



DEPARTMENT OF FINANCIAL SERVICES
Office of Insurance Regulation

**APPLICATION FOR CERTIFICATE OF AUTHORITY
MULTIPLE EMPLOYER WELFARE ARRANGEMENTS**

**INSTRUCTIONS
SECTION I - APPLICATION FEES AND FORM**

Section I-1 Application Fees

Applicants must pay a filing fee of \$1,500.00, pursuant to Section 624.501(1)(a), Florida Statutes. The fee is due and payable at the time of filing the application for licensure.

Secure your check to the INVOICE (included in this package) and mail to:

Florida Department of Financial Services
Bureau of Financial Services
Post Office Box 6100
Tallahassee, Florida 32314-6100

Place a copy of the INVOICE and a copy of the check with your application filing. This procedure will expedite the processing of your application and assure a timely recording of the fees.

Section I-2 Application for Certificate of Authority (Official Form)

The sponsoring association should complete this form and have it signed by the President. Original signatures and association seal (if any) are required on the application form submitted to the Office of Insurance Regulation.

SECTION II - LEGAL

Section II-1 Articles of Incorporation of Sponsoring Association

Include in this section, the applicant's Articles of Incorporation and all amendments, if applicable. They must be certified by the applicant's state of domicile, by the public official with whom the originals are on file in the state of domicile. The certification must be an original and obtained from that office no earlier than six months prior to the date the application is filed. **SUBMIT AN ORIGINAL AND ONE COPY.**

Section II-2 Certificate of Status from Florida Secretary of State of Sponsoring Association

A Certificate of Status is a document issued by the Florida Secretary of State. This document shows that the association is duly organized and that all taxes and fees have been paid.

This certificate must be obtained from the Florida Secretary of State's office no earlier than six months prior to the date the application is filed. It must show good standing, be sealed by the state, and be an original (photocopies will not be acceptable). **SUBMIT AN ORIGINAL AND ONE COPY.**

Section II-3 By-Laws, Constitution, or Rules and Regulations of the Association

The By-Laws, Constitution, and/or Rules and Regulations should be filed in this section. These documents must be signed and dated by the Secretary of the association. **NO** other signatures will be accepted other than the Secretary's signature. **SUBMIT AN ORIGINAL AND ONE COPY.**

Section II-4 Trust Agreement Establishing the Arrangement

The Trust Agreement between the association and the arrangement (if applicable) should be included in this section. The Trust Agreement must be signed by all of the trustees.

If the trust agreement or bylaws do not specifically indicate that the trustees have complete fiscal control over and are responsible for all operations of the arrangement, that the trustees have authority to approve applications of association members for participation in the arrangement, and that the trustees have authority to contract with an authorized administrator or service company to administer the day-to-day affairs of the arrangement, attach other documents which specify their authority. **SUBMIT AN ORIGINAL AND ONE COPY OF THIS DOCUMENT.**

Section II-5 Articles of Incorporation of the Arrangement

The Articles of Incorporation of the Arrangement and all amendments should be included in this section. Articles of Incorporation must bear an original certification from the applicant's state of domicile, by the public official with whom the originals are on file in the state of domicile. **SUBMIT AN ORIGINAL AND ONE COPY OF THIS DOCUMENT.**

Section II-6 By-Laws of the Arrangement

The By-laws of the Arrangement should be included in this section. By-laws must bear an original corporate seal, be signed and dated by the secretary. **SUBMIT AN ORIGINAL AND ONE COPY OF THIS DOCUMENT.**

Section II-7 Certificate of Status of the Arrangement

A Certificate of Status of the Arrangement should be provided in this section. This is a document issued by the Florida Secretary of State's Office showing that the arrangement is duly organized and that all taxes and fees have been paid.

This certificate must be obtained from the Florida Secretary of State's office no earlier than six months prior to the date the application is filed. **SUBMIT AN ORIGINAL AND ONE COPY OF THIS DOCUMENT.**

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SECTION III - FINANCIAL AND RELATED INFORMATION

Section III-1 Financial Requirement

Existing arrangements should submit in this section a copy of IRS Federal Form 5500 entitled, Annual Return of Employer Benefit Plan With More Than One Hundred Participants.

Section III-2 Plan of Operations

It is important for the Office of Insurance Regulation to have a clear understanding of the proposed operations of the arrangement and the goals it seeks to achieve. To fulfill this requirement, the plan of operations must consist of the following information:

- A. **Current Operations.** Applicant should identify the number of employers currently participating in the arrangement. The number of participant units and number of dependents covered by the arrangement should also be indicated.

- B. **Management.** Applicant should indicate if each trustee is either an owner, partner, officer, director, and/or employee of a participating employer or is committed to participate in the arrangement. In addition, the applicant should provide the name and address of the employer represented by each trustee and by each officer and provide the association of the trustee or officer with such employer.

Applicant should also list the individuals responsible for managing or handling funds or assets of the arrangement.

- C. **Administration.** Applicant should give the name of the service company or third party administrator responsible for servicing the program of the arrangement and should attach a copy of the company's Florida license. In addition, attach a copy of the agreement between the service company or administrator and the trust. This agreement should be signed by the administrator and trustee.

- D. **Claims Adjusting and Underwriting.** Applicant should indicate that the arrangement has provided a sufficient number of competent persons to service its program in the areas of claims adjusting and underwriting. Applicant should also describe the present or proposed plan to service billings, claims, and underwriting. The criteria for underwriting should be justified, and a description of procedures for a special health test pursuant to Section 627.429(4), Florida Statutes, should be included.

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- E. **Marketing and Growth.** Applicant should provide an outline and description of the management's marketing efforts. Applicant should also list, in this section, the names of all persons directly employed by the arrangement, who solicit participants or adjust claims, indicating whether such person has a license issued by the Office of Insurance Regulation and if so, what type of license. For individuals without licenses, applicant should provide their qualifications.

In addition, applicant should list outside individuals contracted to solicit for the arrangement.

Section III-3 Fidelity Bond

In this section, the applicant should provide a copy of the fidelity bond issued in the name of the arrangement covering its trustees, directors, officers, employees, administrator, or other individuals managing or handling the funds or assets of the arrangement. The bond should be in an amount no less than 10% of funds handled annually, but in no case should it be less than \$50,000 or more than \$500,000.

Section III-4 Excess Insurance Agreement

Submit a copy of the present or proposed excess insurance agreement/policy, which should provide that the net retention level for any one risk not exceed \$50,000. Along with it, submit a summary description of the agreement with enough detail to indicate the nature of the coverage.

Section III-5 Fund Balance

Provide evidence that the arrangement has a fund balance equal to \$200,000. Licensed MEWA's should submit a certified financial statement. This information for MEWA's being newly formed should be reflected in the projections of the feasibility study.

Section III-6 Feasibility Study

Each applicant must submit a comprehensive feasibility study, performed by a certified public accountant in conjunction with a certified actuary (see Section V-4). The study should include a financial analysis, as well as enrollment assumptions and competitor information. The study should be for the greater of three years or until the arrangement has been projected to be profitable for twelve consecutive months. The study should show that the arrangement would have and maintain a fund balance as required by Section 624.4392, Florida Statutes and would not, at the end of any month of the projection period, have less than the required balance per Section 624.4392, Florida Statutes. The feasibility study should contain an opinion by the CPA performing the study

which must opine as to the reasonableness of the assumptions used in the feasibility study and that the assumptions are reasonably applied.

The financial portion of the feasibility study must be prepared in accordance with standards promulgated by the American Institute of Certified Public Accountants in its "Guide For Prospective Financial Statements" and opined accordingly and must contain nothing less than an "examination opinion". Outlined below are the requirements for the feasibility study:

- A. A description of market potential, market penetration, and market competition.
- B. A current audited financial statement prescribed by Section 624.439(11) must be submitted for the proposed arrangement. The audited statement must be certified by an independent certified public accountant. If your group is already operating, submit an annual income statement developed on a statutory accounting principle basis for the past five years.

NOTE: The current financial statement should include a balance sheet. If the organization is already in business, it should also include an income statement, as well as a statement of changes in financial position. Each arrangement must demonstrate that it will have adequate funding to continually meet the minimum fund balance requirements of Section 624.4392, Florida Statutes. Surplus notes may be used in the calculation of surplus.

- C. A projected income statement on a monthly basis, with an annual total, through break even. The income statement should be for a minimum of three years and should be developed on a statutory accounting principle basis.
- D. A projected cash flow analysis on a monthly basis, with an annual total through break even for a minimum of three years. Line by line documentation must be submitted. The surplus/ deficit must be the amount used on the cash and cash reserves summary to reflect operations cash flow.
- E. A projected balance sheet annually through break even. The balance sheet should be for a minimum of three years and should be developed on a statutory accounting principle basis. It should be accompanied by statements of changes in financial position for the same time period.
- F. A statement of the proposed initial cash and cash reserves summary. This should be inclusive (loan receipts, loan repayments, stock sales, etc). Also, include a description of the source and terms of the funding.
- G. The method in which the Multiple Employer Welfare Arrangement will comply with the insolvency protection deposit requirements of Section 624.441, F.S., including all relevant documentation necessary to meet the requirements. The deposit amount should be the greater of 5% of gross annual premiums for the succeeding year, or 25% of claims expenditures for the previous twelve months.

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SECTION IV - MANAGEMENT

ANY NAMES REQUESTED IN THIS SECTION SHOULD INCLUDE COMPLETE FIRST, MIDDLE AND LAST NAMES.

Section IV-1 Alphabetical List of All Officers, Directors and Trustees (Official Forms Enclosed)

- A. A list of the name, address, and title of each officer (president, vice-president, secretary, treasurer, and chief financial officer) and director of the sponsoring association.

- B. A list of the names and addresses of each trustee.

Section IV-2 Biographical Affidavits for Officers, Directors and Trustees (Official Form Enclosed)

A Biographical Affidavit (**Official Florida Form Only**) must be completed for each officer, director, and trustee listed in Section IV-1, above. All questions must be answered and all "yes" answers must be accompanied by an explanation. Each Biographical Affidavit must contain an original signature of the principal and an original notary seal. **SUBMIT AN ORIGINAL OF EACH BIOGRAPHICAL AFFIDAVIT IN THE ORDER OF THE LIST FROM SECTION IV-1.**

The requirements for the affiant's social security as part of the Biographical Affidavit is mandatory. However, pursuant to sections 119.0721(1) and (8), Florida Statutes, social security numbers collected by an agency are confidential and exempt from section 119.07(1), Florida Statutes, and section 24(a), Art. I of the State Constitution and must be segregated on a separate page. Therefore, instead of including the SSN on page 1 of the Biographical affidavit, please include the affiant's name and social security on a separate page and attach it to the Biographical Affidavit. Also please stamp **CONFIDENTIAL** at the top and bottom of the separate page.

Section 119.0721(8), Florida Statutes, gives authority for an agency to collect social security numbers if imperative for the performance of that agency's duties and responsibilities as prescribed by law. Limited collection of social security numbers is imperative for the Office of Insurance Regulation. The duties of the Office of Insurance Regulation in background investigation are extensive in order to insure that the owners, management, officers, and directors of any insurer are competent and trustworthy, possess financial standing and business experience, and have not been found guilty of, or not pleaded guilty or nolo contendere to, any felony or crime punishable by imprisonment of one year.

Section IV-4 Investigative Background Reports

An Investigative Background Report must be provided for each person listed in Section IV-1 above except for those companies in the organizational structure between the immediate parent and the ultimate parent. Background reports must be submitted by the selected background investigator vendor directly to the Office prior to or contemporaneously with the submission of the application filing. Please refer to OIR-C1-905 for instructions.

SECTION V - FORMS AND RATES

NOTE: THE COMPANY IS CAUTIONED NOT TO WRITE BUSINESS USING UNAPPROVED FORMS.

Section V-1 Forms

SUBMIT THREE COPIES of the policy, contract, certificate of coverage, summary plan description, and/or other evidence of the benefits and coverages provided to each covered employee. Such evidence of benefits and coverages must contain in bold-faced print of at least 12-point type in a conspicuous location, the following statements:

"The benefits and coverages described herein are provided through a trust fund established and funded by a group of employers. It is not an insurance company and is not protected by a guaranty fund in the event of insolvency. Participating employers are assessable for any losses incurred by the trust."

The form(s) must also meet the Flesch score requirements of Section 627.4145, Florida Statutes.

Section V-2 Marketing Material

In this section, provide advertising material, participating employer application, and a description of association support.

Section V-3 Rates

SUBMIT THREE COPIES of the complete schedule of proposed premium rates for each type of contract.

Section V-4 Actuarial Rate Analysis

In this section, the applicant should submit a report prepared by a certified actuary, who is a member of the Society of Actuaries or the American Academy of Actuaries. The report should provide evidence that the arrangement will be operated in accordance with sound actuarial principles and that proposed rates will provide sufficient revenues to pay current and future liabilities. The actuarial justification of rates should be prepared in accordance with standards promulgated by the American Academy of Actuaries and opined accordingly.

The actuarial report should include a description of assumptions, an estimation of incurred but not reported claims (IBNR), and a forecast of rates and claims. It should also include an actuarial certification to the following:

- A. The rates are neither inadequate nor excessive nor unfairly discriminatory.

- B. The rates are appropriate for the classes or risks for which they have been computed.
- C. An adequate description of the rating methodology has been provided and that such methodology follows consistent and equitable actuarial principles.

NOTE: THE ANALYSIS MUST CONTAIN AN ACTUARIAL CERTIFICATION THAT THE ARRANGEMENT'S RATES WILL CONTRIBUTE TO THE ACTUARIAL SOUNDNESS OF THE MULTIPLE EMPLOYER WELFARE ARRANGEMENT. IT MUST INCLUDE A DETAILED EXPLANATION OF HOW THE RATES WERE DERIVED.