered to cause 65 weeks of total incapacity.) The amount of the payment, pursuant to §213 (2) and §213 (3), is determined by multiplying the presumed period of incapacity by an amount equal to 80% of the employee's after-tax average weekly wage on the date of the injury. There are no provisions in Title 39-A, as there are under Title 39, that permit an award of permanent impairment benefits for the loss of function of a body part.

B. DATA ISSUES

1. Data Quality

The Board's database includes 4,588 claims (Appendix C). For 4,375 of these claims (labeled as "SCHEDULE"), we believe the data quality to be excellent. PI payment amounts on Form WCB-11 closely matched the PI amounts in 39-A M.R.S.A. §56B, as detailed in the Permanent Impairment Payment Schedule.

The remaining 213 claims in the Board's database (labeled as "MANUAL") had award amounts that differed from exact matches of those listed in the Permanent Impairment Payment Schedule. The differences may be due to data entry errors or other reasons. The Board's staff manually reviewed each claim and set the PI rating. We believe the data quality for these claims to be good.

2. Data Availability

39-A M.R.S.A. §213 (2) calls for the actuarial review to include an analysis of all claims receiving a PI rating on or after January 1, 1993 regardless of date of injury. The data provided by the Board within this criteria is in Appendix D. Appendix D is a subset of

Appendix C (claims with PI ratings on December 31, 1992 and prior are excluded). The PI threshold was 13%.

The data provided by the Board only included injuries occurring from November 20, 1987 to December 31, 1992. The injury and PI rating may have been reported at anytime subsequent to the accident. Therefore, the data provided by the Board did not meet the standards of 39-A M.R.S.A. §213 (2) in that it did not include claims with injury dates for January 1, 1993 and subsequent.

We also note that the data appeared incomplete for 1991 and 1992. Based on our discussions with the Board, we understand a statutory change effective October 17, 1991 likely dissuaded some injured workers from obtaining PI ratings. This is because future indemnity benefits were offset from benefits already received. We reviewed the data provided for 1991 and 1992 in Exhibit 1 and concluded it to be unbiased. We used the data.

As previously mentioned, data was not available because PI ratings were not routinely established after elimination of PI schedule benefits with the repeal of Title 39 and enactment of Title 39-A on January 1, 1993. Data for claims with injury dates on January 1, 1993 and subsequent could be compiled for injured workers that have (or anticipate) applying for extended PI benefits. As such, the data only includes workers that believe they have over a 15% PI rating (recall, extended benefits are currently set at a minimum of 15% PI rating). We have concluded the data for claims with injury dates on January 1, 1993 and subsequent is biased in that it likely only includes the highest PI-rated claimants. Inclusion of the data would undermine this review, so we did not attempt its collection or use.

The issue remains as to whether the available data (while not in strict adherence with 39-A M.R.S.A. §213 (2)) was reasonable for completing the work. The data is incomplete for claims occurring October 17, 1991 to December 31, 1992 and missing for claims occurring on January 1, 1993 and subsequent. The key point is if these claims differ from claims with injury dates October 16, 1991 and prior.

The reason to suspect a difference is that claims with injury dates occurring October 17, 1991 and subsequent have not had as much time to be reported and get a PI rating as those with earlier injury dates. For example, a claim with an injury date on January 1, 1990 would have had about eight years to be reported (by December 31, 1997). A similar claim with an injury date on January 1, 1993 would have had only five years to be reported.

Our experience with claims reporting suggests that claims with long lags between injury and report date tend to be more severe than those with shorter lags. The question is whether a short-time lag from injury to report date impacts this review. This means that the missing data (with shorter lags) would have lower PI ratings than data provided.

Exhibit 2 measures the impact. In Exhibit 2 we have projected claims for periods in which data was incomplete or missing by lag and PI rating. We then weighted the data provided by the Board with our projections of the incomplete and missing data. The result was the PI threshold was reduced from 13% to 12%. We found a significant difference. Because of the time lag bias, we are recommending the PI threshold be lowered from 13% to 12%.

APPENDIX A

39-A M.R.S.A. §213

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ADVANCED RISK MANAGEMENT TECHNIQUES, INC.

§213. COMPENSATION FOR PARTIAL INCAPACITY

1. **Benefit and duration.** While the incapacity for work is partial, the employer shall pay the injured employee a weekly compensation equal to 80% of the difference between the injured employee's after-tax average weekly wage before the personal injury and the after-tax average weekly wage that the injured employee is able to earn after the injury, but not more than the maximum benefit under Section 211. Compensation must be paid for the duration of the disability if the employee's permanent impairment, determined according to the impairment guidelines adopted by the Board pursuant to Section 153, Subsection 8 resulting from the personal injury is in excess of 15% to the body. In all other cases, an employee is not eligible to receive compensation under this section after the employee has received 260 weeks of compensation under Section 212, Subsection 1, this section or both. The Board may, in the exercise of its discretion, extend the duration of benefit entitlement beyond 260 weeks in cases involving extreme financial hardship due to inability to return to gainful employment. This authority may not be delegated to a hearing officer and such decisions must be made expeditiously.
2. **Threshold adjustment.** Effective January 1, 1998 and every other January 1 thereafter, the Board, using an independent actuarial review based upon actuarially sound data and methodology, must adjust the 15% impairment threshold established in Subsection 1, so that 25% of all cases with permanent impairment will be expected to exceed the threshold and 75% of all cases with permanent impairment will be expected to be less than the threshold. The actuarial review must include all cases receiving permanent impairment ratings on or after January 1, 1993, irrespective of date of injury, but may utilize a cutoff date of 90 days prior to each adjustment date to permit the collection and analysis of data. The data must be adjusted to reflect ultimate loss development. In order to ensure the accuracy of the data, the Board shall require that all cases involving permanent injury, including those settled pursuant to Section 352, include an impairment rating performed in accordance with the guidelines adopted by the Board and either agreed to by the parties or determined by the Board. Each adjusted threshold is applicable to all cases with dates of injury on or after the date of adjustment and prior to the date of the next adjustment.

3. Dates of injury between January 1, 1993 and January 1, 1998. An employee whose date of injury is between January 1, 1993 and January 1, 1998, who has not settled the claim pursuant to Section 352 and whose impairment rating is 15% or less to the body but exceeds the adjusted threshold established pursuant to Subsection 2 on January 1, 1998, is entitled to compensation for the duration of the disability. Reimbursement to the employer, insurer or group self-insurer for the payment of all benefits payable in excess of 260 weeks of compensation under this subsection must be made from the Employment Rehabilitation Fund.
4. Extension of 260-week Limitation. Effective January 1, 1998 and every January 1 thereafter, the 260-week limitation contained in Subsection 1 must be extended 52 weeks for every year the Board finds that the frequency of such cases involving the payment of benefits under Section 212 or Section 213 is no greater than the national average based on frequency from the latest unit statistical plan aggregate data for Maine and on a countrywide basis, adjusted to a unified industry mix. The 260-week limitation contained in Subsection 1 may not be extended under this subsection to more than 520 weeks. Reimbursement to the employer, insurer or group self-insurer for the payment of all benefits for additional weeks payable pursuant to this subsection must be made from the Employment Rehabilitation Fund.

APPENDIX B

Draft of WCB-11

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STATEMENT OF COMPENSATION PAID

DRAFT

STATE OF MAINE
WORKERS' COMPENSATION BOARD
27 STATE HOUSE STATION
AUGUSTA, MAINE 04330-0027

DEC 19 1996

1. INSURER FILE NUMBER:		6. SOCIAL SECURITY NUMBER:		7. WC3 FILE NUMBER:	
2. EMPLOYER NAME:		8. EMPLOYEE LAST NAME:		9. FIRST NAME:	
3. EMPLOYER MAILING ADDRESS AND PHONE NUMBER:		10. M.I.:			
4. INSURER NAME:		11. ADDRESS NUMBER AND STREET:			
5. INSURER MAILING ADDRESS:		12. CITY:		13. STATE:	
		14. ZIP:		15. HOME PHONE NUMBER:	
		16. DATE OF INJURY:		17. DESCRIPTION OF INJURY:	

18. ☐ INTERIM REPORT (ONGOING PAYMENTS) ☐ FINAL REPORT

19. WHOLE BODY PERMANENT IMPAIRMENT RATING _____ %
THIS DATA IS REQUIRED PURSUANT TO SECTION 213.

NOTICE TO EMPLOYEE

THIS REPORT IS A PAYMENT SUMMARY OF YOUR CLAIM. PLEASE KEEP FOR YOUR RECORDS.

PAYMENT SUMMARY

20. LIST CUMULATIVE TOTALS:

MEDICAL	\$	DEATH BENEFIT/FUNERAL EXPENSE	\$
WEEKLY COMPENSATION	\$	LEGAL EXPENSE (EMPLOYEE RELATED)	\$
PERMANENT IMPAIRMENT	\$	LEGAL EXPENSE (EMPLOYER RELATED)	\$
REHABILITATION EXPENSE	\$	OTHER PAYMENTS	\$
LUMP SUM SETTLEMENT	\$		
		TOTAL PAID:	\$

21. COMMENTS:

ASSISTANCE IS AVAILABLE AT THE BOARD'S REGIONAL OFFICES:

AUGUSTA
24 STONE ST.
AUGUSTA, ME 04330-5220
287-2168
1-800-400-6854

LEWISTON
140 CANAL ST.
LEWISTON, ME 04240-7711
783-5490
1-800-400-6857

BANGOR
106 HOGAN RD.
BANGOR, ME 04401-5640
941-4550
1-800-400-6856

PORTLAND
62 ELM ST.
PORTLAND, ME 04101-3061
822-0840
1-800-400-6858

CARIBOU
10 WASHBURN AVE.
SUITE 110
CARIBOU, ME 04736-2347
498-6428
1-800-400-6855

22. PREPARER NAME AND TITLE (TYPE OR PRINT):

23. TELEPHONE NUMBER:

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APPENDIX C

Data Compiled from WCB-11

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APPENDIX D

**Data - All Claims Receiving a PI Rating On or After
January 1, 1993, Regardless of Date of Injury**

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APPENDIX E

Data Compiled from WCB-11, Claim Number Order

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STATE OF MAINE
WORKERS' COMPENSATION BOARD

Exhibit 1

PI Rating Severity for PI Rating Dates 01/01/93 and Subsequent

Injury Year (1)	PI Threshold (2)
1987	14%
1988	12%
1989	12%
1990	11%
1991	11%
1992	10%

(2) is based on Appendix E.

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STATE OF MAINE
WORKERS' COMPENSATION BOARD

Calculation of PI Threshold

I. Actual incremental claims, including those reported prior to 1/1/93

Injury Year (1)	PI Set Lag 0 (2)	PI Set Lag 1 (3)	PI Set Lag 2 (4)	PI Set Lag 3 (5)	PI Set Lag 4 (6)	PI Set Lag 5 (7)	PI Set Lag 6 (8)	PI Set Lag 7 (9)	PI Set Lag 8 (10)	PI Set Lag 9 (11)
1988	63	298	286	204	163	152	49	27	16	6
1989	56	267	352	203	208	78	43	30	9	
1990	34	280	338	291	114	74	31	11		
1991	48	201	221	105	52	26	12			
1992	10	44	29	11	4	1				

II. Actual cumulative claims (Section I), including those reported prior to 1/1/93

Injury Year (1)	PI Set Lag 0 (2)	PI Set Lag 1 (3)	PI Set Lag 2 (4)	PI Set Lag 3 (5)	PI Set Lag 4 (6)	PI Set Lag 5 (7)	PI Set Lag 6 (8)	PI Set Lag 7 (9)	PI Set Lag 8 (10)	PI Set Lag 9 (11)
1988	63	361	647	851	1,014	1,166	1,215	1,242	1,258	1,264
1989	56	323	675	878	1,086	1,164	1,207	1,237	1,246	
1990	34	314	652	943	1,057	1,131	1,162	1,173		
1991	48	249	470	575	627	653	665			
1992	10	54	83	94	98	99				

III. Actual cumulative claims development (Section II), including those reported prior to 1/1/93

Injury Year (1)	PI Set Lag 0-1 (2)	PI Set Lag 1-2 (3)	PI Set Lag 2-3 (4)	PI Set Lag 3-4 (5)	PI Set Lag 4-5 (6)	PI Set Lag 5-6 (7)	PI Set Lag 6-7 (8)	PI Set Lag 7-8 (9)	PI Set Lag 8-9 (10)	PI Set Lag 9-Ultimate (11)
1988	5.730	1.792	1.315	1.192	1.150	1.042	1.022	1.013	1.005	
1989	5.768	2.090	1.301	1.237	1.072	1.037	1.025	1.007		
1990	9.235	2.076	1.446	1.121	1.070	1.027	1.009			
1991	5.188	1.888	1.223	1.090	1.041	1.018				
1992	5.400	1.537	1.133	1.043	1.010					
Avg 1988-90	6.911	1.986	1.354	1.183	1.097	1.035	1.019	1.010	1.005	
Avg 1988-92	6.264	1.877	1.284	1.136	1.069	1.031	1.019	1.010	1.005	
Avg X-hi, lo	5.633	1.919	1.280	1.134	1.061	1.032	1.022			
Selected	6.250	1.920	1.300	1.150	1.080	1.033	1.020	1.010	1.005	1.010
Cumulative	20.929	3.349	1.744	1.342	1.167	1.080	1.046	1.025	1.015	1.010
Percent reported	4.8%	29.9%	57.3%	74.5%	85.7%	92.6%	95.6%	97.5%	98.5%	99.0%

except for 90
higher than all
other these year.

STATE OF MAINE
WORKERS' COMPENSATION BOARD
Calculation of PI Threshold

IV. Projected aggregate actual claims for 1991 and subsequent

Injury Year (1)	Reported Claims (2)	Percent Reported (3)	Projected Claims (2)/(3) (4)	Trend (1991=1.000) (5)	Trended Projected Claims (4)X(5) (6)
1988	1,264	99.0%	1,277	1.030	1,316
1989	1,246	98.5%	1,265	1.020	1,290
1990	1,173	97.5%	1,203	1.010	1,215

Injury Year (1)	Projected Claims (7)
1991	1,274
1992	1,287
1993	1,300
1994	1,313
1995	1,326
1996	1,339
1997	1,352

↑
why positive trend? Number of
projected claims are declining.
1st reports have decreased by
38%.

V. Projected claims for 1991 and subsequent

Injury Year (1)	PI Set Lag 0 (2)	PI Set Lag 1 (3)	PI Set Lag 2 (4)	PI Set Lag 3 (5)	PI Set Lag 4 (6)	PI Set Lag 5 (7)	PI Set Lag 6 (8)	PI Set Lag 7 (9)	PI Set Lag 8 (10)	PI Set Lag 9 (11)
1991	0	0	129	114	90	61	27			
1992	0	279	325	210	140	87				
1993	62	326	357	224	145					
1994	63	329	361	226						
1995	63	333	364							
1996	64	336								
1997	65									

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STATE OF MAINE
WORKERS' COMPENSATION BOARD

Exhibit 2 (page 3)

Calculation of PI Threshold

VI. PI threshold by injury year and lag

Injury Year (1)	PI Set Lag 0 (2)	PI Set Lag 1 (3)	PI Set Lag 2 (4)	PI Set Lag 3 (5)	PI Set Lag 4 (6)	PI Set Lag 5 (7)	PI Set Lag 6 (8)	PI Set Lag 7 (9)	PI Set Lag 8 (10)	PI Set Lag 9 (11)
1988	10%	10%	14%	13%	15%	14%	14%	15%	10%	8%
1989	10%	10%	14%	15%	15%	15%	14%	12%	12%	
1990	8%	10%	12%	12%	14%	15%	13%	10%		
1991	7%	9%	11%	15%	17%	17%	14%			
1992	8%	8%	10%	11%	24%	2%				
Avg 1988-90	9%	10%	13%	13%	15%	15%	14%	12%	11%	8%
Avg 1988-92	9%	9%	12%	13%	17%	13%	14%	12%	11%	
Avg X-hi, lo	9%	10%	12%	13%	16%	15%	14%			
Selected	9%	9%	12%	13%	16%	14%	14%	12%	11%	8%

VII. PI Threshold

Injury Year (1)	PI Set Lag (2)	Projected Claims (3)	PI Threshold (4)
Actual	NA	1,672	13%
1993	0	62	9%
1994	0	63	9%
1995	0	63	9%
1996	0	64	9%
1997	0	65	9%
1992	1	279	9%
1993	1	326	9%
1994	1	329	9%
1995	1	333	9%
1996	1	336	9%
1991	2	129	12%
1992	2	325	12%
1993	2	357	12%
1994	2	361	12%
1995	2	364	12%
1991	3	114	13%
1992	3	210	13%
1993	3	224	13%
1994	3	226	13%
1991	4	90	16%
1992	4	140	16%
1993	4	145	16%
1991	5	61	14%
1992	5	87	14%
1991	6	27	14%
Total		6,452	12%

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STATE OF MAINE
WORKERS' COMPENSATION BOARD
Calculation of PI Threshold

Section I is based on Appendix C.
Section II is cumulative of Section I.
Section III is based on Section II. The selected factors are based on the data and actuarial judgement.
Section IV. (2) is based on Appendix C.
Section IV. (3) is from Section III.
Section IV. (5) is assumed to be 1% per year.
Section IV. (7) for 1991 is the average of Section IV. (6). Subsequent years are based on 1% trend per year.
Section V is based on Section III (percent reported) and Section IV. (7).
Section VI is based on Appendix C. The selected factors are based on the data and actuarial judgement.
Section VII. (3) is from Section V.
Section VII. (4) is from Section VI (selected).

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STATE OF MAINE
WORKERS' COMPENSATION BOARD

Exhibit 3

Claim Frequency per 100,000 Workers

Rank (1)	State (2)	Permanent Total (3)	Permanent Partial (4)	Temporary Total (5)	All (3)+(4)+(5) (6)
1	District of Columbia	0	177	615	792
2	Virginia	3	273	917	1,193
3	North Carolina	6	533	829	1,368
4	Nebraska	1	464	977	1,442
5	Louisiana	5	276	1,253	1,534
6	Georgia	5	603	976	1,584
7	Texas	7	570	1,031	1,608
8	New Mexico	6	661	1,018	1,685
9	Maryland	1	522	1,179	1,702
10	Rhode Island	0	178	1,525	1,703
11	South Dakota	0	501	1,221	1,722
12	Indiana	1	422	1,301	1,724
13	Alabama	8	470	1,295	1,773
14	New York	4	766	1,019	1,789
15	South Carolina	4	964	832	1,800
16	Florida	9	486	1,344	1,839
17	Kansas	3	865	985	1,853
18	New Jersey	2	767	1,116	1,885
19	Arkansas	5	571	1,318	1,894
20	Tennessee	3	808	1,114	1,925
21	Minnesota	5	527	1,413	1,945
22	Arizona	2	544	1,413	1,959
23	Illinois	5	842	1,176	2,023
24	Michigan	2	371	1,651	2,024
25	Colorado	11	745	1,271	2,027
26	Kentucky	2	670	1,442	2,114
27	Massachusetts	1	360	1,764	2,125
28	Utah	1	379	1,771	2,151
29	Iowa	2	542	1,669	2,213
30	Mississippi	10	712	1,558	2,280
31	* Maine *	1	538	1,748	2,287
32	Vermont	2	516	1,844	2,362
33	Connecticut	0	784	1,586	2,370
34	Montana	37	1,468	950	2,455
35	Missouri	3	1,192	1,345	2,540
36	Alaska	7	363	2,194	2,564
37	New Hampshire	6	467	2,115	2,588
38	Idaho	2	749	1,923	2,674
39	California	4	1,123	1,576	2,703
40	Oklahoma	3	1,684	1,122	2,809
41	Wisconsin	1	680	2,270	2,951
42	Oregon	4	1,135	2,095	3,234
43	Hawaii	1	1,299	3,071	4,371
Average		4	664	1,415	2,083

Data is from the NCCI 1997 Statistical Bulletin. Policy periods are most current available by state.

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STATE OF MAINE
WORKERS' COMPENSATION BOARD

Exhibit 1

PI Rating Severity for PI Rating Dates 01/01/93 and Subsequent

Injury Year (1)	PI Threshold (2)
1987	14%
1988	12%
1989	12%
1990	11%
1991	11%
1992	10%

(2) is based on Appendix E.

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STATE OF MAINE
WORKERS' COMPENSATION BOARD

Exhibit 2 (page 1)

Calculation of PI Threshold

I. Actual incremental claims, including those reported prior to 1/1/93

Injury Year (1)	PI Set Lag 0 (2)	PI Set Lag 1 (3)	PI Set Lag 2 (4)	PI Set Lag 3 (5)	PI Set Lag 4 (6)	PI Set Lag 5 (7)	PI Set Lag 6 (8)	PI Set Lag 7 (9)	PI Set Lag 8 (10)	PI Set Lag 9 (11)
1988	63	298	286	204	163	152	49	27	16	6
1989	56	267	352	203	208	78	43	30	9	
1990	34	280	338	291	114	74	31	11		
1991	48	201	221	105	52	26	12			
1992	10	44	29	11	4	1				

II. Actual cumulative claims (Section I), including those reported prior to 1/1/93

Injury Year (1)	PI Set Lag 0 (2)	PI Set Lag 1 (3)	PI Set Lag 2 (4)	PI Set Lag 3 (5)	PI Set Lag 4 (6)	PI Set Lag 5 (7)	PI Set Lag 6 (8)	PI Set Lag 7 (9)	PI Set Lag 8 (10)	PI Set Lag 9 (11)
1988	63	361	647	851	1,014	1,166	1,215	1,242	1,258	1,264
1989	56	323	675	878	1,086	1,164	1,207	1,237	1,246	
1990	34	314	652	943	1,057	1,131	1,162	1,173		
1991	48	249	470	575	627	653	665			
1992	10	54	83	94	98	99				

III. Actual cumulative claims development (Section II), including those reported prior to 1/1/93

Injury Year (1)	PI Set Lag 0-1 (2)	PI Set Lag 1-2 (3)	PI Set Lag 2-3 (4)	PI Set Lag 3-4 (5)	PI Set Lag 4-5 (6)	PI Set Lag 5-6 (7)	PI Set Lag 6-7 (8)	PI Set Lag 7-8 (9)	PI Set Lag 8-9 (10)	PI Set Lag 9-Ultimate (11)
1988	5.730	1.792	1.315	1.192	1.150	1.042	1.022	1.013	1.005	
1989	5.768	2.090	1.301	1.237	1.072	1.037	1.025	1.007		
1990	9.235	2.076	1.446	1.121	1.070	1.027	1.009			
1991	5.188	1.888	1.223	1.090	1.041	1.018				
1992	5.400	1.537	1.133	1.043	1.010					
Avg 1988-90	6.911	1.986	1.354	1.183	1.097	1.035	1.019	1.010	1.005	
Avg 1988-92	6.264	1.877	1.284	1.136	1.069	1.031	1.019	1.010	1.005	
Avg X-hi, lo	5.633	1.919	1.280	1.134	1.061	1.032	1.022			
Selected	6.250	1.920	1.300	1.150	1.080	1.033	1.020	1.010	1.005	1.010
Cumulative	20.929	3.349	1.744	1.342	1.167	1.080	1.046	1.025	1.015	1.010
Percent reported	4.8%	29.9%	57.3%	74.5%	85.7%	92.6%	95.6%	97.5%	98.5%	99.0%

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STATE OF MAINE
WORKERS' COMPENSATION BOARD

Calculation of PI Threshold

IV. Projected aggregate actual claims for 1991 and subsequent

Injury Year (1)	Reported Claims (2)	Percent Reported (3)	Projected Claims (2)/(3) (4)	Trend (1991=1.000) (5)	Trended Projected Claims (4)X(5) (6)
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1989	1,246	98.5%	1,265	1.020	1,290
1990	1,173	97.5%	1,203	1.010	1,215
Injury Year (1)	Projected Claims (7)				
1991	1,274				
1992	1,287				
1993	1,300				
1994	1,313				
1995	1,326				
1996	1,339				
1997	1,352				

V. Projected claims for 1991 and subsequent

Injury Year (1)	PI Set Lag 0 (2)	PI Set Lag 1 (3)	PI Set Lag 2 (4)	PI Set Lag 3 (5)	PI Set Lag 4 (6)	PI Set Lag 5 (7)	PI Set Lag 6 (8)	PI Set Lag 7 (9)	PI Set Lag 8 (10)	PI Set Lag 9 (11)
1991	0	0	129	114	90	61	27			
1992	0	279	325	210	140	87				
1993	62	326	357	224	145					
1994	63	329	361	226						
1995	63	333	364							
1996	64	336								
1997	65									

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STATE OF MAINE
WORKERS' COMPENSATION BOARD
Calculation of PI Threshold

Exhibit 2 (page 3)

VI. PI threshold by injury year and lag

Injury Year (1)	PI Set Lag 0 (2)	PI Set Lag 1 (3)	PI Set Lag 2 (4)	PI Set Lag 3 (5)	PI Set Lag 4 (6)	PI Set Lag 5 (7)	PI Set Lag 6 (8)	PI Set Lag 7 (9)	PI Set Lag 8 (10)	PI Set Lag 9 (11)
1988	10%	10%	14%	13%	15%	14%	14%	15%	10%	8%
1989	10%	10%	14%	15%	15%	15%	14%	12%	12%	
1990	8%	10%	12%	12%	14%	15%	13%	10%		
1991	7%	9%	11%	15%	17%	17%	14%			
1992	8%	8%	10%	11%	24%	2%				
Avg 1988-90	9%	10%	13%	13%	15%	15%	14%	12%	11%	8%
Avg 1988-92	9%	9%	12%	13%	17%	13%	14%	12%	11%	
Avg X-hi,10	9%	10%	12%	13%	16%	15%	14%			
Selected	9%	9%	12%	13%	16%	14%	14%	12%	11%	8%

VII. PI Threshold

Injury Year (1)	PI Set Lag (2)	Projected Claims (3)	PI Threshold (4)
Actual	NA	1,672	13%
1993	0	62	9%
1994	0	63	9%
1995	0	63	9%
1996	0	64	9%
1997	0	65	9%
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1993	1	326	9%
1994	1	329	9%
1995	1	333	9%
1996	1	336	9%
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1995	2	364	12%
1991	3	114	13%
1992	3	210	13%
1993	3	224	13%
1994	3	226	13%
1991	4	90	16%
1992	4	140	16%
1993	4	145	16%
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1992	5	87	14%
1991	6	27	14%
Total		6,452	12%

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STATE OF MAINE
WORKERS' COMPENSATION BOARD

Calculation of PI Threshold

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STATE OF MAINE
WORKERS' COMPENSATION BOARD

Exhibit 3

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8	New Mexico	6	661	1,018	1,685
9	Maryland	1	522	1,179	1,702
10	Rhode Island	0	178	1,525	1,703
11	South Dakota	0	501	1,221	1,722
12	Indiana	1	422	1,301	1,724
13	Alabama	8	470	1,295	1,773
14	New York	4	766	1,019	1,789
15	South Carolina	4	964	832	1,800
16	Florida	9	486	1,344	1,839
17	Kansas	3	865	985	1,853
18	New Jersey	2	767	1,116	1,885
19	Arkansas	5	571	1,318	1,894
20	Tennessee	3	808	1,114	1,925
21	Minnesota	5	527	1,413	1,945
22	Arizona	2	544	1,413	1,959
23	Illinois	5	842	1,176	2,023
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27	Massachusetts	1	360	1,764	2,125
28	Utah	1	379	1,771	2,151
29	Iowa	2	542	1,669	2,213
30	Mississippi	10	712	1,558	2,280
31	* Maine *	1	538	1,748	2,287
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33	Connecticut	0	784	1,586	2,370
34	Montana	37	1,468	950	2,455
35	Missouri	3	1,192	1,345	2,540
36	Alaska	7	363	2,194	2,564
37	New Hampshire	6	467	2,115	2,588
38	Idaho	2	749	1,923	2,674
39	California	4	1,123	1,576	2,703
40	Oklahoma	3	1,684	1,122	2,809
41	Wisconsin	1	680	2,270	2,951
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Average		4	664	1,415	2,083

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APPENDIX A

39-A M.R.S.A. §213

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§213. COMPENSATION FOR PARTIAL INCAPACITY

1. **Benefit and duration.** While the incapacity for work is partial, the employer shall pay the injured employee a weekly compensation equal to 80% of the difference between the injured employee's after-tax average weekly wage before the personal injury and the after-tax average weekly wage that the injured employee is able to earn after the injury, but not more than the maximum benefit under Section 211. Compensation must be paid for the duration of the disability if the employee's permanent impairment, determined according to the impairment guidelines adopted by the Board pursuant to Section 153, Subsection 8 resulting from the personal injury is in excess of 15% to the body. In all other cases, an employee is not eligible to receive compensation under this section after the employee has received 260 weeks of compensation under Section 212, Subsection 1, this section or both. The Board may, in the exercise of its discretion, extend the duration of benefit entitlement beyond 260 weeks in cases involving extreme financial hardship due to inability to return to gainful employment. This authority may not be delegated to a hearing officer and such decisions must be made expeditiously.
2. **Threshold adjustment.** Effective January 1, 1998 and every other January 1 thereafter, the Board, using an independent actuarial review based upon actuarially sound data and methodology, must adjust the 15% impairment threshold established in Subsection 1, so that 25% of all cases with permanent impairment will be expected to exceed the threshold and 75% of all cases with permanent impairment will be expected to be less than the threshold. The actuarial review must include all cases receiving permanent impairment ratings on or after January 1, 1993, irrespective of date of injury, but may utilize a cutoff date of 90 days prior to each adjustment date to permit the collection and analysis of data. The data must be adjusted to reflect ultimate loss development. In order to ensure the accuracy of the data, the Board shall require that all cases involving permanent injury, including those settled pursuant to Section 352, include an impairment rating performed in accordance with the guidelines adopted by the Board and either agreed to by the parties or determined by the Board. Each adjusted threshold is applicable to all cases with dates of injury on or after the date of adjustment and prior to the date of the next adjustment.
3. **Dates of injury between January 1, 1993 and January 1, 1998.** An employee whose date of injury is between January 1, 1993 and January 1, 1998, who has not settled the claim pursuant to Section 352 and whose impairment rating is 15% or less to the body but exceeds the adjusted threshold established pursuant to Subsection 2 on January 1, 1998, is entitled to compensation for the duration of the

disability. Reimbursement to the employer, insurer or group self-insurer for the payment of all benefits payable in excess of 260 weeks of compensation under this subsection must be made from the Employment Rehabilitation Fund.

4. **Extension of 260-week Limitation.** Effective January 1, 1998 and every January 1 thereafter, the 260-week limitation contained in Subsection 1 must be extended 52 weeks for every year the Board finds that the frequency of such cases involving the payment of benefits under Section 212 or Section 213 is no greater than the national average based on frequency from the latest unit statistical plan aggregate data for Maine and on a countrywide basis, adjusted to a unified industry mix. The 260-week limitation contained in Subsection 1 may not be extended under this subsection to more than 520 weeks. Reimbursement to the employer, insurer or group self-insurer for the payment of all benefits for additional weeks payable pursuant to this subsection must be made from the Employment Rehabilitation Fund.

APPENDIX B

Draft of WCB-11

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STATEMENT OF COMPENSATION PAID

DRAFT

STATE OF MAINE
WORKERS' COMPENSATION BOARD
27 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0027

DEC 19 1996

1. INSURER FILE NUMBER:		6. SOCIAL SECURITY NUMBER:		7. WCB FILE NUMBER:	
2. EMPLOYER NAME:		8. EMPLOYEE LAST NAME:		9. FIRST NAME:	
3. EMPLOYER MAILING ADDRESS AND PHONE NUMBER:		10. ALL:			
4. INSURER NAME:		11. ADDRESS NUMBER AND STREET:		12. CITY:	
5. INSURER MAILING ADDRESS:		13. STATE:		14. ZIP:	
15. HOME PHONE NUMBER:		16. DATE OF INJURY:		17. DESCRIPTION OF INJURY:	
18. <input type="checkbox"/> INTERIM REPORT (ONGOING PAYMENTS) <input type="checkbox"/> FINAL REPORT					

19. WHOLE BODY PERMANENT IMPAIRMENT RATING _____ %
THIS DATA IS REQUIRED PURSUANT TO SECTION 215.

NOTICE TO EMPLOYEE

THIS REPORT IS A PAYMENT SUMMARY OF YOUR CLAIM. PLEASE KEEP FOR YOUR RECORDS.

PAYMENT SUMMARY

20. LIST CUMULATIVE TOTALS:

MEDICAL	\$	DEATH BENEFIT/FUNERAL EXPENSE	\$
WEEKLY COMPENSATION	\$	LEGAL EXPENSE (EMPLOYEE RELATED)	\$
PERMANENT IMPAIRMENT	\$	LEGAL EXPENSE (EMPLOYER RELATED)	\$
REHABILITATION EXPENSE	\$	OTHER PAYMENTS	\$
LUMP SUM SETTLEMENT	\$		
		TOTAL PAID:	\$

21. COMMENTS:

ASSISTANCE IS AVAILABLE AT THE BOARD'S REGIONAL OFFICES:

AUGUSTA
24 STONE ST.
AUGUSTA, ME 04330-5220
287-2168
1-800-400-6854

LEWISTON
140 CANAL ST.
LEWISTON, ME 04240-7711
783-5490
1-800-400-6857

BANGOR
106 HOGAN RD.
BANGOR, ME 04401-5640
941-4550
1-800-400-6856

PORTLAND
62 ELM ST.
PORTLAND, ME 04101-3061
822-0840
1-800-400-6858

CARIBOU
10 WASHBURN AVE.
SUITE 110
CARIBOU, ME 04736-2347
498-6428
1-800-400-6855

22. PREPARER NAME AND TITLE (TYPE OR PRINT):

23. TELEPHONE NUMBER:

24. DATE MAILED:

CONFIDENTIAL DRAFT

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ADVANCED RISK MANAGEMENT TECHNIQUES, INC.

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