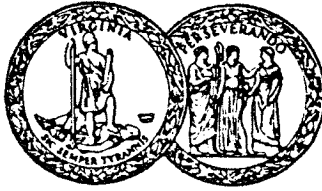


COMMONWEALTH OF VIRGINIA



JAMES W. NEWMAN, JR.
COMMISSIONER OF INSURANCE

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FIRST DEPUTY COMMISSIONER

BOX 1157
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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

LETTER

REPLACED

By Administrative
Letter 1999-9

ADMINISTRATIVE LETTER 1981-8

TO: Foreign and Alien Insurance Companies Requesting a
License in Virginia

RE: Admission Requirements

An insurance company which is domiciled outside the Commonwealth of Virginia must obtain a License (issued by the Bureau of Insurance) and a Certificate of Authority (issued by the Clerk of the State Corporation Commission) in order to transact business in Virginia. Before securing a certificate of authority, the applicant must first be approved for licensing by the Bureau of Insurance.

In considering the prerequisites for obtaining a license as set forth in Section 38.1-86 of the Code of Virginia, subsection (5) requires that an applicant company "...is solvent, and its financial condition, method of operation and manner of doing business are such as to satisfy the Commission that it can meet its obligations to all policyholders...". Although these legislative standards are difficult to define precisely, the following items will be considered in determining the qualifications of an applicant:

1. Annual Statements for the latest two years.
2. Latest Report of Examination.
3. Latest annual report of applicant or its parent, if applicable.
4. NAIC Insurance Regulatory Information System (IRIS).
5. Biographical data on executive officers and members of the board of directors.
6. Proposed plan of operation in Virginia.

7. Profitable operations over the last three years (if not, a satisfactory explanation).
8. Active engagement in similar kinds of business (no new market concepts allowed, i.e. no "test ground" policies).
9. Satisfaction of minimum capital and surplus requirements, as set forth below, with adequate margins for contingencies:
 - (a) Stock insurance companies must have a combined capital and surplus of not less than \$2,000,000 [\$1,000,000 capital and \$1,000,000 surplus] (§38.1-89).
 - (b) Non-assessable mutual insurance companies must have a surplus of not less than \$2,000,000 (§38.1-95.1) or \$800,000 if applicant company issues assessable policies (§38.1-94).
 - (c) Non-assessable reciprocal insurers must have a surplus of not less than \$2,000,000 (§38.1-703) or \$800,000 if company issues assessable policies (§38.1-695).
 - (d) Alien insurance companies (stock and mutual) incorporated or organized outside the United States must have a trusteed surplus of not less than \$2,000,000 (§38.1-95).
 - (e) Fraternal benefit societies must be solvent when valued by any one of the standards authorized in §38.1-638.45.
10. Please note that the above are statutory minimums which must be maintained at all times upon licensure; therefore, an additional margin for contingencies will generally be required. Each application will be reviewed on a case by case basis; however, as a general rule, newly formed subsidiaries (as described below) will need an additional surplus cushion of \$500,000 and existing companies will need an additional surplus cushion of \$300,000.
11. Full compliance with applicable Virginia laws at the date of application.
12. Substantial compliance with Virginia's investment laws at date of application.

A policy of the Bureau is that each company represents a legitimate separate entity and should be judged on its individual operating history and current financial condition. A newly formed subsidiary of an insurance company which is already licensed and in good standing in Virginia may be considered provided adequate levels of surplus are present and the company posts the appropriate security deposits as

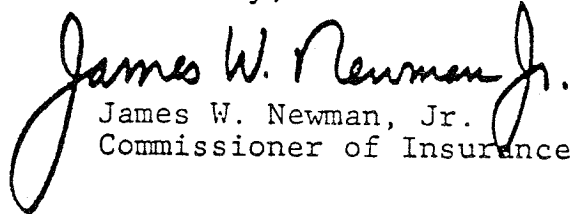
contemplated in Section 38.1-108. The parent of the newly formed subsidiary must meet the following criteria:

- (a) has been licensed in Virginia for at least five years;
- (b) has been profitable in its operations;
- (c) has a history of satisfactory treatment of Virginia policyholders;
- (d) has substantial management control of the applicant.

In order to be considered for licensing by the Bureau, the applicant must first submit the items listed under the heading FINANCIAL REVIEW REQUIREMENTS. A determination will be made based upon an analysis of the data submitted and any other information requested by the Company Licensing Section. It is the intention of the Bureau to act on all applications within a reasonable time frame. Failure by the company to respond to written inquiries within thirty (30) days will be considered grounds for denial.

If an applicant is approved for licensing, the company will be instructed to file the items listed under the heading GENERAL REQUIREMENTS. If, however, it is found that the applicant does not appear to be a suitable candidate for licensing, the application will be reviewed by a licensing committee before a final letter of denial is issued.

Sincerely,


James W. Newman, Jr.
Commissioner of Insurance

JHNC/kac

Attachments

FINANCIAL REVIEW REQUIREMENTS

In addition to the items listed below the applicant must review the information and follow any applicable instructions appearing under the heading Special Requirements And Additional Instructions.

1. Application for License (form enclosed); TWO COPIES REQUIRED.
2. Non-refundable application fee of \$500 payable to the State Corporation Commission. (\$38.1-85)
3. Annual financial statements, NAIC form, for the latest two years preceding the date of application (original signatures are required for most recent year but certified copies may be furnished for prior years). All statements must be completed according to NAIC instructions. Submission of incomplete and/or inaccurate statements are grounds for denial.
4. Latest Report on Examination made by state of incorporation, certified to by Commissioner of Insurance of that state. Five year rule: Balance sheet date of report must be within five years of the latest annual statement submitted.
5. Latest annual report of applicant company or its parent company, whichever is applicable.
6. Biographical affidavits on executive officers and members of the board of directors of applicant company (reproducible form enclosed).
7. Plan of operation, including a description of the company's current plan of operation generally as well as a description of its proposed plan of operation for Virginia specifically. Be sure to include a discussion of the products to be marketed, marketing methods and geographical areas to be served.
8. A description of all material litigation involving the company which is currently pending or was concluded during the last three years, including fines or administrative procedures against the company by any State or Federal agency (if any).
9. IRIS Ratios: If the company has been identified as having any unusual ratios for the previous two years, the applicant must submit an explanation of each ratio and indicate what remedial action, if any, has been taken.
10. Certificate of Compliance executed by the Commissioner of Insurance of the state of incorporation.

GENERAL REQUIREMENTS

The following forms and fees must be submitted in furtherance of the application for admission and will be required after the applicant has received a letter of approval. Documents must bear original certifications as indicated; photostats of certificates are not acceptable. On the application for Certificate of Authority, form SCC 34, the corporation must designate a Registered Agent who has the indicated qualifications and registered office for purposes of service of process. MUCH TIME CAN BE SAVED IF COMPANIES WILL CAREFULLY READ THE REQUIREMENTS AND SEE THAT ALL PAPERS ARE PROPERLY PREPARED AND SUBMITTED AT ONE TIME TO THIS OFFICE. ALL LINES MUST BE COMPLETED. MAKE AN APPROPRIATE INDICATION FOR "NONE" OR "NOT APPLICABLE":

1. Application for Certificate of Authority, form SCC 34; TWO COPIES REQUIRED (§13.1-106 and 269).
2. Charter of Articles of Incorporation and all amendments duly authenticated by proper officer of state of incorporation; TWO COPIES REQUIRED (§13.1-107 and 270).

3. Security Deposits: Bearer or registered securities of the following classes shall be deposited with the Treasurer of Virginia which are of current market value of not less than \$50,000 nor more than \$200,000:

Acceptable securities are bonds of the United States; Virginia; or a city, town or county of Virginia; states, other than Virginia, and their municipalities or political subdivisions rated A or better by Moody's Investors Service, Inc., or Standard & Poor's, Inc., provided that revenue bonds shall be rated AA or better; International Bank for Reconstruction and Development; Federal National Mortgage Association; Federal Home Loan Banks; Federal Intermediate Credit Banks; and the Asian Development Bank.

The amount of the deposit required will be determined upon approval of the application for licensing. Registered securities should be registered in the name of the company and a Power of Attorney and Resolution must be filed with the Treasurer (§38.1-108). Upon advice of the Bureau, securities should be forwarded directly to the Treasurer of Virginia, Post Office Box 6-H, Richmond, Virginia 23215; contact person: Mrs. Barbara McKinney (804) 225-3167.

4. Fees: The following fees are payable to the State Corporation Commission; these fees are not applicable to reciprocal insurers:

Corporation of the State of Virginia
of the State of Virginia

(a) Foreign Corporation Entrance Fees (§58-444):

(I) The stock corporation entrance fee is based upon the maximum capital stock authorized in its charter and is determined as follows:

	For a company whose maximum capital stock is:	
	(no par stock deemed to have a value of \$100	
	per share-VA (Code §58-462))	
	(1) \$1 to \$50,000	\$60.00
	(2) over \$50,000 to \$1,000,000-\$1.20 for each	
	\$1000 or fraction thereof	
	(3) over \$1,000,000 to \$10,000,000	\$ 2,000.00
	(4) over \$10,000,000 to \$20,000,000	\$ 2,500.00
	(5) over \$20,000,000 to \$30,000,000	\$ 3,000.00
	(6) over \$30,000,000 to \$40,000,000	\$ 3,500.00
	(7) over \$40,000,000 to \$50,000,000	\$ 4,000.00
	(8) over \$50,000,000 to \$60,000,000	\$ 4,500.00
	(9) over \$60,000,000 to \$70,000,000	\$ 5,000.00
	(10) over \$70,000,000 to \$80,000,000	\$ 5,500.00
	(11) over \$80,000,000 to \$90,000,000	\$ 6,000.00
	(12) over \$90,000,000	\$10,000.00
	(13) without capital stock	\$100.00

(b) Filing fee on application for Certificate of Authority of Virginia is \$5.00 (§13.1-123).

5. Estimated Premium License Tax:

(a) A premium license tax based on an estimate of direct gross premium income in Virginia for the remainder of the calendar year is payable upon admission to Virginia. This tax is not applicable to fraternal benefit societies.

(b) The fraternal benefit society's annual license fee is \$20.00 payable by certified or cashier's check to the State Corporation Commission.

The amount of the...
of the application for...
should be...
of...
should be...
Office Box 6-1, Richmond, Virginia 23264
Mrs. Barbara Manning

Commission, these...

SPECIAL REQUIREMENTS AND
ADDITIONAL INSTRUCTIONS

1. Reinsurance Companies:

- (a) A company engaged in reinsurance only (i.e. no direct writing), which is licensed in any state of the United States, is not required to obtain a license from the Bureau of Insurance in order to issue contracts of reinsurance covering risks assumed from a company licensed in Virginia. The company need only meet Virginia's standards of solvency.
- (b) If, however, a foreign corporation engaged solely in the business of reinsurance desires to maintain an office in Virginia and/or dispatch agents to solicit and execute reinsurance contracts in Virginia, it must first secure a Certificate of Authority from the Clerk of the State Corporation Commission, Post Office Box 1197, Richmond, Virginia 23209.
- (c) Notwithstanding (a) and (b) above, if a company wishing to transact reinsurance only seeks to do so as a licensed company, it may be licensed by the Bureau of Insurance for the applicable direct lines of business provided it meets the criteria and requirements set forth in these instructions for any other direct writing company seeking a license.

2. Alien Companies:

- (a) Power of Attorney or other documents showing appointment of the United States Manager, duly certified by the appropriate office of the state of entry into the United States. (Submit with FINANCIAL REVIEW REQUIREMENTS.)
- (b) Certification showing trusteed surplus of not less than \$2,000,000 for the security of all its policyholders and creditors within the United States (§38.1-95). (Submit with FINANCIAL REVIEW REQUIREMENTS.)
- (c) Certificate of Compliance executed by the Commissioner of Insurance of the state of entry. (Submit with FINANCIAL REVIEW REQUIREMENTS.)
- (d) Articles of Incorporation: The Charter of the applicant should be translated into English and submitted for filing with the following certifications: (To be submitted with GENERAL REQUIREMENTS.)

- (I) Certification by the English translator.
 - (II) Certification by the foreign government official who is custodian of the original document.
 - (III) Certification from the United States Consulate verifying that certification (II) above is authentic.
- (e) SCC Form 34: This form must be completed in the name of the company (an English translation of the corporate name is acceptable); this form must also be signed by the appropriate alien corporate officers (officers of the United States Manager should not sign the form unless they have been appointed as corporate officers by the executive board of the alien company) (§13.1-106). (To be submitted with GENERAL REQUIREMENTS.)

3. Fraternal Benefit Societies

- (a) Constitution and By-Laws certified by its secretary (§38.1-638.21). (Submit with FINANCIAL REVIEW REQUIREMENTS.)
- (b) A certificate from the proper official of the home state in which the society is legally organized (§38.1-638.21). (Submit with FINANCIAL REVIEW REQUIREMENTS.)

4. Mutual Insurance Companies:

By-Laws certified by corporate secretary (§38.1-84).
(Submit with FINANCIAL REVIEW REQUIREMENTS.)

5. Reciprocal Insurance Companies:

- (a) Copy of Subscriber's Agreement and Power of Attorney appointing Attorney-In-Fact certified by the Commissioner of Insurance of state of incorporation. (Submit with FINANCIAL REVIEW REQUIREMENTS.)
- (b) Power of Attorney appointing Secretary of Commonwealth of Virginia as statutory agent; TWO COPIES REQUIRED (§38.1-707); recording fee of \$3.00 payable to Secretary of Commonwealth of Virginia. (Submit with FINANCIAL REVIEW REQUIREMENTS.)
- (c) Business name must include the word "reciprocal, interinsurer, interinsurance, exchange, underwriters or underwriting" (§38.1-694).

6. Life Insurance Companies:

- (a) Certificate of Valuation of reserve liability issued by Commissioner of Insurance of state of incorporation (§38.1-453). (Submit with FINANCIAL REVIEW REQUIREMENTS.)
- (b) A company authorized to transact life insurance shall not be licensed to transact any additional kind of insurance except annuities and accident and sickness insurance (§38.1-25).

7. Title Insurance Companies:

- (a) Copy of form of all title insurance policies and interim binders to be used in Virginia (§38.1-726). (Submit with FINANCIAL REVIEW REQUIREMENTS.)
- (b) Only a stock title company may transact title insurance and it cannot be licensed for any additional kind of insurance (§38.1-25 and 723).

8. Life, Accident and Sickness Policy Forms and Rates (including Fraternal Benefit Societies):

Applicant companies seeking admission to write life and/or accident and sickness insurance should not submit any policy forms, applications, endorsements, etc., and in the case of accident and sickness, rates, rules and classifications applicable thereto, until the company has been duly licensed to transact such business by the Company Licensing Section of the Bureau. Upon notification of the issuance of a license, the Life and Health Section will promptly forward to the newly licensed company a listing of its requirements for submission and approval of the company's forms and rates (§38.1-342.1). As provided by law, no policies shall be issued by the company until its forms have been approved by the Life and Health Section.

9. Property and Casualty Forms and Rates:

Applicant companies seeking admission to write property and casualty insurance should not submit any forms or rates until the company has been duly licensed to transact such business by the Company Licensing Section of the Bureau. Upon notification of the issuance of a license, the Property and Casualty Section will promptly forward to the newly licensed company a listing of its requirements for submission and approval of the company's forms and rates (see applicable sections of Title 38.1, Chapter 6.2 and Chapter 8). No policies shall be issued by the company until its forms have been approved and its rules and rates are filed with the Property and Casualty Section of the Bureau.

10. Agents' Licenses:

All of the applicant company's agents seeking to solicit insurance within the Commonwealth of Virginia must successfully complete the appropriate examination administered by the Agents' Licenses and Examinations Section of the Bureau or otherwise qualify as required by that section and obtain a license before commencing such solicitations (§38.1-327.1 et. seq.).

11. Guaranty Associations: Upon licensure in the Commonwealth of Virginia a company becomes a member of the applicable Guaranty Association:

- (a) Virginia Insurance Guaranty Association: Covers all classes of insurance except life, title, fidelity, surety, accident and sickness, credit, and ocean marine (§38.1-756.1 et. seq.).
- (b) Life, Accident and Sickness Insurance Guaranty Association: Covers direct life insurance policies, accident and sickness insurance policies, annuity contracts, and contracts supplemental to life, accident and sickness insurance policies, and annuity contracts except as expressly excluded by Section 38.1-482.18 of the Code of Virginia (§38.1-482.17 et. seq.).

12. Additional information: Any questions not covered by this information can be answered by an inquiry to the Company Licensing Section, Bureau of Insurance, P. O. Box 1157, Richmond, Virginia 23209 or call (804)786-4602 or (804)786-3081.

and approval of the... as provided by... and... section.

Applicant company... liability insurance... with the company... upon notification... the liability... licensed... and approval... sections of... shall be... approved and... and Casualty... of...