



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 912 of the Texas Insurance Code. County mutuals are authorized to write many types of property/casualty insurance, with many focusing on private passenger and commercial automobile insurance. Their original purpose was to provide fire insurance coverage in small areas without adequate fire response, such as farm communities. However, over time they have expanded greatly and in large part currently provide a niche service for non-standard automobile risks.

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. In 1989, Texas law grandfathered all 24 existing County Mutuals and precluded the formation of any additional County Mutuals. 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 mutuals were originally formed to write auto insurance for high-risk drivers. Many are owned by their policyholders who 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.

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Currently, some of the larger insurers own county mutual companies which cater to consumers with good driving records. It is important to point out that in today's environment not all county mutual insurers are in existence to provide insurance for high-risk drivers. Many of them serve the standard insurance market.

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.

Who owns county mutual insurance companies?

County Mutuals are "mutual" insurance companies that 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. One county mutual insurer was liquidated by the Guaranty Fund leaving 23 county mutual Insurers active in the Texas Market.

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 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. Under Senate Bill 14, passed by the Texas Legislature in 2003, they are now subject to pre-approval of policy forms, use of credit, and file and use for rate filings.

Are policyholders treated differently by county mutual insurance companies?

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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 market conduct examinations and financial examinations and overview by the Texas Department of Insurance regarding consumer matters.

What happens if there are no county mutual insurance companies in Texas?

If county mutuals ceased to exist, those higher risk 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 47% of the automobile insurance premium written in Texas in 2008 as compared to approximately 31% of the premium written for 2001.

Why do we need county mutual insurance companies?

They serve a niche market for high risk drivers who, without county mutuals, may choose not to purchase auto insurance at all or obtain it through the Texas Automobile Insurance Plan Association. County Mutual insurers provide insurance to many under served markets and provide 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 accident experience or driving records, making it difficult for them to purchase auto insurance from standard companies.

Are rates higher in county mutual insurance companies?

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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 include 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.

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