

FINANCIAL REQUIREMENTS FOR DOING THE BUSINESS OF INSURANCE IN PENNSYLVANIA

Minimum capital and surplus amounts are determined by statute. However, the Insurance Commissioner has the discretion to require additional amounts. Because the Insurance Department Act (40 P.S. § 386.2) requires insurers to maintain the minimum required capital and surplus unimpaired at all times, the Insurance Commissioner requires newly-incorporated insurers to demonstrate possession of surplus over the statutory minimum amount. The exact amount of additional surplus will be dependent upon the financial forecasts included in the insurer's business plan.

Stock or mutual insurance companies organized under 40 P.S. § 382

1. Stock Life Insurers (40 P.S. § 386(a))

	Capital	Surplus	Total
Life & Annuities	\$1,000,000	\$500,000	\$1,500,000
Accident & Health	\$ 100,000	\$ 50,000	\$ 150,000
Total (a) Authority	\$1,100,000	\$550,000	\$1,650,000

2. Stock Fire, Stock Marine and Stock Fire & Marine insurance companies (40 P.S. § 386(b))

	Capital	Surplus	Total
(1) Fire, Allied Lines	\$ 100,000	\$ 50,000	\$ 150,000
(2) Inland Marine Auto Physical Damage	\$ 100,000	\$ 50,000	\$ 150,000
(3) Ocean Marine	\$ 200,000	\$ 100,000	\$ 300,000
Total (b) Authority	\$ 400,000	\$ 200,000	\$ 600,000

3. Stock Casualty Companies (40 P.S. § 386(c))

Minimum capital and surplus for insurance companies organized under 40 P.S. § 386(c) is at least \$750,000 and \$375,000, respectively. For any two or more classes of insurance, the capital must equal the greater of \$750,000 or the sum of the total required for each class; surplus must equal or exceed 50% of the minimum required capital.

	Capital	Surplus	Total
(1) Fidelity & Surety	\$ 200,000	\$ 100,000	\$ 300,000
(2) Accident & Health	\$ 50,000	\$ 25,000	\$ 75,000
(3) Glass	\$ 50,000	\$ 25,000	\$ 75,000
(4) Other Liability	\$ 50,000	\$ 25,000	\$ 75,000
(5) Boiler & Machinery	\$ 50,000	\$ 25,000	\$ 75,000
(6) Burglary & Theft	\$ 50,000	\$ 25,000	\$ 75,000
(7) Credit	\$ 100,000	\$ 50,000	\$ 150,000
(8) Water Damage	\$ 50,000	\$ 25,000	\$ 75,000
(9) Elevator	\$ 50,000	\$ 25,000	\$ 75,000
(10) Livestock	\$ 50,000	\$ 25,000	\$ 75,000
(11) Auto Liability	\$ 500,000	\$ 250,000	\$ 750,000
(12) Mine	\$ 50,000	\$ 25,000	\$ 75,000
(13) Personal Property Floater	\$ 50,000	\$ 25,000	\$ 75,000
(14) Workers' Compensation	\$ 750,000	\$ 375,000	\$1,125,000
Total (c) Authority	\$1,950,000*	\$ 975,000	\$2,925,000
Total (b) & (c) Authority	\$2,350,000	\$1,175,000	\$3,525,000

****Note: Minimum capital required for (c) authorities is capped at \$1,950,000***

4. Mutual Life Insurers (40 P.S. § 386(d))

Mutual life insurers must maintain unimpaired policyholders surplus equal to the capital required for a stock insurer.

5. Mutual Non-life Insurers (40 P.S. § 386(e))

Mutual insurers issuing non-assessable policies must possess surplus equal to the capital required for stock insurers. Mutual insurers issuing assessable policies must maintain unimpaired 50% of its required surplus.

Other license types

6. Reciprocal Exchanges (40 P.S. § 968)

Each reciprocal exchange must possess a total policyholder surplus amount equal to the capital and surplus required for property/casualty companies for the applicable classes of business in order to issue non-assessable policies.

7. Title Companies (40 P.S. § 910-5)

Each title company must possess capital of at least \$500,000 and contributed surplus of at least \$250,000.

8. Health Maintenance Organizations (40 P.S. § 1555.1(b)(2)(i); 31 Pa. Code § 301.121)

A new Health Maintenance Organization (HMO) must have a minimum initial net worth of \$1,500,000. Once operational, an HMO must have a minimum net worth equal to the greater of \$1,000,000 or 3 months uncovered health care expenditures for Pennsylvania enrollees as reported on the most recent financial statement filed with the Commissioner.

9. Risk-assuming preferred provider organization that is not licensed as an insurer (RANLI PPO) (40 P.S. § 764a; 31 Pa. Code § 152.9)

A new RANLI PPO must possess minimum capital and reserves of \$1,175,000. Once operational, a RANLI PPO must have minimum capital and reserves of \$1,125,000.