

NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD
Trenton, NJ 08625

IN THE MATTER OF PACIFIC MUTUAL LIFE
INSURANCE COMPANY'S APPEAL OF THE
INDIVIDUAL HEALTH COVERAGE PROGRAM
BOARD'S ASSESSMENT FOR REIMBURSABLE
LOSSES AND ADMINISTRATIVE EXPENSES FOR
CALENDAR YEARS 1993, 1994 AND 1995

ADMINISTRATIVE ORDER NUMBER 96-27

WHEREAS, the New Jersey Individual Health Coverage Program ("IHC") Board is authorized by the Individual Health Insurance Reform Act of 1992 ("IHC Act"), N.J.S.A. 17B:27A-2 et seq., and regulations promulgated thereunder, to administer the IHC Program, to assess members of the IHC Program on the basis of their proportionate share of program losses and administrative expenses and to take any legal actions necessary to recover assessments owed to the IHC Program;

WHEREAS, Pacific Mutual Life Insurance Company ("Pacific Mutual") is a "carrier" that filed Market Share and Net Paid Loss Reports ("Exhibit K") with the IHC Board on: March 30, 1994, which reported calendar year 1993 net earned premium of \$18,670,528; February 28, 1995 which reported calendar year 1994 net earned premium of \$13,264,145; and on February 29, 1996, which reported calendar year 1995 net earned premium of \$9,927,056;

WHEREAS, the IHC Board assessed Pacific Mutual on July 11, 1994 for its share of reimbursable losses and administrative expenses of the IHC Program for calendar year 1993 in the amount of \$247,351, based on its reported net earned premium, which Pacific Mutual paid in full on August 4, 1994 and did not appeal pursuant to N.J.A.C. 11:20-2.15;

WHEREAS, the IHC Board, on November 21, 1995, assessed Pacific Mutual for its share of reimbursable losses and administrative expenses of the IHC Program for calendar year 1994 in the amount of \$194,612 based on its reported net earned premium, which Pacific Mutual paid in full on December 21, 1995 and did not appeal pursuant to N.J.A.C. 11:20-2.15;

WHEREAS, the IHC Board, on June 12, 1996, assessed Pacific Mutual for its share of reimbursable losses and administrative expenses of the IHC Program for calendar year 1995 in the amount of \$322,573 based on its reported net earned premium, which Pacific Mutual paid in full on July 15, 1996 and appealed, by letter dated June 5, 1996, pursuant to N.J.A.C. 11:20-2.15 and 2.17.

WHEREAS, Pacific Mutual appealed on the grounds that Pacific Mutual incorrectly reported its net earned premium as a result of including premiums from accident-only, disability, dental, vision, and certain stop loss coverage, and submitted a revised figure for 1995 of \$9,927,056 in net earned premium. With its appeal of the 1995 calendar year assessment, Pacific Mutual also sought to appeal the assessments for calendar years 1993 and 1994 on the same grounds and has submitted revised net earned premium figures for those years;

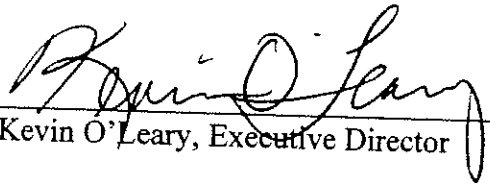
WHEREAS, N.J.A.C. 11:20-2.15 provides that "[a] Member seeking to challenge the amount of an assessment must do so within 20 days of receiving the notice of the assessment following the procedures established by the Board;" and

WHEREAS, the IHC Board has considered Pacific Mutual's appeals of the 1993, 1994, and 1995 assessments. The Board finds that Pacific Mutual's appeals of the 1993 and 1994 assessments are time-barred by N.J.A.C. 11:20-2.15. Pacific Mutual's appeal of the 1995 assessment was timely filed and the Board agrees to accept Pacific Mutual's revised net earned premium of \$5,924,662;

NOW THEREFORE, pursuant to the authority granted to the Board by N.J.S.A. 17B:27A-2 et seq., and all powers expressed or implied therein, and the decision of the Board as expressed by this Administrative Order;

IT IS on this 12th day of August, 1996,

ORDERED by the Individual Health Coverage Program Board that: (1) Pacific Mutual's appeals of the 1993 and 1994 assessments are hereby denied; and (2) Pacific Mutual's appeal of the 1995 assessment is hereby granted. The Board will recalculate the 1995 assessment on the basis of Pacific Mutual's revised net earned premium upon resolution of all pending appeals and, at that time, refund to Pacific Mutual any portion of the paid assessment no longer due to the IHC Program.


Kevin O'Leary, Executive Director

11-18-96
Date

NEW JERSEY
INDIVIDUAL HEALTH COVERAGE PROGRAM

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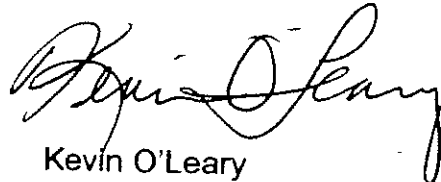
November 15, 1996

Ms. Judy Davenport, Research Analyst
Pacific Mutual Life Insurance Co.
700 Newport Center Drive
Newport Beach, CA 92660

Dear Ms. Davenport:

Enclosed please find the Individual Health Coverage Program Board's final decision regarding Pacific Mutual Life Insurance Co.'s appeal of the 1995 assessment. Please feel free to call me if you have any questions about the Order or the IHC Program generally.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin O'Leary", written in a cursive style.

Kevin O'Leary
Executive Director

encl.