



BUREAU OF INSURANCE

HOME PROTECTION COMPANY ARTICLE 1, CHAPTER 26 OF TITLE 38.2 OF THE CODE OF VIRGINIA REQUIREMENTS FOR ORGANIZING AND LICENSING IN VIRGINIA

INTRODUCTION

No person shall act as a home protection company with a resident of this Commonwealth without first obtaining a license from the Bureau of Insurance (Bureau). To be considered for a license, an applicant must submit a completed *Application for Initial License as a Home Protection Company* to the Bureau's Financial Regulation Division pursuant to Article 1 of Chapter 26 (§ [38.2-2600](#) et seq.) of Title 38.2 of the Code of Virginia.

The following information may be useful to the reader in reviewing the requirements:

Home protection company means any person who performs, or arranges to perform, services pursuant to a home protection insurance contract.

Home protection insurance contract means any insurance contract or agreement whereby a person undertakes for a specified period of time and for a predetermined fee to furnish, arrange for or indemnify for service, repair, or replacement of any and all of the structural components, parts, appliances, or systems of any covered residential dwelling necessitated by wear and tear, deterioration, inherent defect, or by the failure of an inspection to detect the likelihood of failure.

Structural component means the roof, foundation, basement, walls, ceilings, or floors of a home.

GENERAL LICENSING STANDARDS

The Bureau will not issue a license to a home protection company unless the Bureau is satisfied that the financial condition, the method of operation, and the manner of doing business enable the home protection company to meet its obligations to all contract holders and that the home protection company has otherwise complied with all the requirements of law.

If the applicant is to be a Virginia corporation, it must secure a Certificate of Incorporation from the Clerk's Office, State Corporation Commission, (804) 371-9733. This may be done pursuant to the appropriate provisions of [Title 13.1](#) of the Code of Virginia by filing Articles of Incorporation and paying the necessary fees. Information pertaining to this process may be obtained at www.scc.virginia.gov/clk.

If the applicant is to be a foreign corporation, § [38.2-2604 A 2](#) requires that the company be subject to regulation and licensing under the laws of its domiciliary jurisdiction which are *substantially similar* to those provided in Article 1 of Chapter 26. Generally, the Bureau regards the term “substantially similar” as meaning “equivalent.” A foreign applicant is expected to substantiate this similarity by including with its application either a hard copy of its domiciliary laws pertaining to home protection companies, or an internet address where this information can be obtained.

If the applicant is a foreign corporation, it must secure a Virginia Certificate of Authority from the Clerk's Office. Information may be obtained at www.scc.virginia.gov/clk. This is in addition to the license. An applicant can do so either prior to filing its license application, or wait until after the Bureau has tentatively approved the license application and directs the applicant to complete the remaining requirements for licensure.

Each application must be accompanied by a non-refundable \$500.00 check made payable to the Treasurer of Virginia as payment of the Application Fee.

A home protection company must maintain a net worth of not less than 20% of the premiums charged on contracts currently in force; *however, the minimum net worth shall be not less than \$100,000, and the maximum required net worth shall be that amount required of insurers under the provisions of Article 5 (§ [38.2-1024 et seq.](#)) of Chapter 10 of Title 38.2.* No license applicant with a net worth of less than \$100,000 will be eligible for admission. The amount of net worth required for initial licensure will be determined by the Bureau during its review of the application.

A home protection company licensed in this Commonwealth shall maintain total reserves, including claim reserves and an unearned premium reserve, in an amount sufficient to provide for its liability to furnish appropriate indemnity, repairs, and replacement services under its issued and outstanding contracts. Reserves shall be calculated according to sound actuarial principles, and in total equal at a minimum 50% of the premiums received from all contracts in force in this Commonwealth, net of applicable reinsurance and any amounts paid on account of liabilities incurred under the contracts.

Prior to licensure, applicants must deposit securities having a current market value of not less than \$50,000 nor more than \$500,000 with the Treasurer of Virginia pursuant to § [38.2-1045](#) of the Virginia Code. The amount of the deposit required of each applicant will be determined after the Bureau concludes its review of the application. Acceptable for deposit are securities which are legal investments under the laws of Virginia for public sinking funds or for other public funds, in accordance with §§ [2.2-4500](#) and [4501](#), respectively.

An applicant must provide the Bureau with satisfactory evidence that the management of the applicant is competent and trustworthy, and can be reasonably expected to successfully manage the company's affairs in compliance with law.

An applicant must establish to the Bureau's satisfaction that it (i) maintains employees or has contractual arrangements sufficient to provide the services or indemnity undertaken by it, and (ii) agrees to accept requests for heating, electrical and plumbing services contracted for twenty-four hours per day, seven days per week.

Home protection contracts sold in Virginia must comply with the provisions of § [38.2-2608](#). *Following licensure* and pursuant to § [38.2-2608](#), a home protection company must submit its home protection contract form to the Bureau's Property and Casualty Division for review and approval. No home protection contract shall be issued or used in Virginia unless it has been filed with and approved by the Bureau.

All applicants should be especially aware of § [38.2-2613](#) of the Code of Virginia, which states the following:

Except as otherwise specifically provided in this article or where the context requires otherwise, all of the provisions of this title that apply to property and casualty insurers shall apply in every respect to home protection companies licensed under this article. In addition, Article 1 (§ [58.1-2500](#) et seq.) and Article 2 (§ [58.1-2520](#) et seq.) of Chapter 25 of Title 58.1 shall apply to the operation of a home protection company.

CONTACT

Applicants should direct all questions regarding the requirements for licensing to the following:

James B. Ware
Senior Financial Analyst
State Corporation Commission
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

Telephone: (804) 371-9801
Facsimile: (804) 371-9511
Email: Jim.Ware@scc.virginia.gov

An applicant desiring a personal meeting with Bureau staff prior to filing an application may contact the person above in order to schedule an appointment.

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BUREAU OF INSURANCE

APPLICATION FOR INITIAL LICENSE AS A HOME PROTECTION COMPANY
ARTICLE 1, CHAPTER 26 OF TITLE 38.2 OF THE CODE OF VIRGINIA

(All citations to the insurance statutes of Virginia are in Title 38.2 of the Code of Virginia.)

A corporation desiring to engage in business as a Home Protection Company pursuant to the provisions of [Chapter 26 of Title 38.2](#) of the Code of Virginia and must make application for a license by providing the following:

1. Non-refundable Application Fee of \$500.
2. Name of Applicant _____
3. DBA/Trade, Assumed or Fictitious Name (if applicable) _____
4. Street Address of Applicant _____

5. Mailing Address _____

6. Internet Website Address _____
7. State of Domicile _____
8. Federal Employee Identification Number _____
9. Contact Person _____
Title _____
Telephone _____
Fax Number _____
Email _____

10. A copy of its articles of incorporation and any amendments.
11. Disclose all aspects of ownership and control with regard to the applicant, and submit an organizational chart which depicts the affiliation between the applicant and any other entities. As used herein, “affiliation” means a person that directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with another person. “Control” shall be presumed to exist if any person directly or indirectly owns, controls, holds with the power to vote, or holds proxies representing collectively 10% or more of the voting securities of any other person.
12. A description of the applicant’s plan of operation and manner of doing business. The description should address such areas as marketing methods and systems, contract administration, claims handling, and dispute resolution.
13. If a foreign corporation *already doing business as a home protection company*, the latest financial statement of the applicant signed by two officers and acknowledged before a notary public. To be acceptable in Virginia, this statement must be prepared in accordance with Annual Statement Instructions and Accounting Practices and Procedures adopted by the National Association of Insurance Commissioners (NAIC).
14. If a newly-formed corporation *that has yet to commence business as a home protection company*, pro forma financial statements (balance sheet and income statement) through at least three years. Statements must be prepared in accordance with statutory insurance accounting principles. **(NOTE: projections and/or rates must be based on reasonable assumptions and certified by an independent actuary satisfactory to the Commission as to their reasonableness and/or sufficiency. All assumptions must be included with financial statements.)**
15. If a foreign corporation *already doing business as a home protection company*, a copy of its latest audited financial report, certified by an outside auditing firm. Include any management letters or recommendations prepared by the independent auditing firm.
16. A properly executed biographical affidavit for each officer and director using the standard NAIC form. Affidavits must be current and shall not be signed by the affiant more than one year prior to the date the application is filed. In addition, an independent third party must provide a comprehensive background investigation report on each affiant. An acceptable independent third party is one that has no affiliation with the license applicant and is in the business of providing background checks or investigations. The affidavit form and a list of acceptable third party vendors can be obtained through the NAIC’s website at www.naic.org/industry_ucaa.htm.

NOTARIAL ACKNOWLEDGMENT REQUIRED OF ALL APPLICANTS

Dated and signed this _____ day of _____, 20____ at _____.
_____ being duly sworn according to law, deposes and says that the
answers to the questions and the declarations contained in this application are true and correct.

Signature of the President/CEO of the Provider

Full Legal Name of the Provider
(Type or Print)

State of _____

City/County of _____

Personally appeared before me the above named _____
personally known to me, who, being duly sworn, deposes and says that he/she executed the
above instrument and that the statements and answers contained therein are true and correct to
the best of his/her knowledge and belief.

Subscribed and sworn to before me this _____ day of _____, 20____.

(SEAL)

Notary Public

My Commission Expires: _____