

DOI-134

**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT
BUSINESS PLAN FOR NEW PREFERRED PROVIDER ORGANIZATIONS**

PPO Name _____

Holding Company (if applicable) _____

ORGANIZATION AND MANAGEMENT

1. Describe all proposed office locations (include address and specific functions to be performed as applicable, e.g., Corporate Headquarters, Claims Office, Sales Offices etc.).
2. Estimate total number of employees the PPO will have in each location.
3. Please submit an organizational chart of the PPO's management structure. Titles and names of key management personnel should be included.
4. Please provide a detailed job description for every management position on the organizational chart.
5. Please provide a statement of qualification for each key management person describing relevant insurance experience.
6. Describe the management controls in place to identify potential short-term liquidity problems, long-term capital needs, and other significant capital and fund management variations or needs.
7. Describe the controls over the financial reporting functions that are to ensure that the financial statements are not misstated.
8. Describe the mechanism for creating and monitoring the PPO's formal operating budget.
9. Identify the key performance indicators to be tracked by management.

PRODUCTS AND SERVICES

10. Identify the PPO's key products by line of business.
11. Please describe how these products/services are unique or superior to competitive products/services.
12. Please describe the basis for the PPO's proposed rate structure. Will ISO or other rating bureau guidelines be used? Will the PPO file independently for rates and forms?

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INTENDED MARKET

13. Please describe the results of any market research conducted. The description should include at a minimum:
- the PPO's target market(s)
 - approach to sales for each target market and for each line of business (if they differ)
 - the PPO's pricing strategies
14. What has the rate of growth been for each market segment over the last five years?
15. What is the projected growth rate in each market segment over the next five years?

FINANCIAL PROJECTIONS

16. Please attach pro forma financial projections consisting of balance sheets and income statements for a minimum of three years, separately indicating Pennsylvania business and National business.

GUIDELINES FOR PRO FORMA FINANCIAL STATEMENTS

- Financial projections should be prepared by a CPA firm, actuarial firm or qualified individual acceptable to the Department. In this regard, please identify the person that prepared the pro forma financial statements.
 - 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 to cover losses the first two years.
 - All assumptions used in the preparation of the pro forma financial statements must be explained.
 - Please provide the Risk-Based Capital ratio (Total Adjusted Capital/Authorized Control Level Risk-Based Capital) for each of the three years using the pro forma financial projections (attention: ratios should be above the Company Action Level = 200%).
17. Please discuss any proposed reinsurance arrangements.