

CHAPTER 198

INSURANCE

S. F. 246

AN ACT to amend section eighty-six hundred eighteen (8618) of the code, relating to insurance.

Be it enacted by the General Assembly of the State of Iowa:

- 1 SECTION 1. Section eighty-six hundred eighteen (8618) is amended
- 2 by striking out all after the word "surplus" in line eleven (11) and
- 3 inserting in lieu thereof the following: "but no dividends shall be
- 4 paid by the company except from the earned profits arising from their
- 5 business, which shall not include contributed capital or contributed
- 6 surplus."

Approved April 19, A. D. 1927.

CHAPTER 199

INSURANCE—SECURITIES

S. F. 263

AN ACT to repeal section eighty-seven hundred thirty-seven (8737) of the code, and chapter one hundred sixty-four (164), acts of the forty-first (41) general assembly, and to enact a substitute therefor; and to repeal chapter one hundred sixty-five (165), acts of the forty-first (41) general assembly, relating to the investment of funds of life insurance companies and associations, and the substitution of securities with the commissioner of insurance.

Be it enacted by the General Assembly of the State of Iowa:

- 1 SECTION 1. Section eighty-seven hundred thirty-seven (8737) of
- 2 the code, and chapter one hundred sixty-four (164), acts of the
- 3 forty-first general assembly, are hereby repealed, and the following
- 4 enacted in lieu thereof:
- 5 Investment of funds. The funds required by law to be deposited
- 6 with the commissioner of insurance by any company or association
- 7 contemplated in chapters three hundred ninety-eight (398) and four
- 8 hundred (400), and the funds or accumulations of any such com-
- 9 pany or association organized under the laws of this state held in
- 10 trust for the purpose of fulfilling any contract in its policies or cer-
- 11 tificates, shall be invested in the following described securities and
- 12 no other:
- 13 1. *Federal and dominion bonds:* The bonds of the United
- 14 States, and farm loan bonds issued under the act of congress ap-
- 15 proved July 17, 1918, as amended, and bonds issued or guaranteed
- 16 by the Dominion of Canada.
- 17 2. *State and province bonds.* The bonds of this or any other

18 state and bonds issued or guaranteed by any province of the Do-
19 minion of Canada.

20 3. *Municipal and district bonds.* (a) Bonds of any county,
21 city, town, school, road, drainage, or other taxing district, within
22 the state of Iowa or any other state.

23 (b) Bonds or other evidences of indebtedness which are a gen-
24 eral obligation of any county, city, town, village, or school district,
25 within the Dominion of Canada, and having a population of not less
26 than ten thousand (10,000) according to the last Dominion or
27 Provincial census taken prior to the date of such investment.

28 (c) Anticipation certificates issued by waterworks trustees, as
29 provided by the laws of this state, and improvement certificates or
30 other evidences of indebtedness issued by any county, city, town,
31 school, road, drainage, or other district in this state or any other
32 state authorized by law to levy assessments for improvement pur-
33 poses, and to issue bonds or certificates as evidence of indebtedness
34 therefor; said certificates or other evidence of indebtedness being
35 secured by a lien upon any real estate within the limits of said
36 public corporation or district.

37 4. All bonds and other evidences of indebtedness referred to
38 above shall be issued by authority of and according to law, and
39 bearing interest.

40 5. *Public utility bonds.* Bonds or other evidences of indebted-
41 ness of any corporation incorporated under the laws of the United
42 States or any state and engaged in the generation and sale of
43 electricity or artificial gas, or owning and operating any telephone
44 system; provided (a) the corporation, its predecessor or principal
45 subsidiary, shall have been in operation not less than five years prior
46 to the making of the investment, and (b) not more than twenty-five
47 per cent (25%) of the gross operating revenue of such corpora-
48 tion shall be derived from property operating under a franchise or
49 franchises, which extend less than five years beyond the date of
50 maturity of such bonds, or under an indeterminate franchise or
51 permit, and (c) the gross earnings of such corporation shall have
52 been not less than one million dollars (\$1,000,000) for the last fiscal
53 year preceding the purchase of said bonds, or shall have been at
54 least two hundred fifty thousand dollars (\$250,000) per annum for
55 the five years next preceding the date of purchase, and the net
56 earnings have averaged not less than one and three-fourths ($1\frac{3}{4}$)
57 times the interest charges on the total funded debt outstanding for
58 a period of five years next preceding the date of purchase, and not
59 less than one and three-fourths ($1\frac{3}{4}$) times the interest require-
60 ments on the total funded debt for the year next preceding the
61 purchase, and (d) the bonds are secured by a mortgage, the lien
62 of which covers at least seventy-five per cent (75%) of the prop-
63 erty owned in fee, and (e) at least seventy-five per cent (75%) of
64 the revenues of such corporation are derived from the generation
65 and sale of electricity or artificial gas, or the operation of a tele-
66 phone system, and (f) the total funded debt of such corporation
67 shall not exceed sixty per cent (60%) of the reasonable value of
68 the properties as shown by the books of the corporation; provided,

69 however, that no company shall be permitted to have more than
70 ten per cent (10%) of its reserve invested in securities included in
71 this sub-section at any one time. No such investment in utility
72 bonds to be made except where the funded debt of said utility
73 company is less than seventy per cent of the total value of its
74 assets.

75 6. *Collateral loans.* In loans secured by collateral security con-
76 sisting of any securities enumerated in this act, provided there is
77 a margin of ten per cent (10%) between the amount of the loan
78 and the value of the securities.

79 7. *Real estate bonds and mortgages.* Entire bond issues and
80 mortgages and other interest-bearing securities being first liens
81 upon real estate within this state or any other state, worth at
82 least double the amount loaned thereon and secured thereby. Im-
83 provements shall not be considered in estimating the value unless
84 the owner shall contract to keep the same insured in some reliable
85 fire insurance company or companies, association or associations,
86 authorized to do business in the state, during the life of the loan,
87 in a sum at least equal to the excess of the loan above one-half ($\frac{1}{2}$)
88 the value of the ground exclusive of the improvements, the in-
89 surance to be made payable in case of loss to the company or asso-
90 ciation investing its funds, as its interests may appear at the time
91 of loss.

92 Any mortgage lien upon real estate shall not, for the purpose
93 of this section, be held or construed to be other than a first lien
94 by reason of the fact that drainage or other improvement assess-
95 ments may have been levied against the real estate covered by said
96 mortgage, whether the installments of said assessments be matured
97 or not, provided that in determining the value of said real estate
98 for loan purposes, the amount of the drainage or other assessment
99 tax unpaid, shall be deducted.

100 8. *Policy loans.* Loans upon its own policies, where the same
101 have been in force at least two full years, in an amount not ex-
102 ceeding the net terminal reserve. If such loan is made, the com-
103 pany must describe in the note or contract taken, the amount of
104 the loan, the name of the borrower, the number of the policy, and
105 the terms of such note or contract shall make the amount loaned
106 a lien against such policy and such note or contract shall be num-
107 bered, dated, and signed, giving the post office address of the in-
108 sured.

109 9. *Real estate.* Any such real estate in this state as is neces-
110 sary for its accommodation as a home office; and in the erection of
111 any buildings for such purposes, it may add thereto rooms for rent.
112 Before the company or association shall invest any of its funds, in
113 accordance with the provisions of this sub-division, it shall first
114 obtain the consent of the executive council.

115 10. *Substitution of securities.* Provided that companies may,
116 with consent of the commissioner of insurance, substitute for such
117 securities certificates of sale furnished by the sheriff in connection
118 with the foreclosure of mortgages on real estate, owned only by
119 said companies; but such certification shall be accepted for deposit

120 only for the amount of the original securities and shall be with-
121 drawn at the end of the period of redemption or within thirty (30)
122 days if redemption is made or a deed obtained prior to the expiration
123 of the time fixed for redemption by law.

124 Said companies may substitute for such securities warranty deeds
125 conveying any of the property included in the original mortgage
126 to the commissioner of insurance. Such deeds shall be held by the
127 commissioner of insurance in trust for the policy holders of said
128 company.

129 Before depositing any such deed with the commissioner of in-
130 surance, it shall first be recorded in the county where such property
131 is located. Said deeds shall be accompanied by an abstract showing
132 that the company has good title to the property conveyed and shall
133 be accepted for deposit only for the amount of the original security
134 and only so long as the company annually certifies the taxes are
135 paid and fire insurance maintained. All such property shall be con-
136 veyed to the company, or other person designated by such company,
137 within ten years from the date of the conveyance to the commis-
138 sioner, and the company required at such time to replace such
139 security with other approved securities. The company may agree
140 to sell any of such property under contract to be approved by the
141 commissioner of insurance, and the deed remain as a deposit on
142 such terms as the commissioner shall require.

143 The total amount of certificates of sale and deeds deposited as
144 herein provided shall not exceed fifteen per cent (15%) of the amount
145 any such company is required by law to deposit with the insurance
146 department.

147 No such change of security shall be made if the same has been
148 purchased from any officer, stockholder, agent or employee of the
149 insurer.

150 Nothing herein contained shall be construed to alter or change
151 the provisions of section eight thousand seven hundred thirty-six
152 (8736) of the code.

1 SEC. 2. Chapter one hundred sixty-five (165), acts of the forty-
2 first (41) general assembly, is hereby repealed.

Approved April 7, A. D. 1927.

CHAPTER 200

INSURANCE

S. F. 140

AN ACT to repeal section eighty-seven hundred forty-one (8741), code of 1924, and enact a substitute therefor, relating to securities deposited by life insurance companies and associations.

Be it enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Section eighty-seven hundred forty-one (8741) code of