

6 academic status, taken in the other academic corporation or corpora-  
 7 tions, shall be considered as suitable for inclusion in the year of resi-  
 8 dent work required for a degree. This shall include academic cor-  
 9 porations outside the state of Iowa that may be merged with Iowa  
 10 academic corporations."

Approved May 9, 1963.

## CHAPTER 299

### DOMESTIC INSURANCE COMPANIES

#### S. F. 445

AN ACT relating to the organization of domestic insurance companies.

*Be It Enacted by the General Assembly of the State of Iowa:*

1 SECTION 1. Chapter five hundred six (506), Code 1962, is hereby  
 2 repealed and the following substituted therefor:

3 "1. The commissioner of insurance shall promulgate such reason-  
 4 able rules and regulations as he deems necessary to assure the proper  
 5 operation of newly organized insurance companies but in no event  
 6 shall he:

7 (a) require that more than twenty percent (20%) of the original  
 8 capital and surplus of a stock corporation subject to the provisions of  
 9 this chapter be invested by the organizers; or

10 (b) restrict the alienation of securities issued to organizers for a  
 11 period of more than:

12 (1) five (5) years, or

13 (2) until the operation of the insurance company produces earned  
 14 surplus for two (2) successive years.

15 "2. Neither the securities in an insurance company, nor securities  
 16 in a holding company, one of the purposes of which is to organize,  
 17 purchase, or otherwise acquire control of an insurance company, nor  
 18 membership in an association in process of organization shall be sold  
 19 or solicited until such company or association, and the promoters  
 20 thereof, shall have first complied with all of the statutory provisions  
 21 regulating the organization of such companies and associations, and  
 22 also have secured from the commissioner of insurance a certificate  
 23 indicating full compliance with the provisions of this chapter.

24 "3. Before the commissioner of insurance shall issue such certifi-  
 25 cate of compliance, he shall first be satisfied with the general plan of  
 26 such organization and the character of the advertising to be used:  
 27 he shall also see that all rules and regulations promulgated under this  
 28 chapter have been complied with and fix the time within which such  
 29 organization shall be completed; he shall also prescribe the method  
 30 of keeping books and accounts of insurance companies and those of  
 31 fiscal agents of corporations subject to the provisions of this chapter.

32 "4. The maximum promotion expense which may be incurred shall  
 33 in no case exceed fifteen percent (15%) of the par value of said stock,  
 34 and no portion of such amount shall be used in the payment of sal-

35 aries for officers and directors before the issuance, by the commis-  
36 sioner of insurance, of authority to transact an insurance business.  
37 Any amount paid to the company for stock above the par value of the  
38 stock shall constitute a contributed surplus but no dividends shall be  
39 paid by the company except from the earned profits arising from  
40 their business, which shall not include contributed capital or contrib-  
41 uted surplus.

42 "5. The commissioner of insurance shall have power to regulate all  
43 other matters in connection with the organization of such domestic  
44 corporations, and the sale of stock or the issuing of certificates by all  
45 insurance corporations within the state, to the end that fraud may be  
46 prevented in the organization of such companies and the sale of their  
47 stocks and securities.

48 "6. No company shall enter into any contract with any promoter,  
49 officer, director, or agent of the company or any other person to pay  
50 his expenses or to pay him any commission or any compensation for  
51 his services in promoting or organizing such company, or in selling  
52 its stock in excess of the amount authorized in section five hundred  
53 six point three (506.3)\* of the Code; nor shall it contract with any  
54 such person to pay him any part of the premiums arising from the  
55 insurance it has written or may write as compensation, directly or  
56 indirectly, for aiding in the promotion or for aiding or effecting any  
57 consolidation of such company with any other company, without the  
58 approval of the commissioner of insurance.

59 "7. Any person who violates any of the provisions of the preceding  
60 sections of this chapter, or who violates any order of the commis-  
61 sioner of insurance made by authority thereof, shall be guilty of a  
62 misdemeanor, and upon conviction thereof shall be punished by fine  
63 not to exceed one thousand dollars, and by imprisonment in the  
64 county jail not to exceed six (6) months.

65 "8. Any person, association, or corporation who sells or aids in  
66 selling or causes to be sold any stock, certificate of membership, or  
67 evidence of interest in any such corporation or association, in viola-  
68 tion of law, shall be personally liable to any person to whom he may  
69 have sold any stock or certificate of membership or evidence of in-  
70 terest, in an amount equal to the price paid therefor by such person  
71 with legal interest, and suit to recover the same may be brought by  
72 such purchasers, jointly or severally, in any court of competent juris-  
73 diction.

74 "9. Any person, corporation, or association aggrieved by any order  
75 made by the commissioner of insurance under the provisions of this  
76 chapter, may appeal to the district court at the seat of government,  
77 by the service of a written notice of such appeal on the commissioner  
78 of insurance and attorney general. If such appeal is taken, the com-  
79 missioner of insurance shall transmit the transcript of the proceed-  
80 ings had before him to such court, and the cause shall be docketed  
81 and tried as an equitable action.

82 "10. No insurance company shall issue in this state, or permit its  
83 agents, officers, or employees to issue in this state its own stock,  
84 agency company stock or other stock or securities, or any special or

\*According to enrolled Act.

\*Amended by ch. 300.

85 advisory board or other contract of any kind promising returns and  
86 profits as an inducement to insurance.

87 No insurance company shall be authorized to do business in this  
88 state which issues or permits its agents, officers, or employees to  
89 issue in this state or in any other state or territory, agency company  
90 stock or other stock or securities, or any special advisory board or  
91 other contract of any kind promising returns and profits as an in-  
92 ducement to insurance.

93 No corporation or stock company, acting as an agent of an insur-  
94 ance company, or any of its agents, officers, or employees, shall be  
95 permitted to agree to sell, offer to sell, or give or offer to give, direct-  
96 ly or indirectly, in any manner whatsoever, any share of stock,  
97 securities, bonds, or agreement of any form or nature, promising  
98 returns and profits as an inducement to insurance, or in connection  
99 therewith.

100 Nothing herein contained shall impair or affect in any manner any  
101 such contracts issued or made as an inducement to insurance prior to  
102 the enactment of this section, or prevent the payment of the dividends  
103 or returns therein stipulated to be paid.

104 It shall be the duty of the commissioner upon being satisfied that  
105 any insurance company, or any agent thereof, has violated any of the  
106 provisions of this section, to revoke the certificate of authority of the  
107 company or agent so offending.

108 "11. Nothing contained in this chapter shall be construed to exempt  
109 any corporation from the requirements of chapter five hundred two  
110 (502) of the Code."

Approved May 6, 1963.

## CHAPTER 300

### INSURANCE ACT AMENDMENT

S. F. 473

AN ACT to amend senate file four hundred forty-five (445),\* Acts of the Sixtieth General Assembly, relating to the organization of domestic insurance companies.

*Be It Enacted by the General Assembly of the State of Iowa:*

1 SECTION 1. Senate file four hundred forty-five (445), Acts of the  
2 Sixtieth (60th) General Assembly is hereby amended by striking  
3 from lines six (6) and seven (7) of subsection six (6) of section one  
4 (1), the following, "section five hundred six point three (506.3) of the  
5 Code", and substituting in lieu thereof "subsection four (4), section  
6 one (1), of this Act".

Approved June 4, 1963.

\*Chapter 299.