From: Dixon, Craig
Sent: Friday, February 16, 2007 6:52 PM
To: Laucher, Joel
Subject: RE: Yesterday's Meeting
Sensitivity: Confidential

Joel, I just had a conversation with Nicoleta. She advises the Company has identified about 4400 policyholders in which their first claim was paid (based upon the Certificate of Credible Coverage) and then all claims following were denied. Apparently based upon pre-exist. The Company has assembled a task force internally to identify all claims in this condition so that they can be paid. She estimated about 4.5 million dollars is due thus far. Joel, we may not be able to identify such a situation in a claim file review. This may be identifiable in an underwriting review of COCC compliance issues and how the company makes the transfer from application to coverage continuance. We are discussing what questions we can ask insurers about this initially on an exam setup.

Very Truly Yours,

Craig Dixon
Chief, Field Claims Bureau
Market Conduct Division
California Department of Insurance
(213) 346-6510

-----Original Message-----
From: Laucher, Joel
Sent: Friday, February 16, 2007 10:16 AM
To: Dixon, Craig
Subject: RE: Yesterday's Meeting
Sensitivity: Confidential

The main thing to determine is if a market conduct audit is needed. If so, completing the report of our findings thus far is not the priority, although we should get resolutions to the criticisms asap.

From: Dixon, Craig
Sent: Thu 2/15/2007 9:05 PM
To: Laucher, Joel
Subject: FW: Yesterday's Meeting

Joel, CSB has apparently run across an issue that occurred at the end or after our review period. My concern is that this could potentially slow down or stop our exam process before a report draft is completed by Coleen. I think we should participate to learn the details but I would like to move this exam forward if possible. The big issue Nicoleta described was that Pacific Care was not paying claims on contracts that were replaced as a result of the recent assumption. She suggested this will run into the millions of dollars.

From: Smith, Nicoleta
Sent: Thu 02/15/07 4:41 PM
To: Vandepas, Coleen; Salonga, Maribel; David, Towanda; Dixon, Craig

Cc: Stolls, David; Cignarale, Anthony
Subject: FW: Yesterday's Meeting

Hi, Colleen and Maribel, I would like to have you join CSB in meeting with PacifiCare. Are you available 3/6, 3/7 or 3/8? I would prefer to set up the meeting in the morning. Craig and Towanda, you are more than welcome to also attend. Please advise. Thanks.

Nicoleta

-----Original Message-----
From: Henggeler, Laura D [mailto:Laura.Henggeler@phs.com]
Sent: Thursday, February 15, 2007 2:15 PM
To: Smith, Nicoleta
Subject: RE: Yesterday's Meeting

Hi Nicoleta:

It was really nice meeting you and your team yesterday. I found the meeting to be very valuable--not only did I get to meet all of you, but I think I also got a better understanding of the issues that we are dealing with (both on a case-by-case basis and a higher level big picture).

I actually have 5 different topics to cover in this one e-mail. I hope you don't mind that I lump these all into one e-mail. If you would rather I send separate e-mails, please let me know.

#1--I have outlined dates below that would work for our Senior Leadership / Operational Team to provide a presentation to the addressing Claims operational organization, "life of a claim," transition status, provider issues, etc. Would any of these dates work for your team?

3/6 11-1, 3-5
3/7 10-5
3/8 10-2, 3-5

#2--Also, I have attached the CAP as was presented to you yesterday. I have not yet had an opportunity to include the updates, but will get started on these this afternoon. I would also really like to add some clarification to the issues that we do have, etc.--so this document really needs work, but it is a start.

#3 You had also requested a summary of the discussion surrounding agenda items (response, deferral, etc.). I need to touch basis with Judy, Katrina and Sharon on this. Is this something I can provide early next week?

#4 And last, I meant to give you a copy of our process for the transition of phone lines / voice mail after an employee leaves the company (CAP item #8). Attached is a copy of our company's "Termination Form." Managers are required to fill this out (jointly with the employee, if at all possible) prior to an employee's termination date. The bottom of page 1 includes instructions on managing telephones and voice mails. This does not describe what the manager must do with the phone line, as this would be different depending on the function/responsibilities of the employee--but it is a place where the manager must determine and document how the phone lines will be handled. Page 3 states that telecommuter lines (phone lines, fax, network dial-up), will be automatically disabled once the individual is entered in Manger Self Service as terminated. Is this document sufficient in addressing questions related to phone lines? If you would like more information, please let me know.

#5 For our first bi-weekly meeting, what time is good for you the week of Feb. 26th? Would Tuesday Feb. 28th or Thursday March 1st work for you?

Again, it was really nice meeting you yesterday. I'll try my best to get you and your team the answers to your questions/issues as soon as I possibly can. Please give me a call anytime.

Laura

From: Smith, Nicoleta [mailto:SmithN@insurance.ca.gov]
Sent: Thursday, February 15, 2007 9:39 AM
To: Henggeler, Laura D
Subject: Yesterday's Meeting

Hi, Laura.

Thank you for meeting with us yesterday. Please provide me with a summary of the agenda items discussed and your response or deferral of the items along with an electronic copy of the revised CAP document. Thanks, again.

Nicoleta