

DOI-136

**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.

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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.
 - 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%).
- 15) Please discuss any reinsurance arrangements.