



BUREAU OF INSURANCE

REQUIREMENTS FOR LICENSING A LEGAL SERVICES ORGANIZATION (LSO) IN VIRGINIA UNDER CHAPTER 44 OF TITLE 38.2 OF THE VIRGINIA CODE

Section [38.2-4413](#) of the Virginia Code requires an LSO to obtain a license from the Bureau in order to operate a legal services plan. Section [38.2-4400](#) defines *legal services plan* as a contractual obligation or an arrangement, whereby legal services are provided in consideration of a specified payment consisting in whole or in part of prepaid or periodic charges, regardless of whether the payment is made by the subscribers individually or by a third person for them.

The Bureau will not license any LSO until the Bureau is satisfied that the LSO's financial condition, method of operation and manner of doing business enable it to meet its contractual obligations to all subscribers and that the LSO has otherwise complied with all the requirements of law. ([§ 38.2-4413](#))

Section [38.2-4402.1](#) requires an LSO to be (i) a nonstock or stock corporation organized pursuant to the laws of Virginia; (ii) a foreign corporation that is subject to regulation and licensing under the laws of its domiciliary jurisdiction that are substantially similar to those provided by Chapter 44; or (iii) a foreign corporation that is licensed as an insurance company in its state of domicile and authorized to operate, conduct or administer a legal services plan under the laws of any state. **Any foreign insurance company licensed pursuant to Chapter 44 shall not be authorized to write any other class of insurance under Title 38.2.**

Foreign corporations must include the following in a license application:

1. Application for License in Virginia.
2. Non-refundable application fee of \$500 payable to the Treasurer of Virginia. ([§38.2-4413](#))
3. A properly executed biographical affidavit for each officer and director using the "NAIC Biographical Affidavit" form available at https://www.naic.org/industry_ucaa.htm (under **UCAA Forms**). Affidavits must be current and shall not be signed by the affiant more than six months prior to the date the application is filed.

Each affidavit must be reviewed by an independent third party that has conducted a comprehensive review of the affiant's background and verified that the biographical affidavit has no inaccurate or conflicting information and no material omissions. An independent third party is one that has no affiliation with the license applicant and is in the business of providing background checks or investigations. A list of third-party vendors approved to perform such investigations is available on the National Association of Insurance Commissioner's website at https://www.naic.org/industry_ucaa.htm.

4. Written description of proposed method of operation and manner of doing business including:
 - a) A detailed discussion of the applicant's functional areas, including but not limited to: underwriting, marketing (products, sale efforts, geographical areas to be served, and delivery systems), accounting and control, and investments. There should also be a discussion of the background and expertise of staff and general management.
 - b) A full and complete discussion of present and future sources of funding needed to meet contractual obligations.
 - c) A full ownership profile of the applicant. This should include an organizational chart depicting the applicant's parent, subsidiary, and affiliate relationships, with specific attention given to aspects of control and respective ownership rights. A **foreign insurance company** may reference the organizational chart in Schedule Y of its latest annual or quarterly financial statement.
5. The applicant's latest financial statements (annual and quarterly) and audited financial statement. ([§ 38.2-4410](#))
6. Copies of all provider agreements to render legal services in Virginia.
7. Copies of each subscriber contract, endorsement, or member application form which the plan proposes to use in Virginia. The LSO must assure that every subscriber has free choice of the providers available and participating in the legal plan. ([§ 38.2-4411](#))

An LSO **organized under the laws of Virginia** must first prepare and file Articles of Incorporation with the State Corporation Commission's Clerk's Office, P.O. Box 1197, Richmond, Virginia 23218, (804) 371-9733. Information pertaining to this process may be obtained at <https://www.scc.virginia.gov/pages/New-Business-Resources>.

The license application of an LSO **organized under the laws of Virginia** must contain the same items required above for foreign corporations, except the financial statements and audited financial statement referenced in #5. In addition, the Virginia-based LSO must include the following:

1. Projected balance sheets and income statements for the first three years of operation, prepared on a *statutory accounting basis* (not GAAP). Fully document all important assumptions,

including but not limited to premium rates, levels of enrollment, utilization rates, attorney compensation and other factors determining legal expenses, administrative expenses, and future sources of funding. The applicant must demonstrate an ability to adequately finance its operations and meet its obligations to all subscribers. At a minimum, the applicant must demonstrate that it will establish and maintain a *statutory* net worth of not less than \$35,000. **Note: Projections must be based on reasonable assumptions and certified as to their reasonableness and/or sufficiency by an independent actuary satisfactory to the Commission.**

- 2. Copies of any management agreements, service contracts or cost-sharing arrangements with other parties.
- 3. Copy of the applicant’s Articles of Incorporation
- 4. Copy of the applicant’s Bylaws.

If after reviewing an LSO license application the Bureau determines the applicant meets the licensing requirements under Chapter 44, the Bureau will issue a letter of tentative approval. At that time the Bureau will direct the applicant to complete the remaining requirements for licensure. For **foreign corporations** the remaining requirements include obtaining a Certificate of Authority to transact business in Virginia. ([§ 13.1-757](#)) Foreign applicants should contact the State Corporation Commission’s Clerk’s Office regarding all forms, fees and filing requirements for obtaining the Certificate of Authority.

Bureau Contact

Applicants should direct all questions regarding the licensing requirements to:

Kevin McClain
 Insurance Financial Analyst
 Company Licensing and Regulatory Compliance
 Telephone: (804) 371-9432
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**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION, BUREAU OF INSURANCE
RICHMOND, VIRGINIA 23219**

APPLICATION FOR LICENSE IN VIRGINIA

(Name of Plan)

(NAIC Number)

(FEIN number)

(Address)

hereby applies for a Virginia license to operate a plan issuing contracts for future

- Hospitalization Services
- Medical Services
- Surgical Services
- Dental Services
- Optometric Services
- Legal Services

Number of subscribers as of January 1 of the current year _____

Names and addresses of all hospitals, physicians, dentists, optometrists or attorneys participating in plan:

Geographical area requested by plan:

(Date)

(Signature of Officer)

(Title)