

**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**



**QUALIFICATION AND ADMISSION REQUIREMENTS
FOR HOSPITAL PLAN CORPORATIONS**

QUALIFICATION AND ADMISSION REQUIREMENTS FOR HOSPITAL PLAN CORPORATIONS

The Commonwealth of Pennsylvania appreciates your interest in exploring business opportunities here. In order to form a hospital plan corporation, you must first obtain a Certificate of Authority. This packet will explain the procedures to be followed and the documentation to be filed to obtain a Certificate of Authority as a hospital plan corporation.

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Attachments:

- **Biographical Affidavit**
- **Business Plan Form DOI-136**
- **Documents Required for the Organizational Examination of Entities Supervised by the Pennsylvania Insurance Department**
- **Notice of Public Availability of Filed Documents**

Please refer to the following for guidance:

- **40 Pa. C.S. §6101 et seq.**

I. GENERAL APPLICATION PROCEDURES

You may find the following general comments helpful as you proceed through the application process. At any time during the process, please do not hesitate to contact the Company Licensing Division at (717) 787-2735, or FAX (717) 787-8557, should you have a question.

- 1) To expedite the process, we recommend that you assign one member of your staff as the designated point of contact for all correspondence and/or telephone inquiries.
- 2) After receiving your application, the Department assigns a Licensing Specialist to process your submission. Please use this person as your primary point of contact with the Department.
- 3) The Licensing Specialist acknowledges all applications in writing after a very general review is performed. You will be notified within two weeks of receipt of your application if all principal filing requirements are satisfied.
- 4) Your timely response to any concerns or questions raised during the review of your materials is appreciated. Departmental inquiries that remain unanswered for over 90 days may result in the application being considered inactive.

5) Please notify the Licensing Specialist should any information contained in previously submitted documents change. These changes should be immediately forwarded to the Department to supplement the original application. These include, but are not limited to, the Articles of Incorporation, Bylaws, Holding Company Registration Statements, Directors, Officers, and Financial Statements. Allowing application information to become outdated may cause delays or result in the application being rejected.

6) Incorporation of insurance entities is governed by Title 15 of the Pennsylvania Consolidated Statutes, also known as the Business Corporation Law (hereinafter referenced as the "BCL"). The ongoing supervision of insurance entities is described in Title 40 of the Pennsylvania Statutes, also known as the Insurance Company Law, and Title 31 of the Pennsylvania Code, known as the Insurance Regulations.

7) The compilation of the Pennsylvania Insurance Laws and cumulative pocket supplement thereto may be purchased from:

a) **Purdon's Statutes, West Publishing Company**

610 Operman

St. Paul, MN 55123

Tele: (800) 733-2889

Website: <http://www.westgroup.com>

b) **National Insurance Law Service Publishing Co.**

6750 Eton Avenue

Canogo Park, CA 91303

Tele: (800) 423-5910

Website: <http://www.nils.com>

c) **BHM Insurance Services, L.L.C.**

P. O. Box 25130

Wilmington, DE 19899-5130

Tele: (302) 678-8795

(800) 543-3635

Website: <http://www.ramassociates.com>

If you wish to subscribe to the Pennsylvania Bulletin please contact:

Gary R. Hoffman

Director, Pennsylvania Code and Bulletin

641 Main Capital Building

Room 647

Harrisburg, PA 17120-0033

Tele: (717) 783-1530

Fax: (717) 787-6362

II. SPECIFIC QUALIFICATIONS AND ADMISSION REQUIREMENTS

The following requirements must be satisfied by those companies seeking to form a Hospital Plan Corporation:

A) All Hospital Plan Corporations must be non-profit corporations domiciled in Pennsylvania. Before filing with the Department of State, it is necessary to obtain a letter from the Pennsylvania Insurance Department certifying that there is no objection to the use of the proposed name of the corporation (15 Pa. C.S. §1303(c)(1)(iii)). To do so, please forward letter to the Company Licensing Division stating the proposed corporate name and nature of the business of the corporation.

B) Although the BCL allows for incorporation as an insurance company without prior Insurance Department approval, you may not transact insurance business in the Commonwealth of Pennsylvania without first obtaining a Certificate of Authority from this Department.

C) Hospital Plan Corporations are governed under Chapter 61 of Title 40 Pennsylvania Consolidated Statutes. A copy of this Chapter is enclosed for your reference. The following documentation is required for our review:

1. A letter formally requesting the issuance of a Certificate of Authority.
2. A copy of the Articles of Incorporation, signed and stamped by the Department of State Corporation Bureau.
3. A copy of the By-Laws of the corporation.
4. A list of the officers and directors of the corporation.
5. A description of the proposed benefit package, including proposed subscription agreements, subscriber contracts, etc.
6. The proposed rates including a detailed methodology for the derivation of such rates.
7. A description of the reimbursement system (e.g., how the usual, reasonable and customary fee programs will be established and updated). Please provide a copy of the proposed fee schedules.
8. A list of the proposed participated doctors, hospitals and other health care providers and copies of the proposed provider agreements.
9. A proposal for operation of utilization review and quality assurance systems.
10. Proof of the corporation's ability to meet the statutory surplus requirement of \$25,000.
11. Biographical affidavits for each officer, director and key employee.

12. A business character report, such as those provided by DAC, Equifax, Owens Online or Proudfoot, for all officers and directors. These reports shall verify employment, education and military service for the past ten (10) years. Litigation, criminal, UCC and bankruptcy records should be searched for seven (7) years. At least one business character reference must be obtained for each individual. These references must be provided by a business contact, such as an attorney, partner or other business associate familiar with the business dealings of the individual. Supervisors or coworkers are not acceptable references.
13. A Business Plan conforming to DOI-136, a copy of which is attached.
14. A check for \$1,200, made payable to the "Commonwealth of Pennsylvania", representing the non-refundable filing fee.
15. A detailed representation that the applicant has the necessary administrative, underwriting and financial expertise to manage a hospital plan corporation.

ADDITIONAL INFORMATION

The Department will publish a public notice that an application for a Certificate of Authority was filed with the Department. Based on responses to the public notice, a hearing may be held if warranted.

After reviewing the application for compliance, an on-site examination of the applicant will be conducted by the Bureau of Examinations. Details of this examination are included in Documents Required for the Organizational Examination of Entities Supervised by the Pennsylvania Insurance Department (copies attached).

After the organizational examination is accepted by the applicant, a Certificate of Authority will be issued in the name of the hospital plan corporation. However, the entity may not become operational until all other legal requirements are addressed, including, but not limited to rate and policy form approval, licensing of agents, etc.

Should you have any questions concerning statutory requirements or filing procedures, please contact the Company Licensing Division at (717) 787-2735.

**PENNSYLVANIA INSURANCE DEPARTMENT
BIOGRAPHICAL AFFIDAVIT**

(Print or Type)

Full Name and Address of Company (Do not use Group Names). _____

In connection with the above-named company, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE", SO STATE.

1. Affiant's Full Name (Initials Not Acceptable). _____

2. a. Have you ever had your name changed? _____ If yes, give the reason for the change _____

b. Other names used at any time. _____

3. List your residences for the last ten (10) years starting with your current address, giving:

DATE	ADDRESS	CITY AND STATE
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

4. Date and Place of Birth. _____

5. Affiant's Business Address. _____

Business Telephone. _____

6. Affiant's Social Security Number. _____

7. Education: Dates, Names, Locations and Degrees.

College _____

Graduate Studies _____

Others _____

8. List memberships on Professional Societies and Associations. _____

9. Present or Proposed Position with the Applicant Company. _____

10. List complete employment record (up to and including present jobs, positions, directorates or officerships) for the past twenty (20) years, giving:

DATES	EMPLOYER AND ADDRESS	TITLE
_____	_____	_____
_____	_____	_____
_____	_____	_____

11. Present employer may be contacted. Yes No (Circle One)

Former employers may be contacted. Yes No (Circle One)

12. a. Have you ever been in a position which required a fidelity bond? _____

If any claims were made on the bond, give details. _____

b. Have you ever been denied an individual or position schedule fidelity bond, or had a bond canceled or revoked? _____

If yes, give details. _____

13. List any professional, occupational, and vocational licenses issued by any public or governmental licensing agency or regulatory authority which you presently hold or have held in the past (state date license issued, issuer of license, date terminated, reasons for termination). _____

14. During the last ten (10) years, have you ever been refused a professional, occupational or vocational license by any public or governmental licensing agency or regulatory authority, or has any such license held by you ever been suspended or revoked? _____

If yes, give details. _____

15. List any insurers in which you control directly or indirectly or own legally or beneficially 10% or more of the outstanding stock (in voting power). _____

If any of the stock is pledged or hypothecated in any way, give details. _____

16. Will you or members of your immediate family subscribe to or own, beneficially or of record, shares of stock of the applicant insurance company or its affiliates? _____

If any of the shares or stock are pledged or hypothecated in any way, give details. _____

17. Have you ever been adjudged a bankrupt? _____

If yes, give details. _____

18. a. Have you ever been convicted or had a sentence imposed or suspended or had pronouncement of a sentence suspended or been pardoned for conviction of or pleaded guilty or nolo contendere to an information or indictment charging any felony, or charging a misdemeanor involving embezzlement, theft, larceny, or mail fraud, or charging a violation of any corporate securities statute or any insurance law, or have you been subject of any disciplinary proceedings of any federal or state regulatory agency? _____

If yes, give details. _____

b. Has any company been so charged, allegedly as a result of any action or conduct on your part? _____

If yes, give details. _____

19. Have you ever been an officer, director, trustee, investment committee member, key employee, or controlling stockholder of any insurer which, while you occupied any such position or capacity with respect to it, became insolvent or was placed under supervision or in receivership, rehabilitation, liquidation or conservatorship? _____

20. Has the certificate of authority or license to do business of any insurance company of which you were an officer or director or key management person ever been suspended or revoked while you occupied such position? _____ If yes, give details.

Dated and signed this _____ day of _____ at _____.
I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

(Signature of Affiant)

State of _____

County of _____

Personally appeared before me at the above named _____ personally known to me, who, being duly sworn, deposes and says that he executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this _____ day of _____, Year _____.

(Notary Public)

(SEAL)

My Commission Expires _____

COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT

BUSINESS PLAN FOR DOMESTIC HEALTH PLAN CORPORATIONS

COMPANY NAME _____

GENERAL INFORMATION:

- 1) Date NonProfit Corporation Founded: _____
- 2) Proposed office locations throughout the Commonwealth (include address and specific functions to be performed as applicable, e.g., Corporate Headquarters, Sales Office, Claims Administration, etc.).
- 3) Estimate the total number of employees the Company will employ in each location.
- 4) Please submit an organizational chart of the Applicant's management structure. Titles and names of key management personnel should be included.
- 5) For every management position on the organizational chart give a detailed job description.
- 6) Describe the management controls in place to identify short term liquidity problems, long-term working capital needs, and other significant capital and fund management variations or needs.
- 7) Describe the controls over the financial reporting function that are to ensure that the financial statements are not misstated.
- 8) Describe the mechanism for creating and monitoring the Company's formal operating budget.
- 9) Identify the key performance indicators to be tracked by management.

PRODUCTS AND SERVICES:

- 10) Please describe how are the products and services proposed unique or superior to competitive products/services.
- 11) Please describe the basis for the Company's proposed rate structure.

INTENDED MARKET:

- 12) Please describe the results of any market research conducted. The description should include, at a minimum:
- Target Markets
 - Approach to sales for each Target Market
 - Pricing Strategies
- 13) Please justify the projected growth rate in each Target Market.

FINANCIAL PROJECTIONS:

- 14) Please attach financial projections consisting of balance sheets and income statements for a minimum of three years.

PRO FORMA FINANCIAL STATEMENT GUIDELINES

- Financial projections should be prepared by a CPA firm, actuarial firm or qualified individual acceptable to the Department and identified in the Business Plan.
 - Financial projections must be prepared using statutory accounting principles. Please be advised that the Department utilizes a fifteen-to-one premium to surplus ratio guideline to determine the adequacy of working capital. In addition, initial losses must be funded up front. For example, an entity projecting \$30 million in third year premiums and showing a first year net loss of \$1.5 million and second year net profit of \$500,000 would require net worth of \$3 million in initial net worth. This amount represents \$2 million to fund third year premiums and \$1 million in losses the first two years.
 - All assumptions used in the preparation of the financial projections must be explained.
- 15) Please discuss any reinsurance arrangements.



**DOCUMENTS REQUIRED FOR THE ORGANIZATIONAL EXAMINATION
OF A PENNSYLVANIA DOMESTIC CORPORATION**

1. Copy of the minutes of the Organizational Meeting of the Stock Subscribers
2. Original Stock Subscription List
3. Original Stock Subscription Agreements
4. Copies of the Subscribers Biographical Affidavits
5. Copy of the Bylaws
6. Copy of the Articles of Agreement, stamped by the Department of State Corporation Bureau
7. Deposit records for all Capital and Surplus contributions
8. Copies of the minutes of all meetings of the stockholders
9. Copies of the minutes of all meetings of the Board of Directors and consents in lieu of meetings
10. Original stock registration book with evidence of certificates issued
11. Account books showing all transactions to date
12. Company seal as adopted by the stockholders
13. Copies of conflict of interest statements signed by all officers and directors
14. Evidence of fidelity bond in compliance with NAIC guidelines
15. Federal tax identification number
16. Copy of the long range business plan
17. Policy forms and rates files for tentative approval by the Bureau of Rate and Policy Regulation
18. NAIC Company Code Number
19. Copies of service or reinsurance agreements between the company and parent or affiliated companies
20. Other information as required by the examiner

PUBLIC AVAILABILITY OF FILED DOCUMENTS

This notice advises the insurance industry and other filers of the Department's practices regarding the availability of filed documents. In some instances, a public filing may include or reference materials which are entitled to confidential treatment under statute, regulation, case law, administrative or court order, or other such authority. For example, the Department declines to release personal information, such as Social Security numbers or home addresses of persons submitting Biographical Affidavits. In addition, documents may be nonpublic because they contain proprietary or privileged information or trade secrets. For example, the Department historically has not released business plans or financial projections, which include analyses and underlying assumptions.

If a filer wishes to assert the confidentiality of documents, reports or other materials which are included or referenced within a "filing", the filer should alert the Department to this issue at the time of submission as following:

- Submit the confidential material physically separate from the remainder of the filing, submit a redacted version of the materials, or highlight the location of the confidential information in the filing.
- Identify the basis upon which the assertion of confidentiality, privilege or trade secret is premised.
- Identify the person to whom inquires regarding the issue of confidential treatment should be directed.

Questions on the issues of submission deadlines or public access to filed documents may be addressed to the analyst handling the filing or to: Company Licensing Division, Insurance Department, 1345 Strawberry Square, Harrisburg, Pennsylvania 17120.