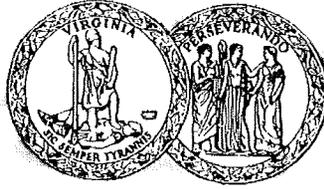


**EXAMINATION REPORT**  
**of**  
**UNITED LEGAL BENEFITS OF VIRGINIA, INC.**  
**Timonium, Maryland**  
**as of**  
**December 31, 2015**

**COMMONWEALTH OF VIRGINIA**  
**STATE CORPORATION COMMISSION**  
**BUREAU OF INSURANCE**

# COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE



P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
TELEPHONE: (804) 371-9741  
TDD/VOICE: (804) 371-9206  
<http://www.scc.virginia.gov/division/boi>

I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of United Legal Benefits of Virginia, Inc. as of December 31, 2015, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand  
and affixed to the original the seal of the Bureau at the City  
of Richmond, Virginia this 11<sup>th</sup> day of October, 2016

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Jacqueline K. Cunningham  
Commissioner of Insurance

(SEAL)

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Richmond, Virginia  
August 8, 2016

Jacqueline K. Cunningham  
Commissioner of Insurance  
Richmond, Virginia

Dear Madam:

Pursuant to your instructions and by authority of Section 38.2-1317 of the Code of Virginia, we have performed an examination of the financial condition, records and affairs of

**UNITED LEGAL BENEFITS OF VIRGINIA, INC.**

Timonium, Maryland

hereinafter referred to as the Corporation. The report thereon is submitted for your consideration.

**SCOPE OF THE EXAMINATION**

The last examination of the Corporation was made by representatives of the State Corporation Commission's Bureau of Insurance (Bureau) as of December 31, 2010. This examination covers the five year period from January 1, 2011 through December 31, 2015.

This examination was conducted in accordance with the NAIC Financial Condition Examiners' Handbook (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Corporation's financial condition, assess corporate governance, identify current and prospective risks of the Corporation and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Corporation were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein.

The examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Corporation.

### HISTORY

The Corporation was licensed in Virginia as a legal services plan pursuant to Chapter 44 of Title 38.2 of the Code of Virginia on June 1, 2001. According to its Articles of Incorporation, the purpose for which the Corporation is organized is to perform all acts necessary in connection with the operation of a prepaid legal services business and transact any or all lawful business.

### MANAGEMENT AND CONTROL

The bylaws provide that the management of the Corporation shall be vested in a Board of Directors (Board) of at least three, but no more than eleven directors elected annually by the stockholders for a one-year term, or until a successor is elected and qualified. The Board shall choose a President, a Secretary and a Treasurer who shall serve as the executive officers of the Corporation. Additionally, the Board may elect a Chairman of the Board, one or more Vice Presidents, assistant officers and subordinate officers as it deems necessary. A person may hold more than one office, except for the offices of the President and the Vice President of the Corporation.

At December 31, 2015, the Board and officers were as follows:

#### Directors

#### Business Affiliations

Katherine B. Crosby

Director  
United Legal Benefits of Virginia, Inc.  
Timonium, Maryland

Scott G. Crosby

President  
United Legal Benefits of Virginia, Inc.  
Timonium, Maryland

B. Douglas Goodell

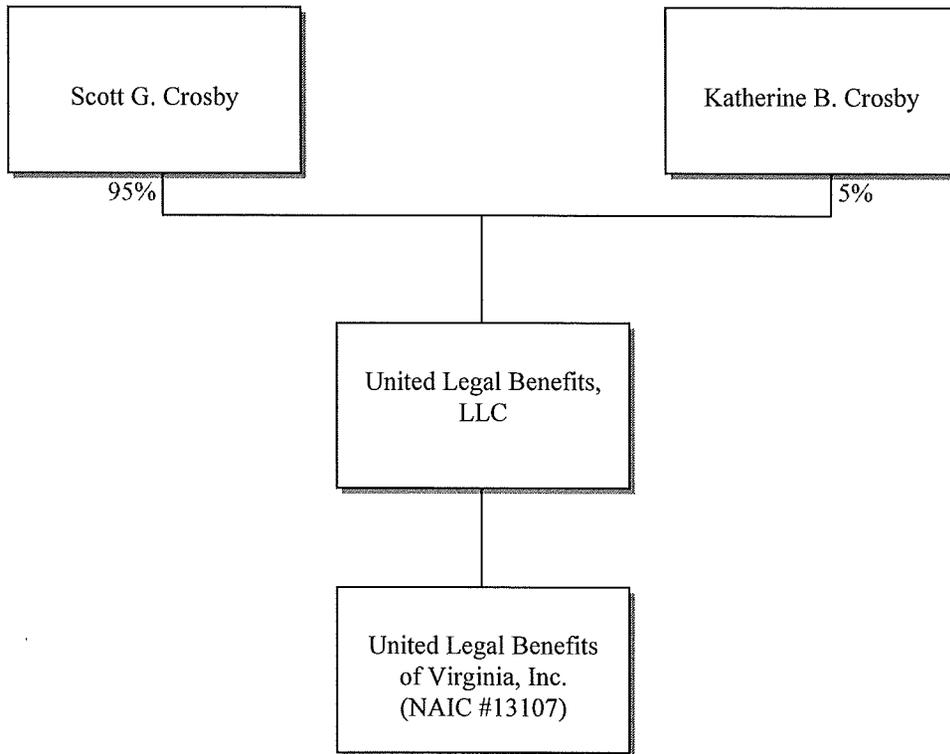
Treasurer  
United Legal Benefits of Virginia, Inc.  
Timonium, Maryland

Officers

Scott G. Crosby	President
B. Douglas Goodell	Treasurer
Peggy W. Allio	Secretary

**RELATED PARTIES**

According to its Articles of Incorporation, the Corporation has the authority to issue 5,000 shares of common stock with a par value of \$1 per share. At December 31, 2015, there were 100 issued and outstanding shares, which were owned by United Legal Benefits, LLC (United). The following chart illustrates the relationship between the Corporation and its parent and affiliates:



## TRANSACTIONS WITH AFFILIATES

### Administrative Services Agreement

Effective January 14, 2004, the Corporation entered into an administrative services agreement with United to provide various services including, but not limited to, management, administration, claims, operations, accounting and personnel. The term of the agreement shall be continuous, and shall remain in force unless written notice of intent to cancel is given no later than 120 days prior to the effective date of such termination. In return for providing the services, the Corporation shall pay United no more than 40% of monthly revenues. Total administrative service fees paid to United for calendar year 2015 were \$8,000.

## TERRITORY AND PLAN OF OPERATION

The Corporation is licensed to transact business in the entire Commonwealth of Virginia. Participation is offered to individuals, employees of a participating employer, or members of a participating group. Current efforts are directed at group sales in order to increase subscribers and contain production costs. In most instances, premiums are collected monthly through payroll deduction for the employee/employer groups. Other payment options include monthly, quarterly and annual advance premium remittances by the subscriber.

Each participating attorney/law firm receives 40% of the monthly premium for each subscriber who has selected that attorney/law firm as their plan legal service provider. As of December 31, 2015, the Corporation had retainer agreements in effect with 2 attorney/law firms and had enrolled 82 subscribers. Services provided under the contract include, but are not limited to, the following:

General Consultation Advice	Defense of Juveniles
Traffic Violations	Landlord-Tenant Matters
Civil Actions	Real Estate Transactions
Family Law	Preparation of Wills
Uncontested Divorces	Credit Protection
Misdemeanor Criminal Violations	Consumer/Seller Issues
Civil Administration Proceedings	Preventive Law

Covered Services are limited to those of an attorney and exclude costs incidental to legal matters such as court fees, fees for service of summons, fines, penalties or damages. Other exclusions include expenses incurred by the attorney such as: travel expenses and long distance telephone calls.

## GROWTH OF THE CORPORATION

The following data represents the growth of the Corporation for the ten-year period ending December 31, 2015. The data is compiled from the Corporation's filed Annual Statements, previous examination reports, and the current examination report.

<u>Year</u>	Total Admitted <u>Assets</u>	Total <u>Liabilities</u>	Capital and <u>Surplus</u>
2006	\$38,721	\$954	\$37,767
2007	38,942	1,849	37,093
2008	39,569	1,744	37,825
2009	39,260	1,421	37,839
2010	41,117	1,781	39,336
2011	37,901	1,932	35,969
2012	40,442	1,252	39,190
2013	41,210	1,353	39,857
2014	38,830	1,151	37,679
2015	39,140	1,185	37,955

<u>Year</u>	Total <u>Revenue</u>	Net Investment <u>Gain</u>	Legal <u>Expenses</u>	Administrative <u>Expenses</u>	Pre-Tax Income <u>(Loss)</u>
2006	\$31,890	\$180	\$11,245	\$19,609	\$1,216
2007	33,343	106	13,790	20,333	(674)
2008	34,094	68	13,797	21,756	(1,391)
2009	28,853	61	11,180	21,450	(3,716)
2010	30,594	38	10,439	18,696	1,497
2011	28,837	45	9,300	18,017	1,565
2012	26,690	36	8,466	18,503	(243)
2013	27,116	11	8,850	17,610	667
2014	26,828	10	10,998	18,018	(2,178)
2015	20,738	9	9,492	10,979	276

The Corporation's enrollment data at year-end is illustrated as follows:

<u>Year</u>	<u>Number of Members</u>
2006	175
2007	185
2008	175
2009	172
2010	156
2011	131
2012	122
2013	125
2014	125
2015	82

#### **CAPITAL AND SURPLUS**

At December 31, 2015, the Corporation's capital and surplus was \$37,955. Capital and surplus is comprised of common capital stock; gross paid in and contributed surplus and unassigned funds. The Corporation had 100 shares of \$1 par value common stock issued and outstanding, with gross paid in and contributed surplus of \$34,900 and unassigned funds of \$2,955. The Bureau requires the Corporation to maintain capital and surplus of at least \$35,000.

**FINANCIAL STATEMENTS**

The following financial statements present the financial condition of the Corporation for the period ending December 31, 2015. No examination adjustments were made to the statutory financial statements filed by the Corporation with the Bureau for the period ending December 31, 2015.

**ASSETS**

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Cash and short-term investments	<u>\$38,863</u>	<u>          </u>	<u>\$38,863</u>
Subtotals, cash and invested assets	\$38,863	\$0	\$38,863
Uncollected premiums and agents' balances in the course of collection	<u>277</u>	<u>0</u>	<u>277</u>
Total assets	<u><u>\$39,140</u></u>	<u><u>\$0</u></u>	<u><u>\$39,140</u></u>

**LIABILITIES, CAPITAL AND SURPLUS**

Premiums received in advance	<u>\$1,185</u>
Total liabilities	<u>\$1,185</u>
Common capital stock	\$100
Gross paid in and contributed surplus	34,900
Unassigned funds (surplus)	<u>2,955</u>
Total capital and surplus	<u>\$37,955</u>
Total liabilities, capital and surplus	<u><u>\$39,140</u></u>

**STATEMENT OF REVENUE AND EXPENSES**

Net premium income	<u>\$20,738</u>
Total revenues	<u>\$20,738</u>
Legal benefits	\$9,492
General administrative expenses	<u>10,979</u>
Total underwriting deductions	<u>\$20,471</u>
Net underwriting gain	<u>\$267</u>
Net investment income earned	<u>\$9</u>
Net investment gains	<u>\$9</u>
Net income before federal income taxes	\$276
Federal income taxes incurred	<u>0</u>
Net Income	<u><u>\$276</u></u>

**RECONCILIATION OF CAPITAL AND SURPLUS**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Capital and surplus prior reporting year	<u>\$39,336</u>	<u>\$35,969</u>	<u>\$39,190</u>	<u>\$39,857</u>	<u>\$37,679</u>
<b>GAINS AND LOSSES TO CAPITAL AND SURPLUS</b>					
Net income (loss)	\$1,565	(\$243)	\$667	(\$2,178)	\$276
Surplus adjustments:					
Paid in	0	3,464	0	0	0
Dividends to stockholders	(3,000)	0	0	0	0
Aggregate write-ins for gains (losses) in surplus	<u>(1,932)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus	<u>(\$3,367)</u>	<u>\$3,221</u>	<u>\$667</u>	<u>(\$2,178)</u>	<u>\$276</u>
Capital and surplus end of reporting year	<u><u>\$35,969</u></u>	<u><u>\$39,190</u></u>	<u><u>\$39,857</u></u>	<u><u>\$37,679</u></u>	<u><u>\$37,955</u></u>

**CASH FLOW****Cash from Operations**

Premiums collected net of reinsurance	\$20,539
Net investment income	<u>9</u>
Total	<u>\$20,548</u>
Benefit and loss related payments	\$9,492
Commissions, expenses paid and aggregate write-ins for deductions	<u>10,797</u>
Total	<u>\$20,289</u>
Net cash from operations	<u>\$259</u>

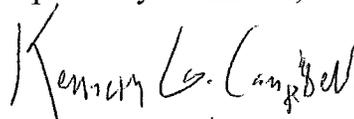
**RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS**

Net change in cash and short-term investments	\$259
Cash and short-term investments:	
Beginning of the year	<u>38,604</u>
End of the year	<u><u>\$38,863</u></u>

**CONCLUSION**

The courteous cooperation extended by the Corporation's officers and employees during the course of the examination is gratefully acknowledged.

Respectfully submitted,

A handwritten signature in black ink that reads "Kenneth G. Campbell". The signature is written in a cursive style with a large initial 'K'.

Kenneth G. Campbell, CFE  
Assistant Chief Examiner



September 21, 2016

David H. Smith, CFE, CPA, CPCU  
Chief Examiner  
State Corporation Commission  
Bureau of Insurance  
P.O. Box 1157  
Richmond, Virginia 23218

RE: United Legal Benefits of Virginia, Inc.

Dear Mr. Smith:

In accordance with Code of Virginia 38.2-1320.1., this letter acknowledges receipt of the Examination Report as of December 31, 2015 of United Legal Benefits of Virginia, Inc.

The company would like to receive four (4) copies of the report for our records.

Thank you.

Very truly yours,

Scott G. Crosby  
President  
United Legal Benefits of Virginia, Inc.

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**United Legal Benefits**

30 E. Padonia Road, Suite 304, Timonium, MD 21093  
Phone: 410.628.1110 • Toll Free: 800.546.1602 • Fax: 410.628.0166  
Email: [info@unitedlegalbenefits.com](mailto:info@unitedlegalbenefits.com)  
[www.unitedlegalbenefits.com](http://www.unitedlegalbenefits.com)