

MAINE STATE LEGISLATURE

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122nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2005

Legislative Document

No. 540

S.P. 166

In Senate, February 1, 2005

An Act To Clarify the Rate of Interest on Awards for Workers' Compensation Benefits

Reference to the Committee on Labor suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator MILLS of Somerset.

2 **Be it enacted by the People of the State of Maine as follows:**

4 **Sec. 1. 39-A MRSA §205, sub-§6**, as enacted by PL 1991, c. 885,
Pt. A, §8 and affected by §§9 to 11, is repealed and the
6 following enacted in its place:

8 6. Interest. An employer or insurance carrier shall pay
10 simple interest on a benefit owed under this Title or Title 39 at
12 the rate of one percent per month for each full calendar month in
which the payment is due, commencing with the month following the
month in which the obligation was incurred and ending with the
month in which the obligation is paid.

14 **Sec. 2. 39-A MRSA §205, sub-§9, ¶F**, as enacted by PL 1991, c.
16 885, Pt. A, §8 and affected by §§9 to 11, is amended to read:

18 F. If benefits have been discontinued or reduced pursuant
to paragraph A or B and the board, after hearing, determines
20 that benefits have been wrongfully withheld, the board shall
order payment of all benefits withheld together with
22 interest at the rate of 6% a year in accordance with
subsection 6. The employer shall pay this amount within 10
24 days of the order.

26 **SUMMARY**

28 This bill resolves conflicts and uncertainties about
30 payment of interest on overdue workers' compensation benefits.
Current law identifies 2 different rates: 10% and 6%. It is not
32 clear what rate, if any, applies to an award for medical bills,
nor is it certain what law applies to new awards for old injuries
34 arising prior to January 1, 1993.

36 The bill proposes for workers' compensation cases a single
rate of one percent per month and gives a grace period for the
38 month in which each benefit first accrues.

40 The bill also simplifies the calculation process. Because
both wage and medical benefits accrue in small increments,
42 usually from week to week, calculating interest on each
installment separately is difficult and time-consuming. Under
44 the bill, benefits payable within each calendar month are treated
as a single award with interest to accrue only from the end of
46 the month forward.

48 The bill specifies a simple monthly rate of one percent and
makes clear that the same rate applies to both medical bills and
50 wage benefits included within the award. This uniform method of

2 calculation will apply prospectively to all workers' compensation
obligations newly arising after the effective date of the bill.
4 The same rule will apply to old injuries as well as new.