

Application for Certificate of Authority Health Care Service Contractor

This is a list of questions/items for you to consider as you prepare your plans and application for a certificate of authority. Once your application is received and the review process begins, there will most likely be additional questions about your specific application.

1. Please utilize the [NAIC Uniform Certificate of Authority Application](#) (UCAA) - Primary Application. Complete the form and submit it with all required documentation. Please also file originals of biographical affidavits.
2. Make sure to clearly indicate which board members represent the public members required by [ORS 750.015\(1\)](#).
3. Please be specific when describing the insurance experience of the officers and directors. We look for experience in insurance operations, actuarial science, statutory insurance accounting, investments, and insurance law. For instance, we look specifically for individuals who have had experience in the management and/or operation of an insurance company—not merely someone who has processed claims, etc. The insurance experience of the management team is a critical requirement in the application for certificate of authority.
4. When completing the biographical affidavits, do not leave any question blank. Use “N/A” or “NONE” if a question does not apply.
5. The Plan of Operation is to include 3 to 5 year financial projections. The projections should include a balance sheet and income statement. The projections need to reflect the principles of statutory insurance accounting, i.e., the types of admissible assets under statutory accounting, surplus requirements, etc. The surplus projections should include sufficient working capital above the level of the minimum surplus required.
6. The company will be asked to commit in writing to conduct its operations in such a manner that it operates within the following two guidelines:
 - A premium to surplus ratio not to exceed 10 to 1. The ratio is calculated by taking calendar year end revenue from premium, Medicare and Medicaid divided by the total statutory net worth as of the same date.
 - Maintain three months of claims payments in reserves and surplus. This ratio is calculated as follows: (1) Surplus less minimum capitalization plus claims payable liability; (2) Claims incurred divided by 12; divide (1) by (2).

7. After the application has been reviewed by a financial analyst, an examination team will perform an on-site qualifying examination. The company will be asked to commit in writing to pay for the cost of the examination whether or not a certificate of authority is granted. The items listed below are some of the items the examiner will verify. This is not an all-inclusive list.
- Verify the existence, ownership, valuation and/or collectibility of all assets, as well as their admissibility under the Insurance Code.
 - Search for missing liabilities and ensure liabilities are adequately valued.
 - Evidence of reinsurance. If no reinsurance exists, determine the level of per member risk the company will be subject to.
 - Evaluate competency of management, and procedures for operations and internal controls. These include but are not limited to: procedure for disclosure by officers, directors, or responsible employees of conflicts of interest or potential conflicts of interest; existence of applicable management, administrative or cost sharing agreements; fidelity bond coverage; procedure for board approval of purchase and sale of all investments or board approved investment guidelines if investment manager is employed.
 - Location of the actual stock certificates, bonds and other investment documents. Are they maintained in a secured location at the company office or is there a custodial arrangement with a bank or trust company? If a custodial arrangement is anticipated, please ask for the rules relating to custodial accounts. There are certain provisions that should be included in the agreement, as well as specific institutions that are acceptable custodians.
8. All bond, common stock and preferred stock investments must be registered with, and valued by, the National Association of Insurance Commissioners Securities Valuation Office. If a particular issue is not already valued by the SVO, the company will be responsible for filing a request for valuation with the SVO. US Treasury investments, FNMA, GNMA and some others require no filing and are assigned the highest grade. Contact us for further information.
9. Provide a description of the actuarial services the company will receive. Do these services include development of required reserves for claims unpaid, unpaid claim adjustment expense, and unearned premium for all annual and quarterly financial statements?
10. We may request a letter from your certified public accountant that describes their experience with insurance accounting.

We would be happy to answer any questions you may have regarding any of these items. We look forward to working with you in the near future.

Questions may be directed to Linda Rothenberger at 503-947-7227 or by email at linda.j.rothenberger@state.or.us