

ORDER REQUIRING PAYMENT OF ASSESSMENT AND LEVYING Penalty under AS 21.55.220 AGAINST American Family Life Assurance Company for failure to pay the November 15, 1999 Comprehensive Health Insurance Association assessment

BACKGROUND:

1. On November 15, 1999, the administrator of the Comprehensive Health Insurance Association (CHIA), Aetna US Healthcare, mailed to American Family Life Assurance Company (AFLAC) a notice of assessment in the amount of \$21,840.
2. In a letter dated December 7, 1999, Robert C. Landi, Vice President of AFLAC, informed CHIA that they do not write major medical insurance and requested that "assessments based upon major medical insurance in the state of Alaska not be mailed to us in the future."
3. In a letter to Robert C. Landi, dated February 21, 2000, Ross Blaker, on behalf of CHIA, responded to Mr. Landi's December 7 letter quoting the statutory definition of "major medical coverage," informing him that AFLAC would be subject to the assessment, and requesting payment of the assessment.
4. In a letter to Robert C. Landi, dated March 20, 2000, Katie Campbell, Life/Health Actuary with the Alaska Division of Insurance, reiterated the statutory definition of major medical and discussed how assessments to members of CHIA are determined. She outlined the two options available to AFLAC regarding the November 15, 1999 CHIA assessment. First, if AFLAC provides to CHIA a signed certification by an actuary of the company that AFLAC does not write major medical coverage in Alaska, AFLAC would not be subject to an assessment by CHIA. Or, second, after reviewing the definition of major medical coverage, if AFLAC determines they are subject to the assessment, the company must pay the \$21,840 assessment to CHIA immediately or risk fines and potential revocation of AFLAC's certificate of authority in Alaska.
5. On May 15, 2000, Katie Campbell received a letter from F.J. Wadsworth, Vice President of Compliance at AFLAC, which stated that AFLAC should not be subject to any assessment and stated AFLAC's belief that they are not members of CHIA since they do not write major medical insurance. Mr. Wadsworth stated that AFLAC only writes "cancer, hospital indemnity, disability income, accident only and long-term care insurance" and that they only have three medicare supplement policies in force in Alaska.

FINDINGS:

The Director finds that:

- A. AFLAC has failed to pay the November 15, 1999 CHIA assessment within 30 days from the date of its receipt of written notice of the assessment, as required under AS 21.55.220.
- B. AFLAC has failed to provide CHIA a signed certification by an actuary of the company to the effect

that AFLAC does not write major medical coverage in Alaska, as defined in AS 21.55.500(14), and, therefore, should not be subject to assessments under AS 21.55.220.

C. The types of insurance that AFLAC writes in Alaska fall within the definition in AS 21.55.500(14) of "major medical coverage" and, under AS 21.55.010, subject the company to membership in CHIA and resulting assessments by CHIA.

ORDER:

The Director orders American Family Life Assurance Company, as a condition of doing health insurance business in this state, to maintain its membership in the Comprehensive Health Insurance Association by paying the \$21,840 assessment as directed in the November 15, 1999 letter from Aetna US Healthcare, the administrator for CHIA;

Under authority of AS 21.55.200(d), the Director further orders that, if the \$21,840 assessment is not received by CHIA by August 10, 2000, AFLAC shall pay to the Director a civil penalty of \$100 per day beginning December 7, 1999 and AFLAC will be subject to administrative action to revoke its certificate of authority until payment of the full assessment is received by CHIA. Failure to comply with this order also will be grounds to suspend or revoke AFLAC's certificate of authority under AS 21.09.150(a).

This order takes effect July 11, 2000.

Robert A. Lohr
Director