

Statutory Requirements for a Mutual Insurance Company Pursuant to Chapter 10 of Title 38.2 of the Code of Virginia

Some key topics associated with a mutual insurance company include:

Definition

Mutual insurance companies are organized and owned by their policyholders. They do not issue capital stock; they have no stockholders. The original net worth of a mutual company consists only of surplus paid in by the original policyholders, or by an interested party who wishes to get the company into operation. Typically funds derived from an outside source are done through a surplus note.

Organization of entity (§ 38.2-1001 through § 38.2-1003)

A minimum of “twenty natural persons, a majority of whom are legal residents of this Commonwealth” must sign the articles of incorporation.

Board of Directors (§ 13.1-853 et seq.)

Directors are elected in a manner provided for in the articles of incorporation. There may be one or more members with the number fixed by the bylaws, or there may be a variable number by fixing a minimum and maximum.

Applicable Laws (§ 38.2-1001)

All provisions relating to insurers generally.

Minimum Capitalization (§ 38.2-1029 and § 38.2-1030)

\$1.6 million for policies with contingent assessment liability
\$4 million for policies without contingent assessment liability

This is the absolute minimum required by Title 38.2, below which the Bureau of Insurance will take action against the license. Minimum surplus required to successfully license a company includes additional surplus to cover the start-up costs of an insurance company, and provide on-going working capital.

Limitation of Risks (§ 38.2-208)

The face value of any policy written cannot be greater than 10% of policyholders' surplus, after consideration for reinsurance.

Financial Reporting Basis/Requirements (§ 38.2-1300C)

Statutory Accounting in accordance with accounting practices and procedures adopted by the National Association of Insurance Commissioners.

Holding Company Registration (§ 38.2-1322 et seq.)

Subject to registration in accordance with Article 5 of Chapter 13 of Title 38.2.

Restrictions on Investments (§ 38.2-1400 et seq.)

Must comply with Chapter 14 of Title 38.2.

Deposit requirement with Treasurer (§ 38.2-1045)

\$200,000 to \$500,000

Premium Taxes (§ 38.2-400 et seq.)

Current annual rate: 2 ¼%.

Financial Reporting Filings (§ 38.2-1300, § 38.2-1315.1)

Include:

Annual and Quarterly Financial Statements

CPA Report

Actuarial Opinion

Risk Based Capital Report

Registration with the Clerk of Commission (§ 38.2-1001)

In accordance with and pursuant to Article 3 of Chapter 10 of Title 13.1 of the VA Nonstock Corporation Act.

Service of Process (§ 38.2-833)

Must appoint a registered agent for service of process.

Financial Examinations (§ 38.2-1317 et seq.)

Required at least once every five years, in accordance with Article 4 of Chapter 13. Typically, exams are conducted every three years.

Rate and form filings (§ 38.2-317 [forms] and § 38.2-1906 [rates])

Requirements are the same as any P&C company.

Licensing Process Highlights

An application is filed with the Bureau of Insurance using with the Uniform Certificate of Authority Application. This application can be found online on the Bureau's website at <http://www.scc.virginia.gov/division/boi/webpages/boiinsurancecolicprocdures.htm> , and then clicking on 'UCAA'. A \$500 filing fee must accompany the application. Processing time varies based upon the features of the entity seeking a license, and the responsiveness of the applicant to questions and informational requests. After the application is reviewed by staff, a recommendation for approval or disapproval is made. The licensing committee at the Bureau reviews the recommendation, and makes a decision. If approved for a license, the company will file rates and forms for approval with the Bureau (if required by statute), and make the statutory deposit with the Treasurer. Once these and any other outstanding issues are taken care of, the successful applicant can start conducting business in Virginia. If the applicant is a Virginia-domiciled insurer, the financial examination staff will conduct a start-up exam, to make sure the required surplus is in place and that the company is in compliance with all the applicable laws and regulations in Virginia.