

**GUIDELINES FOR APPLYING FOR A LIMITED HEALTH SERVICE ORGANIZATION  
(LHSO) CERTIFICATE OF AUTHORITY – Submission of an LHSO Application to the Illinois  
Department of Insurance**

**Applicable Illinois Laws and Regulations**

**215 ILCS 130/1001 et seq. (LHSO Act)**

**50 Ill. Adm. Code 851-854**

**50 Ill. Adm. Code 904**

**50 Ill. Adm. Code 916**

Illinois Insurance Laws may also be accessed online at the following link:

<http://www.ilga.gov/legislation/ilcs/ilcs2.asp?ChapterID=22>

The Illinois Administrative Code may also be accessed online at the following link:

<http://www.ilga.gov/commission/jcar/admincode/050/050parts.html>

Organization must submit a non-refundable filing fee with the application.

Domestic LHSO Certificate of Authority application filing fee is \$2,000.00.

Foreign LHSO Certificate of Authority application filing fee is \$5,000.00.

One (1) **original** and two (2) copies of all documents must be submitted to:

Amy Stuart

Supervisor, LAH Corporate Regulatory Unit

Illinois Department of Insurance

320 West Washington Street, 4<sup>th</sup> Floor

Springfield, IL 62767-0001

Questions regarding this application should also be addressed to Amy Stuart at [amy.stuart@illinois.gov](mailto:amy.stuart@illinois.gov) or by phone at (217) 782-9694.

Supporting documents for application must be tabbed and indexed. These documents must **NOT** be permanently bound. The documents must be in the same order as outlined in these guidelines and in an easily read format.

**Please complete the attached form, *Application for Certificate of Authority to Operate as a Limited Health Service Organization*. This Application form for an LHSO Certificate of Authority must be completed and contain original signatures, and should be included at the front of the LHSO application submission.**

**The following requirements are set forth in Section 2001(c) of the LHSO Act. Documentation set forth in Section 2001(c) must be a part of the filed application.**

## Subsection 1

### **Organization Documents -**

**For Domestics** - a certified copy of the organization's Articles of Incorporation filed with the Illinois Secretary of State. Please note: an organization applying for an LHSO Certificate of Authority must be organized as a corporation. Limited Liability Companies (LLC) and Low-Profit Limited Liability Companies (L3C) are not permitted to obtain an LHSO Certificate of Authority in Illinois.

**If the organization is a foreign corporation, include the following:**

- A certified copy of the Articles of Incorporation from the state of domicile. Such Articles must state as the sole purpose for which the organization is organized "To make application to the Director of the (*insert state of domicile*) Department of Insurance, pursuant to (*insert state of domicile Code Section or Law*), or to other jurisdictions, to provide or arrange for one or more limited health care plans."
- A notarized statement by the organization's President or Chief Executive Officer that the organization **will cease any and all business other than prepaid business** that it currently conducts in other jurisdictions in which it is licensed.
- Evidence of registration as a foreign corporation with the Illinois Secretary of State.

## Subsection 2

**By-Laws** – The fiscal year must be synonymous with the calendar year.

## Subsection 3

**Name, Address and Position(s) – Biographical Affidavits** containing original signatures and should be notarized. The most current NAIC Biographical Affidavit (UCAA Form 11) can be obtained from the NAIC website at the following: [http://www.naic.org/industry\\_ucaa.htm](http://www.naic.org/industry_ucaa.htm) . **Additionally, see Company Bulletin CB# 2016-05 regarding Independent Third Party Background Investigation Reports on the DOI Website at <http://insurance.illinois.gov/cb/2016/CB2016-05.pdf>**

**Conflict of Interest Statement** - Original signature required (copy is attached) (Part 5421.90).

Include the **Holding Company Registration Statement** or the most recent Holding Company Statement filed in your home state.

## Subsection 4

**Service Area** – List only the counties in which you are initially going to do business. Include a legible map of the service area by zip code to be served by the LHSO showing location of its office and facilities.

**Corporate Plan of Operation** – (see attached).

## Subsection 5

**Provider Contracts** – Section 2008.

[http://insurance.illinois.gov/LAH\\_HMO\\_IS3\\_Checklists/LAH-Checklist.html](http://insurance.illinois.gov/LAH_HMO_IS3_Checklists/LAH-Checklist.html)

It is suggested to include a termination clause (generally these are 30 days with cause, 90 days without cause); also include that providers will assure availability and accessibility of limited health care services.

## Subsection 6

### **Contracts with Related Parties**

## Subsection 7

### **Administrative and Miscellaneous Contracts**

## Subsection 8

**Group Contracts and Evidences of Coverage** -

[http://insurance.illinois.gov/LAH\\_HMO\\_IS3\\_Checklists/LAH-Checklist.html](http://insurance.illinois.gov/LAH_HMO_IS3_Checklists/LAH-Checklist.html)

To facilitate flexibility in contract filing, group contracts and evidences of coverage may be filed on an insert page basis – each page being identified by a unique form number located in the lower left-hand corner (not to exceed 15 characters). These insert pages may then be replaced as required by other approved pages. If the contract is not numbered in such a fashion and a modification is required, then the entire contract must be refiled for approval. When forms are to be approved in this manner, the letter of submittal must list each page as a policy form.

## Subsection 9

### **Audited Financial Information**

## Subsection 10

**Statutory Deposit** – (Section 2006).

**Financial Information** – **The organization must have a minimum \$100,000 net worth** before the application will be reviewed.

### **FOR A NEW CORPORATION**

A copy of an executed escrow agreement with an Illinois Bank or other Financial Institution in Illinois, restricting access to funds on deposit until a Certificate of Authority is issued by the Department or until certification is denied or such application is withdrawn. Escrowed funds must be on deposit within the State of Illinois. A dated balance sheet reflecting a net worth for the organization of not less than \$100,000. Provide debt agreements which meet the requirements of Section 2009 *if* part or all of the initial capital will be provided through subordinated debt.

**FOREIGN CORPORATION CURRENTLY OPERATING AS AN LHSO**

- Copies of annual financial statements filed in the organization's state of domicile. Quarterly financial statements for any quarters that have elapsed since the last annual statement's reporting date.
- *THE CORPORATION MUST HAVE A NET WORTH OF NOT LESS THAN \$100,000 AS OF THE MOST RECENT REPORTING DATE.*
- Provide a Copy of the current Certificate of Compliance from the home state insurance department.
- A Statement from the organization stating that the organization is aware of the investment limitations and admitted assets section of the Illinois LHSO Act and will comply with these sections when computing the financial statements.

**Subsection 11****Rate Methodology****Subsection 12**

**Marketing** –see [http://insurance.illinois.gov/LAH\\_HMO\\_IS3\\_Checklists/LAH-Checklist.html](http://insurance.illinois.gov/LAH_HMO_IS3_Checklists/LAH-Checklist.html)

**Subsection 13**

**Registered Agent** - Please provide a copy of every filing made with the Illinois Secretary of State which relates to the applicant's registered agent or registered office.

**Subsection 14**

**Complaint Procedures** – [http://insurance.illinois.gov/LAH\\_HMO\\_IS3\\_Checklists/LAH-Checklist.html](http://insurance.illinois.gov/LAH_HMO_IS3_Checklists/LAH-Checklist.html)

**Subsection 15**

**Quality Assessment and Utilization and Review**  
[http://insurance.illinois.gov/LAH\\_HMO\\_IS3\\_Checklists/LAH-Checklist.html](http://insurance.illinois.gov/LAH_HMO_IS3_Checklists/LAH-Checklist.html)

**Subsection 16**

**Filing Fee** – The filing fee must be included with the filing of the application and supporting documents. This fee is non-refundable. Domestic application filing fee for admission is \$2,000.00. Foreign application filing fee for admission is \$5,000.00.

**Subsection 17** Supply the Federal Employers Identification Number (FEIN) assigned to the organization.

**STATE OF ILLINOIS**  
**DEPARTMENT OF INSURANCE**  
**SPRINGFIELD, ILLINOIS**

**Application for LHSO Certificate of Authority**

**To: Director of Insurance**

\_\_\_\_\_, an  
organization incorporated on \_\_\_\_\_ under the  
\_\_\_\_\_, existing under and  
by virtue of the laws of the State of \_\_\_\_\_; hereby makes application for a  
Certificate of Authority to operate a limited health service organization under the

**Limited Health Service Organization Act.**

**IN WITNESS WHEREOF**, the undersigned organization has caused  
this application to be executed

in its name by its \_\_\_\_\_

(Title Officer)

and attested by its \_\_\_\_\_

(Title Officer)

this \_\_\_\_\_ day of \_\_\_\_\_ A.D. 20\_\_\_\_\_.

\_\_\_\_\_  
(Name of Organization)

BY: \_\_\_\_\_

Attest: \_\_\_\_\_

The attached materials are made a part of this application.

**CORPORATE PLAN OF OPERATION IN ILLINOIS**

(Project items (3) years into the future, where possible)

Use the following outline as a minimum reporting basis:

- (a) Limited Health Services – types of Limited Health Services to be offered
  - (1) Projected volume for each type of limited health service
  - (2) Expected market penetration
  - (3) Description of policies
  - (4) Size of premium per policy
- (b) Marketing Strategy
  - (1) Method of solicitation (agency, brokers, direct mail, etc.)
  - (2) Expenses of procuring business
  - (3) Agent/broker compensation (first year, other years)
  - (4) Definition of market (who and where in Illinois)
- (c) Breakdown of Operating Expenses
  - (1) Ratios of expenses to premiums by type of limited health service
  - (2) Solicitation, general expenses, other large sub-items
- (d) Business Expectations
  - (1) Profit margins, writing ratios and loss ratios
  - (2) Comment on difference between experience in other states and expectations in Illinois
- (e) Corporate Plans
  - (1) What, if anything, is unique or exceptional concerning the manner the company plans to service enrollees
  - (2) What exceptional contribution can the company make to the Illinois marketplace
  - (3) How will company's premium rates compare to known premium rates in Illinois

**Three Year Pro-Forma Projections**

To provide Three Year Pro-Forma Financial Projections, the organization should utilize the NAIC UCAA ProForma Financial Statements (Health) Excel Spreadsheet available at the NAIC UCAA Website page at the following link: [http://www.naic.org/industry\\_ucaa.htm](http://www.naic.org/industry_ucaa.htm)

The organization should fully complete each tab of the NAIC Three Year Pro-Forma

**AFFIDAVIT TO IDENTIFY QUALIFIED INDIVIDUALS AT THE APPLICANT ORGANIZATION;  
AND TO IDENTIFY ANY FIRM THAT WILL BE UTILIZED TO PREPARE ANNUAL AND  
QUARTERLY STATUTORY FINANCIAL STATEMENTS (HEALTH) FOR THE APPLICANT**

List names; proposed titles/positions; and the credentials and qualifications of the persons at the applicant organization with regulatory experience, and/or with statutory accounting experience in the preparation of statutory financial statements:

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List the name(s) of any firm(s) that the applicant organization will be utilizing to prepare annual and quarterly statutory financial health statements for the applicant. Credentials and qualifications of the firm(s) should also be listed:

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IN WITNESS WHEREOF, the undersigned organization has caused this Affidavit to be executed in its name

by \_\_\_\_\_, \_\_\_\_\_  
(Name) (Title)

and attested by \_\_\_\_\_,  
(Name)

\_\_\_\_\_, this \_\_\_\_\_

day of \_\_\_\_\_ A.D., 20 \_\_\_\_\_.

\_\_\_\_\_  
(Name of Organization)

BY: \_\_\_\_\_

Attest: \_\_\_\_\_

The attached materials are made a part of this application. If any changes in above referenced staff or firms are made during the licensure review process, please provide an updated Affidavit to the attention of Amy Stuart at the Illinois Department of Insurance.