

## CHAPTER 109

## INSURANCE. MUTUAL COMPANY GUARANTY FUND

## H. F. 77

AN EMERGENCY ACT to amend the law as it appears in section eighty-nine hundred twelve (8912), Code, 1931, relating to and regulating the advancement of funds to mutual insurance companies other than life, so as to authorize such insurance companies to establish a guaranty fund, and to provide for the establishment, regulation and administration of such fund.

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

1 SECTION 1. That the law as it appears in section eighty-nine  
2 hundred twelve (8912), Code, 1931, be amended by adding thereto  
3 as a new and separate paragraph thereof, the following:  
4 "Any mutual company heretofore or hereafter organized under  
5 this chapter may establish and maintain a guaranty fund of at least  
6 fifty thousand dollars made up of multiples of ten thousand dollars,  
7 divided into shares of not less than fifty dollars each, to be invested  
8 as provided for the investment of insurance capital and funds by  
9 section 8927 of this chapter. Guaranty shareholders shall be mem-  
10 bers of the corporation, and provision may be made for representa-  
11 tion of the shareholders of such guaranty fund on the board of di-  
12 rectors of the corporation, such representation not to exceed one  
13 third of the membership of such board. Guaranty shareholders in  
14 such mutual companies shall be subject to the same regulations of  
15 law relative to their right to vote as apply to its policyholders. Such  
16 guaranty fund shall be applied to the payment of the legal obliga-  
17 tions of the corporation only when such corporation has exhausted  
18 its assets in excess of the unearned premium reserve and other  
19 liabilities; and if such guaranty fund be thus impaired, the direc-  
20 tors may restore the whole, or any part thereof, by assessment on  
21 its policyholders as provided for in section 8911, of this chapter.  
22 By a legal vote of the policyholders of the corporation, at any regul-  
23 ar or special meeting thereof, said guaranty fund may be fully  
24 retired or may be reduced to an amount of not less than fifty thou-  
25 sand dollars, provided, that the net surplus of the corporation to-  
26 gether with the remaining guaranty fund shall equal or exceed the  
27 amount of minimum assets required by this chapter for such com-  
28 panies, and provided, further, that the commissioner of insurance  
29 consents thereto. Due notice of such proposed action on the part  
30 of the corporation shall be included in the notice given to policy-  
31 holders and shareholders of any annual or special meeting and notice  
32 of such meeting shall also be given in accordance with the pro-  
33 visions of its articles of incorporation. No company with such  
34 guaranty fund, which has ceased to do business, shall distribute  
35 among its shareholders or policyholders any part of its assets, or  
36 guaranty fund, until it has fully performed, or legally canceled, all  
37 of its policy obligations. Shareholders of such guaranty fund shall  
38 be entitled to interest on the par value of their respective shares at  
39 a rate to be fixed by the board of directors, not to exceed 7% per  
40 annum, cumulative, payable semiannually, and payable only out of  
41 the surplus earnings of such company, but in no event shall the

42 surplus account of such company be reduced by the payment of  
 43 such interest below the figure maintained at the time said guaranty  
 44 fund was established; and provided, further, that no such interest  
 45 payment shall be made unless the surplus assets remaining after  
 46 the payment thereof shall at least equal the amount required by the  
 47 statutes of Iowa to permit such corporation to continue in business.  
 48 In the event of the dissolution and liquidation of any corporation  
 49 having a guaranty fund under the provisions hereof, the share-  
 50 holders of such fund shall be entitled, after the payment of all valid  
 51 obligations of the company, to receive the par value of their respec-  
 52 tive shares, together with any unpaid interest thereon, before there  
 53 may be any distribution of the assets of said corporation among  
 54 its policyholders. These provisions are in addition to and inde-  
 55 pendent of the provisions now contained in section 8912, of the  
 56 Code, 1931."

House File No. 77. Approved December 9, 1933.

## CHAPTER 110

### INSURANCE, OTHER THAN LIFE. INVESTMENT OF FUNDS

#### H. F. 330

AN ACT to amend paragraph six (6) of section eighty-nine hundred twenty-seven (8927), of the Code of Iowa, 1931, relating to the corporate stock and bonds in which insurance companies other than life may invest their capital and funds.

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

1 SECTION 1. That paragraph six (6) of section eighty-nine hun-  
 2 dred twenty-seven (8927), of the Code of Iowa, 1931, be and the  
 3 same is hereby amended by striking out of said paragraph the  
 4 words: "bank stock or" in the third line of said paragraph.

1 SEC. 2. This act, being deemed of immediate importance, shall  
 2 be in full force and effect from and after its publication in the Har-  
 3 lan Tribune, a newspaper published in Harlan, Iowa, and the Deni-  
 4 son Bulletin, a newspaper published in Denison, Iowa.

House File No. 330. Approved February 13, 1934.

I hereby certify that the foregoing act was published in the Harlan Tribune and the Denison Bulletin, February 15, 1934.

MRS. ALEX MILLER, *Secretary of State.*