

**RULES  
OF  
TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE  
DIVISION OF INSURANCE**

**CHAPTER 0780—1—60  
LEGAL INSURANCE**

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**0780—1—60—.01 PURPOSE.** The purpose of this Chapter is to implement the provisions of *T.C.A.*, Title 56, Chapter 43, known as the “Tennessee Legal Insurance Act.”

*Authority:* *T.C.A.* §§56—2—301 and 56—43—112. *Administrative History:* Original rule filed March 6, 1991; effective April 20, 1991.

**0780—1—60—.02 APPLICABILITY AND SCOPE.** These rules shall apply to all persons, other than authorized insurers, attempting to engage in the business of legal insurance in this state. Any authorized insurer which elects to obtain a certificate of authority pursuant to *T.C.A.* §56—43—105 shall also be governed by this chapter.

*Authority:* *T.C.A.* §§56—2—301 and 56—43—112. *Authority:* Original rule filed March 6, 1991; effective April 20, 1991.

**0780—1—60—.03 DEFINITIONS.**

- (1) *Act* means the Tennessee Legal Insurance Act as codified in *T.C.A.* §56—43—101 *et seq.*, including any subsequent amendment.
- (2) *Authorized Insurer* means any insurer licensed pursuant to the general insurance laws of the State of Tennessee, as codified in Title 56, *T.C.A.*, other than insurers licensed pursuant to Title 56, Chapter 43.
- (3) *Certificate of Authority* means an authorization issued by the commissioner pursuant to Title 56, Chapter 43, to sell legal insurance.

*Authority:* *T.C.A.* §§56—2—301 and 56—43—112. *Administrative History:* Original rule filed March 6, 1991; effective April 20, 1991.

**0780—1—60—.04 APPLICATIONS.**

- (1) Each application for a certificate of authority shall be verified by an officer or authorized representative of the applicant and shall set forth or be accompanied by the following:
  - (a) A review of application fee in the sum of five hundred dollars (\$500);
  - (b) A properly certified copy of the corporation charter;
  - (c) A properly certified copy of the corporation by-laws;
  - (d) A plan of operation;
  - (e) All agreements with attorneys for the provision of legal services;

(Rule 0780—1—60—.04, continued)

- (f) Any agreement with another person authorized under this chapter, an insurer licensed under the general insurance law to do business in this state to provide reinsurance, or an agency of the federal or state government for insuring payment of the cost of legal services or the provision for automatic applicability of an alternative coverage in the event the insurer is unable to perform its obligations;
  - (g) A deposit meeting the requirements of Rule 0780—1—60—.05(1)(d);
  - (h) A statement of its financial condition and business on December 31 of the year preceding the date on which it shall apply for permission to transact business, in such form and detail as the commissioner may require, signed and sworn to by its president and secretary, or other proper officers;
  - (i) If a foreign corporation, a certified statement of the secretary of state to the effect that its name complies with the requirements of Title 48, Chapter 14 or Title 48, Chapter 54 as applicable;
  - (j) If a foreign corporation and if licensed as an insurer in the state of domicile, a certificate of good standing from its state of domicile;
  - (k) A duly executed power of attorney appointing the commissioner and duly authorized deputies as the true and lawful attorneys of the applicant in and for the state, upon whom all lawful process in any legal action or proceeding against the applicant on a cause of action arising in this state may be served;
  - (l) A filing fee in the sum of one hundred dollars (\$100);
  - (m) Such other information as the commissioner may require in order to make the determination required in *T.C.A. §56—43—105*.
- (2) No person shall be qualified or authorized to do business under the Act until the commissioner has determined that:
- (a) The person's plan of operation is sound;
  - (b) The incorporators, directors and proposed officers are of known good character and there is no good reason to believe that they are affiliated, directly or indirectly, through ownership, control, management, reinsurance transactions or other insurance or business relations with any person or persons known to have been involved in the improper manipulation of assets, accounts, reinsurance, or any matter inimical to the business of insurance;
  - (c) The person is fully and legally organized under the laws of the state of its incorporation;
  - (d) The person demonstrates the willingness and ability to assure that the promised benefits can be provided.

**Authority:** *T.C.A. §§56—2—301, 56—4—101, 56—43—104, 56—43—105, 56—43—112 and 56—43—115. Administrative*

**History:** *Original rule filed March 6, 1991; effective April 20, 1991.*

**0780—1—60—.05 FINANCIAL REQUIREMENTS.**

- (1) An insurer shall meet the following requirements to become licensed under this Act:
  - (a) An insurer shall, at all times, maintain capital of at least \$100,000.
  - (b) In addition to the requirement of paragraph (a) above each insurer shall have and maintain surplus of at least one-third (1/3) of gross premium;

(Rule 0780—1—60—.05, continued)

- (c) Any person transacting the business of legal insurance on January 1, 1990 shall meet the surplus requirements of subpart (b) *supra* by December 31, 1991.
  - (d) Each insurer licensed under this act shall satisfy the commissioner that it has and shall maintain on deposit with the state treasurer at least \$100,000 in cash or its equivalent; but the commissioner may, in his discretion, accept as an equivalent bonds of the United States, or any agency or instrumentality of the United States which have been included in the three highest grades by any of the recognized securities rating firms, bonds of this state, bonds of the state of domicile, or bonds publicly issued by any solvent institution created or existing under the laws of the United States or any state thereof which have been included in the three highest grades by any of the recognized securities rating firms. Notwithstanding the foregoing, the commissioner may decline to accept as a deposit any specific issue of securities that he has determined may not provide the necessary protection to policyholders and creditors in the United States. This deposit shall be an admitted asset on the financial statement of the plan.
  - (e) An insurer must maintain at all times proper reserves for unearned subscription fees and unearned premiums, and for unpaid attorney service fees, including provision for unreported and undischarged legal cases and other known liabilities. To receive credit for reinsurance of reserve requirements under the Act, the assuming insurer must meet the requirements set forth in *T.C.A. §56—2—207* through *56—2—209*.
- (2) The statutory accounting method shall be used in computing the minimum requirements under the Act and in all evaluations of the financial condition of insurers.

**Authority:** *T.C.A. §§56—2—301, 56—43—109, 56—43—112 and 56—43—115. Administrative History: Original rule filed March 6, 1991; effective April 20, 1991.*

**0780—1—60—.06 INVESTMENTS.** All assets of the plan shall be invested pursuant to *T.C.A. §56—3—301 et seq.* and any assets not qualifying under those sections shall not be admitted and will not be used in the computation of capital and surplus as required by Rule 0780—1—60—.05.

**Authority:** *T.C.A. §§56—2—301, 56—43—110 and 56—43—112. Administrative History: Original rule filed March 6, 1991; effective April 20, 1991.*

**0780—1—60—.07 LICENSING OF AGENTS.** No person within this state shall sell or solicit legal insurance under the Act unless properly licensed as a limited insurance representative in accordance with *T.C.A. §56—6—131 et seq.*

**Authority:** *T.C.A. §§56—2—301, 56—6—138 and 56—43—112. Administrative History: Original rule filed March 6, 1991; effective April 20, 1991.*

**0780—1—60—.08 PENALTIES.**

- (1) Premium taxes required by *T.C.A. §56—43—116* are due and payable on or before March 1, annually. Failure to file the required return and pay taxes due promptly and correctly shall subject the insurer to the penalties set out in *T.C.A. §56—4—216*.
- (2) Failure to file the annual report prescribed by the commissioner on or before March 1, shall subject the insurer to the penalties set out in *T.C.A. §56—1—502*.

**Authority:** *T.C.A. §§56—2—301, 56—43—112 and 56—43—118. Administrative History: Original rule filed March 6, 1991; effective April 20, 1991.*