

**Internal Revenue Service
memorandum**

FREV-102052-98
Br6:BrantGoldwyn

date: APR 20 1998
to: Director, Exempt Organizations Division
ATTN: John Chappell CP:E:EO:T:3

from: Chief, Branch 6 CC:EBEO:Br6
Office of the Associate Chief Counsel
(Employee Benefits and Exempt Organizations) **Best Copy Available**

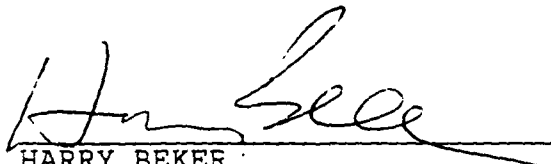
subject: [REDACTED]

This responds to your memo of January 26, 1998, [REDACTED]

[REDACTED] that the Association complies with the requirements of section 501(c)(26) and should be granted an exemption from federal income tax under section 501(a).

We found one provision in the [REDACTED] statute to be ambiguous. [REDACTED] of the [REDACTED] Code allows coverage to be extended to a person who was rejected by one carrier for coverage "without material underwriting restriction at a rate equal to or less than the Association plan rate." Under section 501(c)(26), an insurance pool can provide coverage to individuals who, because of an existing medical condition, are only able to acquire medical coverage at a rate substantially in excess of the rate charged by the pool. After rereading the [REDACTED] statute, we believe that it properly limits coverage to individuals who can only obtain coverage at a higher rate, or who cannot obtain coverage without a material restriction.

If you have any questions, you may contact Brant Goldwyn of this Branch at 622-6080.


HARRY BEKker

PMTA:01454