

**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**



**QUALIFICATION AND ADMISSION REQUIREMENTS
FOR PROFESSIONAL HEALTH SERVICES PLAN CORPORATIONS**

QUALIFICATION AND ADMISSION REQUIREMENTS FOR PROFESSIONAL HEALTH SERVICES PLAN CORPORATIONS

The Commonwealth of Pennsylvania appreciates your interest in exploring business opportunities here. In order to form a professional health services 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 professional health services plan corporation.

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Attachments:

- **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. §6301 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 Professional Health Service Plan Corporation:

A) All Professional Health Services 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. §202(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) Professional Health Services Plan Corporations are governed under Chapter 63 of Title 40 Pennsylvania Consolidated Statutes. 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 \$2,500, 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 professional health services plan corporation.
16. A description of how the corporation plans to meet its obligations to low-income subscribers

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 professional health services 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.

**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.

BUSINESS PLAN FOR DOMESTIC HEALTH PLAN CORPORATIONS

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.
 - Risk-Based Capital Ratios should be provided for each year using the financial projections from the Pro Forma Financial Statements.
 - 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 inquiries 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.