

ORGANIZATION AND OWNERSHIP OF NEW INSURANCE COMPANIES

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Section 1. Biographical Disclosure of Individuals

The organizers, promoters, backers and incorporators of a new insurance company or a holding company organized with one or more of its purposes being for the sale of stock to finance the organization or establishment of an insurance company shall make a full disclosure of who are such organizers, promoters, backers and incorporators. A short biographical sketch of these persons should be given to the regulatory authority in the particular state where the company or companies is being organized. Included in this biographical sketch should be detailed the business experience of these persons and any experience they may have had in the insurance business.

Section 2. Disclosure of Promotional Cost

In the organization of a new insurance company or holding company there must further be disclosed to the regulatory authorities all promotional cost spent and to be spent. The regulatory authority should be given the power to determine what are promotional expenses. The promotional expenses shall not exceed ten percent (10%) of the selling price of the entire issue of capital stock of the company or companies sold to the public.

Section 3. Disposition of Monies Resulting From Sale of Stock

All monies collected from the sale of stock other than that amount permitted for promotional cost should be held in escrow either by the regulatory authority or someone designated by it until such time as the company has been completely organized and started in the insurance business.

Section 4. License Hearing

The regulatory authority may require a proper hearing on the application for a license to do an insurance business by a new company; at which time it may inquire into the competency, fitness and reputation of all persons directly or indirectly associated with the formation of a company. The regulatory authority shall have a right to review or deny an application upon a showing that any such individual or individuals may be unworthy of public trust.

Section 5. Capital and Surplus Requirements

A minimum paid-in capital stock of \$200,000 and a surplus of \$100,000 should be required, this minimum to be increased for specific kinds of insurance companies in the discretion of the regulatory authorities. Territorial limits in which business may be carried on by the company may be prescribed by the regulatory authorities.

Section 6. Review of Management or Agency Contract

The regulatory authorities should have the right to review any management contract or exclusive agency contract that may have been made between the new insurance company and some individual, partnership or corporation. The regulatory authority should have the right to approve or disapprove the management or exclusive agency contract. Certain definite standards should be set up by which to judge any such contract.

Section 7. Full-Time Employees Required

No insurance company is to be licensed until qualified persons are employed full-time to manage the business of the company.

Section 8. Records to be Kept in State of Domicile.

The usual home office records of every insurance company must be kept and maintained at all times within the state of domicile.

Chronological Summary of Action (all references are to the Proceedings of the NAIC).

1959 Proc. II 510, 511-513, 517 (adopted).