



STATE OF WEST VIRGINIA
Offices of the Insurance Commissioner
Company Analysis and Examinations Division

Forming an Association Captive Insurance Company

W. Va. Code §33-31 authorizes the formation and licensing of an Association Captive Insurance Company (“ACIC”). An ACIC may only insure the risks of its member organizations, and their affiliated companies.

Definitions:

“Association means any legal association of individuals, corporations, limited liability companies, partnerships, associations, or other entities that has been in continuous existence for at least one year.”

“Member organization means any individual, corporation, limited liability company, partnership, association, or other entity that belongs to an association.”

“Affiliated company means any company in the same corporate system as a parent, an industrial insured or a member organization by virtue of common ownership, control, operation or management.”

The ACIC may apply to the Insurance Commissioner for a license to write any lines of insurance authorized in W. Va. Code §33, except personal auto and homeowners’ insurance coverages or any component of such coverages.

The ACIC may be incorporated as a stock insurer with its capital divided into shares and held by stockholders. The member organizations collectively must own, control or hold with power to vote all of the outstanding voting securities of the ACIC.

Alternatively, the ACIC may be incorporated as a mutual insurer without capital stock. The governing body of a mutual insurer would be elected by the member organizations of its association.

Statutory Requirements for an ACIC:

- Must be licensed by the Insurance Commissioner and is subject to an annual renewal on April 1st.
- Must maintain its principal office and principal place of business in West Virginia.
- Must appoint a resident registered agent to accept service of process.
- Must have at least one board member of the ACIC as a resident of West Virginia.
- Must, if organized as a stock insurer, initially have and maintain unimpaired paid-in-capital of not less than \$300,000, and free and clear surplus funds of not less than \$280,000. Such capital and surplus may be in the form of cash or irrevocable letters of credit.

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- Must, if organized as a mutual insurer, have and maintain free and clear surplus funds of not less than \$600,000. Such surplus may be in the form of cash or irrevocable letters of credit.
- Must file with the Insurance Commissioner by March 1 an annual verified report of its financial condition.
- Must file an annual audited financial report.
- Must comply with the investment requirements of the Commissioner.
- May procure reinsurance.
- Must not participate in or have guaranty fund protection coverage in the event of an insolvency.
- The ACIC would be subject to a 5/10ths of 1 percent tax on direct written premiums. The premium tax would be paid annually on or before February 28th on the prior year business.

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