



**BUSINESS PLAN OUTLINE
LIFE, ACCIDENT AND HEALTH**

NOTE: This outline is not intended to be all inclusive but rather is intended to be used as a guide to key elements that might be included in a business plan. Each business plan should be unique to a particular company and should contain sufficient detail to provide Department staff with adequate information about the viability of the company's operations. The plan should be phrased so that a lay person can easily understand it yet still contain the technical information required. The business plan is the sole responsibility of the company's management and adequacy of the plan is a reflection of the company's management competence.

FOR QUESTIONS OR MORE INFORMATION, CALL (512) 322-4370.

I. OVERVIEW

- A. Name of company submitting the plan;
- B. Reason for submitting the plan;
- C. Name of person(s) who prepared the plan; and,
- D. Other miscellaneous general information.

II. BACKGROUND AND HISTORY

- A. When was the company incorporated?
- B. Who owns the company?
 - 1. Provide a brief description on history of ownership.
- C. Give a brief description of affiliates and primary business functions.
- D. Give a description of owners and key personnel.
 - 1. Biographical affidavits of owners and key personnel including, but not limited to:
 - a. Resumes;
 - b. Detailed description of history with company;
 - c. Industry experience; and,
 - d. Current job responsibilities.
 - 2. Other pertinent information.
- E. Give a description of prior operations including, but not limited to:
 - 1. Types of business written;
 - 2. Operational successes and failures;
 - 3. Prior business philosophy; and,
 - 4. Prior mission and goals.

III. RECENT AND CURRENT OPERATIONS

- A. Give a brief description of current operations, including, but not limited to:
 - 1. What type of business does the company intend to write?
 - 2. What type of policies are being written? Is this a change from current activities?
 - 3. What kind of markets is the company going to target? What geographical areas?
 - 4. Who will produce business for the company (independent agents, third party administrators, affiliated agencies, etc.)?

III. RECENT AND CURRENT OPERATIONS (continued)

A. (continued):

5. What is the commission structure for all products greater than 10% of the direct and assumed premium?
6. What is the anticipated number of agents the company plans to have selling products?
7. Describe insurance operations by line of business which comprise greater than 10% of the total premium volume, including, but not limited to:
 - a. Premium rates or interest rates (annuity) and premium volume;
 - b. Projected Texas business to be written and types of business;
 - c. Losses and claim reserves;
 - d. Acquisition expenses for lines of business or acquisition of new companies;
 - e. Reinsurance, including, but not limited to:
 - 1) What are company's current retention levels?
 - 2) Has the company amended any material reinsurance treaties in the past year? If so, what are the terms of the reinsurance agreements?
 - 3) What are the ceding commission rates as provided in the treaties?
8. Describe relevant industry trends.

B. Give a brief description of the company's strengths and weaknesses.

C. Describe internal controls and procedures, including, but not limited to:

1. What procedures or processes does the company have for reviewing the business produced by individual agents or general agents so that agents who consistently produce unprofitable business can be advised and/or so underwriting guidelines can be changed?
2. What procedures or processes does the company have for accounting for reinsurance premiums and losses?
3. What procedures or processes does the company have for accounting on a timely basis, premiums from agents or general agents?
4. What procedures or processes does the company have for reviewing, accepting or denying claims? Describe procedures the company has to allow it to make prompt claims payments to policyholders.
5. What procedures or processes does the company have for reviewing, accepting or denying proposed investments?

D. Describe marketing and underwriting procedures and controls including, but not limited to:

1. Who is going to do the underwriting for the company? Is the company going to underwrite or is a general agent? What is the relationship of the underwriter to the company?
2. Give a brief description of the underwriting controls used to accept or reject a potential policyholder.
3. What are the underwriting guidelines for direct, assumed and ceded business?

E. Give a brief description of any lawsuits filed against the company that ask for a judgment that is equal to or greater than 10% of policyholders' surplus. Also give a listing of all outstanding lawsuits that have a judgment from a court of law and the amount the judgment as well as a list of judgments that the company has appealed and the amounts.

F. Describe the use of outside professionals or outside agencies, including, but not limited to:

1. CPAs, actuaries, attorneys, etc.;
2. TPAs, MGAs or general agents; and,
3. Other professionals or agencies.

G. Describe other key objectives, policies and plans including, but not limited to:

1. Identify sources and application of funds;

III. RECENT AND CURRENT OPERATIONS (continued)

G. Describe other key objectives, policies and plans including, but not limited to: (continued)

2. Provide analysis of personnel needs for planned operational changes; and,
3. Describe other operations:
 - a. Provide detailed investment plan, including types of investments and percentage limitations for each type of investment;
 - b. Provide detail of administrative and general expenses by type of expense;
 - c. Provide details of any planned dividend or any other distribution to company's stockholders; and,
 - d. Describe debt servicing by the company or holding company, including:
 - 1) Schedule of debt servicing; and,
 - 2) Short summary of contract to service debt and how it will be serviced.

IV. FUTURE OPERATIONS

A. Provide general information as follows:

1. Management changes;
2. Infusion of funds;
3. Selling or acquiring blocks of business; and,
4. Other material items.

B. Describe any changes in business philosophy.

C. Describe any changes in affiliated investments.

D. Describe any changes in reinsurance treaties.

V. FINANCIAL PROJECTIONS FOR TEXAS BUSINESS

A. State assumptions used in financial projections:

1. Actuarial assumptions;
2. Commissions and expenses;
3. Investment and interest rates; and,
4. Other significant assumptions.

B. Provide projected financial statements (2-year quarterly basis):

1. Balance sheet information
 - a. Assets
 - b. Liabilities
 - c. Capital
 - d. Surplus
2. Statement of operations
 - a. Direct writings
 - b. Assumed writings
 - c. Amounts to be ceded
 - d. Changes to aggregate reserves
 - e. Net earned premiums
 - f. Investment income
 - g. Ceding commissions
 - h. Total Income
 - i. Life benefits to be paid
 - j. Annuity benefits to be paid
 - k. A&H benefits to be paid
 - l. Surrender benefits to be paid
 - m. Life and annuity commissions to be paid

V. FINANCIAL PROJECTIONS FOR TEXAS BUSINESS (continued)

- B. Provide projected financial statements (2-year quarterly basis) (continued):
 - n. A&H commissions to be paid
 - o. General expenses to be paid
 - p. Taxes, fees and licenses to be paid
 - q. Net income
- 3. Cash flow analysis of operations in conjunction with Page 4, lines 1 through 20, of the annual statement, by quarter for two years.
- D. Provide other statements and worksheets, including, but not limited to:
 - 1. Liquidity and cash flow analysis;
 - 2. Investment analysis;
 - 3. Expense reduction analysis;
 - 4. Loss development analysis;
 - 5. Surrender benefits analysis including analysis of any loads and a description of the loads;
 - 6. Analysis of premium volume by lines of business;
 - 7. Key ratio analysis which, at a minimum, describes the effect of the plan on NAIC ratios;
 - 8. Comparison analysis (prior/current/future); and,
 - 9. Other supporting analyses.

VI. ADDITIONAL EXHIBITS AND INFORMATION

- A. Provide copies of any services agreements with third party administrators.
- B. Provide copies of operating and/or cost sharing agreements.
- C. Provide copies of employment contracts equal to or greater than 5% of salaries. Include bonus contracts.
- D. Provide copies of any guarantees or undertakings for the benefit of the holding company or any of its affiliates that could result in actual or contingent exposure to loss of any of the company's assets.
- E. Provide copies of any surplus debentures.
- F. Provide information with regards to any debt structure of the company or its holding company. Provide a payment schedule, rate schedule and description of terms of payment.
- G. Provide copies of changes in banks or banking practices, investment strategy, settlement of claims and/or lawsuits, letters of credit, trust agreements or similar arrangements that exist for the benefit of the company.
- H. Provide copies of underwriting guidelines (these are treated as confidential information).
- I. Actuarial opinion to evaluate claims reserves and to develop an actuarial forecast analyzing the effects of all planned premium rates. Include any planned rate increases.
- J. Provide opinion as to the effect upon adverse selection or surrenders.
- K. Submit samples of advertising to be used to market products in Texas for all products that produce greater than 10% of the direct and assumed premium.
- L. Submit samples of agents' training materials for all products that produce greater than 10% of the direct and assumed premium.
- M. Provide copies of reinsurance treaties currently in effect which provide for 10% or greater of gross written premium, and details of any changes to take effect in the coming year such as changes in quota share or changes in retention in excess of loss.
- N. Provide copies of termination by a reinsurer of any reinsurance trust agreement. Also provide copies of any reinsurance treaties that are affected whereby the company has reinsurance reserve credits in excess of 10% of policyholders' surplus.

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