



Southwestern Insurance Information Service

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FACT SHEET

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QUESTIONS AND ANSWERS ABOUT COUNTY MUTUAL INSURERS IN TEXAS

What is a county mutual insurance company?

In Texas, a county mutual insurance company is a specific form of domestic property and casualty insurance company that is governed by Chapter 17 of the Texas Insurance Code. County mutuals are authorized to write many types of property/casualty insurance. Many county mutuals focus on private passenger and commercial automobile insurance. Their purpose was to provide fire insurance coverage in small areas such as farm communities.

When did county mutuals get started?

The first county mutual insurance company was formed in 1888. In Texas, law established the first county mutual in 1911. In 1955, county mutuals were authorized to write all lines of automobile insurance. During that time, rates were set by the Texas Department of Insurance and were the same for all standard insurers.

What is the historical purpose of a county mutual insurer and who owns them?

By definition, county mutual insurers are mutual insurance companies owned by their policyholders writing auto insurance for high-risk drivers. The policyholders elect a Board of Directors, which is ultimately responsible for the operations and management of the company and the performance of the company's Officers and employees. County mutuals provide a unique solution for "high" risk drivers. This addresses issues of availability and affordability in the Texas marketplace and reduces the number of drivers insured through the Texas Automobile Insurance Plan Association.

Do other states have county mutual insurance companies?

Some other states have county mutual insurance companies but none have evolved into the same form as those in Texas.

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Who owns county mutual insurance companies?

County Mutuals are "mutual" companies, which means that in most cases they are owned by their policyholders (customers).

How many county mutual insurance companies are there in Texas?

The current and maximum number of county mutual insurance companies allowed in Texas is 24 established by the Legislature.

How does Texas regulate county mutual insurance companies?

County mutual insurance companies are subject to many of the same statutes and regulations as other insurers, including prescribed policy forms, prompt payment of claims obligations, solvency regulation, market conduct examinations, unfair discrimination, unfair competition prohibition provisions and penalty provisions enforced by the Texas Department of Insurance. They are not subject to rate regulation by the Texas Department of Insurance. County mutuals are required to file various rates and fee schedules with the Texas Department of Insurance, but the price is not subject to regulation.

Are policyholders treated differently by county mutual insurance companies?

County mutual insurance companies are subject to anti-discrimination laws and complaint reporting requirements just as all insurers in Texas. They are also subject to overview by the Texas Department of Insurance regarding consumer matters and required to use the same policy forms as other insurers. What happens if there are no county mutual insurance companies in Texas?

If county mutuals ceased to exist, those drivers would have to find coverage elsewhere, not purchase coverage at all or buy insurance through the Texas Automobile Insurance Plan Association.

What is the market share for county mutual insurers in Texas?

Texas County Mutuals made up approximately 29% of the premium value insured in Texas in 1996 and approximately 31% of the premium value for 2001.

Why do we need county mutual insurance companies?

They serve a niche market for high risk drivers who, without county mutuals, may not choose to purchase auto insurance at all or obtain it through the Texas Automobile Insurance Plan Association. They provide

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an outlet to individuals who are unable to obtain coverage from a standard company.

What consumers do county mutuals serve?

They serve all types of people from varying social and economic backgrounds who may have poor driving records making it difficult for them to purchase auto insurance from standard companies.

Are rates higher in county mutual insurance companies?

Some rates are higher and some are lower. Rates for higher risk drivers are going to be more expensive in any company while good drivers receive the benefit of lower rates. County Mutual rates are reflective of the risk they insure.

How does Texas regulate county mutual insurance companies?

County mutual insurance companies are subject to the same statutes and regulations as other insurers which includes prescribed policy forms, prompt payment of claims, solvency regulation, market conduct examinations, unfair discrimination, unfair competition prohibitions provisions and penalty provisions enforced by the Texas Department of Insurance. County mutuals must also file their rates and fee schedules with TDI.

How does that compare with to the regulation of other insurers?

The most significant difference between regulation of county mutuals and other property/casualty insurance companies in Texas is that county mutuals are not subject to rate regulation for auto insurance. Other insurers are subject to the benchmark rate system for auto insurance and must use territories and classifications established by the Texas Department of Insurance. County mutuals have the freedom to develop their own territories and rating classifications and may use auto rates that are not subject to approval by the Texas Department of Insurance. As noted earlier, county mutuals must file their rates with the Texas Department of Insurance.

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