

CHAPTER 401

COUNTY MUTUAL INSURANCE ASSOCIATIONS

H. F. 13

AN ACT relating to the method of operation and the regulating of county mutual insurance associations; to amend chapter five hundred eighteen (518), Code 1962, relating to mutual, fire, tornado, hailstorm and other assessment insurance associations, thereby making the provisions of said chapter inapplicable to county mutual insurance associations; to enact a chapter of the Code regulating county mutual associations and making provision for their operations, including the classes of business that may be insured, requiring agents to be licensed by the commissioner of insurance, imposing a tax on premiums of county mutual insurance associations, and to amend certain sections of the Code 1962 made necessary by the provisions of this bill.

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

1 SECTION 1. **Incorporation.** Corporations formed to operate as
2 county mutual insurance associations shall be governed by the provi-
3 sions of chapter four hundred ninety-one (491) of the Code, except as
4 modified by the provisions of this chapter.

1 SEC. 2. **Articles—approval.** Each such organization shall present
2 to the commissioner of insurance its articles of incorporation which
3 shall show its name, objects and purposes, the time and place of the
4 annual meeting of the members, and the location of its principal place
5 of business. The commissioner of insurance shall then submit the
6 articles of incorporation to the attorney general for examination, and
7 if found by him to be in accordance with the provisions of this chapter
8 and the constitution and the laws of the state, he shall certify such
9 fact thereon and return the same to said commissioner, and no articles
10 shall be approved by him or recorded unless accompanied by such cer-
11 tificate.

1 SEC. 3. **Certificate—recording.** If the commissioner of insurance
2 approves the articles of incorporation, he shall so certify and the arti-
3 cles with the certificates of approval shall then be recorded and certi-
4 fied by the secretary of state.

1 SEC. 4. **Identification as to type of insurer.** Any association in-
2 corporated under the laws of this state for the purpose of furnishing
3 insurance as provided for in this chapter shall be known as a county
4 mutual insurance association. The words "mutual" and "association"
5 shall be incorporated in and become a part of its name.

1 SEC. 5. **Commencement of business—conditions.** No county mu-
2 tual insurance association shall issue policies until applications for
3 insurance of not less than fifty thousand dollars, representing at least
4 fifty applicants, have been received, and no application for insurance
5 during the period of organization shall exceed two percent of the
6 amount required for organization, any reinsurance taking effect simul-
7 taneously with the policy being deducted in determining such maxi-
8 mum single risk.

1 SEC. 6. **Powers of the members.** Members of the association shall
2 have the power to make or amend articles of incorporation at any
3 membership meeting, provided that notice of such addition or amend-

4 ment has been mailed to each member at least ten days in advance of
5 the meeting in which such proposed action is to be considered, and
6 provided that no amendment shall become effective until approved by
7 the commissioner of insurance and recorded in the office of the secre-
8 tary of state.

1 **SEC. 7. Officers and directors—election.** Officers or directors shall
2 be elected in the manner and for the length of time prescribed in the
3 articles of incorporation.

1 **SEC. 8. Bylaws.** The directors of the association shall have the
2 authority to enact such bylaws and regulations not inconsistent with
3 law as they consider necessary for the regulation and conduct of the
4 business. No change in the bylaws shall have the effect of limiting
5 coverage under existing policies of insurance.

1 **SEC. 9. Eligibility for membership.** The members of the associa-
2 tion shall consist of those persons or organizations insured therein.
3 The words "persons" and "members" as used in this chapter shall be
4 construed to mean trustees, administrators, and all other individuals,
5 public or private corporations or associations. Insurance on the prop-
6 erty of one or more minors may be granted on application of an adult
7 parent, friend or guardian who consents to become a member as repre-
8 senting such minor.

1 **SEC. 10. Territorial limitations.** The territory of any association
2 shall be limited to the county in which its principal place of business
3 is located, and to the counties contiguous thereto, and no coverage
4 shall be placed on property located outside of this territory; provided,
5 however, that the insurance may be extended, if the policy so provides,
6 to cover personal property while temporarily removed to other loca-
7 tions.

1 **SEC. 11. Kinds of insurance.** Any association organized under
2 this chapter is authorized to insure or to accept reinsurance against
3 loss or damage by:

- 4 1. Any peril or perils resulting in physical loss or damage to prop-
5 erty;
- 6 2. Theft of personal property;
- 7 3. Injury, sickness or death of animals and the furnishing of veteri-
8 nary service.

9 Such contracts of insurance shall be subject only to such provisions
10 as are contained in this chapter and shall consist of:

11 An application on blanks furnished by the association and signed by
12 the insured or his representative;

13 A policy issued by the association in accordance with its rules, and
14 approved by the commissioner of insurance.

1 **SEC. 12. Properties to be insured.** County mutual insurance as-
2 sociations are permitted to insure only the following classes of prop-
3 erty:

- 4 1. Farm property, including residences and other farm buildings
5 and all classes of personal property in connection therewith;
- 6 2. Buildings and personal property used in the processing of agri-
7 cultural products in conjunction with a farming operation;

- 8 3. Town, city and suburban residences, including household and per-
9 sonal effects;
10 4. Churches, schools and community buildings.

1 **SEC. 13. Premium charges.** Any association may by action of its
2 board of directors establish premium charges for the purpose of pay-
3 ment of losses and expenses and for the establishment or maintenance
4 of a reserve fund.

5 Any policy shall stand suspended if any default shall be made in the
6 payment of any premium on or before the date specified in a written
7 notice requiring the payment of such premium and mailed to the
8 insured and directed to his last known address not less than thirty
9 days prior to such suspension date. Such notice shall specify the
10 amount and due date of the premium. The association shall in no event
11 be liable for any loss occurring during such period of suspension.

1 **SEC. 14. Reserve fund.** Funds which are not required for the
2 payment of losses and expenses may be held in reserve for future
3 losses and expenses. Such reserve fund may be deposited in banks
4 approved by the board of directors, or at the option of the board of
5 directors may be invested in the classes of securities permitted by
6 section five hundred fifteen point thirty-five (515.35) of the Code;
7 but at the direction of the board of directors and with the consent of
8 the commissioner of insurance, a part of such funds may be invested
9 in a home office building.

1 **SEC. 15. Reports and examinations.** The president or the vice-
2 president and secretary of each association authorized to do business
3 under this chapter shall annually before the first day of March prepare
4 under oath and file with the commissioner of insurance a full, true and
5 complete statement of the condition of such association on the last day
6 of the preceding year. The commissioner of insurance shall prescribe
7 the report forms and shall determine the information and data to be
8 reported.

9 Such associations shall pay the same expenses of any examination
10 made or ordered to be made by the commissioner of insurance and the
11 same fees for the annual reports and annual certificates of authority
12 as are required to be paid by domestic companies organized and doing
13 business under chapter five hundred fifteen (515) of the Code, which
14 certificates shall expire March 31 of the year following the date of
15 issue.

1 **SEC. 16. Qualification of agents.** On and after July 1, 1965, no
2 person, unless certified to the commissioner of insurance as an agent
3 for a county mutual insurance association prior to that date, shall
4 directly or indirectly act as agent, or otherwise, in receiving or pro-
5 curing applications for insurance for any county mutual insurance
6 association, until he has procured from the commissioner of insurance
7 a license authorizing him to act for such association as agent.

8 Each first-time applicant, unless otherwise qualified under chapter
9 five hundred twenty-two (522) of the Code, shall establish qualifica-
10 tion by applying to the commissioner of insurance for an agent's
11 license and by passage of an examination to be administered by the
12 commissioner of insurance. The scope of such an examination shall be

13 limited to the insurance coverages authorized by section eleven (11)
 14 of this Act and the classes of property authorized by section twelve
 15 (12) of this Act. The commissioner of insurance shall have the right
 16 to disqualify any applicant who fails such examination; however, said
 17 applicant shall have the right to apply for re-examination after wait-
 18 ing for a period of not less than thirty days.

19 The commissioner shall require of each first-time applicant an appli-
 20 cation fee of five dollars.

21 Each license shall expire on March 31 following the time of issue.
 22 A fee of fifty cents for each license shall be paid by the county mutual
 23 insurance association.

24 The commissioner of insurance may, for a just and reasonable cause,
 25 cancel the license of such agent after due notice and hearing.

26 The commissioner of insurance may issue a temporary license for a
 27 period of not to exceed six months and for such temporary license may
 28 waive the requirements established herein.

1 **SEC. 17. Reinsurance.** Any county mutual insurance association
 2 may reinsure a part or all of its risks with any association operating
 3 under the provisions of this chapter, or with any other association or
 4 company licensed in this state and authorized to write the kinds of
 5 insurance enumerated in section eleven (11) of this Act.

6 The commissioner of insurance may require any county mutual in-
 7 surance association to obtain reinsurance coverage as provided for in
 8 this section if it appears to the commissioner of insurance that the
 9 perils insured against and the classes of properties insured may seri-
 10 ously endanger the financial position of the association and the security
 11 of its members.

1 **SEC. 18. Premium tax.** After January 1, 1966, every association
 2 doing business under this chapter shall be required to pay to the
 3 treasurer of the state as taxes an amount equal to the following:

4 Two percent of the gross amount of premiums received during the
 5 preceding calendar year, after deducting the amount returned upon
 6 the canceled policies, certificates and rejected applications; and after
 7 deducting premiums paid for windstorm or hail reinsurance on prop-
 8 erties specifically reinsured; provided, however, that the reinsurer of
 9 such windstorm or hail risks shall pay two percent of the gross amount
 10 of reinsurance premiums received upon such risks after deducting the
 11 amounts returned upon canceled policies, certificates and rejected ap-
 12 plications.

1 **SEC. 19. Proof of loss—requirement for reporting.** The insured
 2 shall give immediate written notice to the association of any loss for
 3 which claim is made and shall then furnish a written proof of loss to
 4 the association within sixty days from the time the loss occurred,
 5 unless such time is extended in writing by the association. The proof
 6 of loss shall contain such information as is required by the policy pro-
 7 visions of the association, which information shall be signed and sworn
 8 to by the insured.

1 **SEC. 20. Reporting of livestock losses.** In the event of loss of
 2 livestock, the insured shall give notice to the association in sufficient
 3 time to permit the performance by a licensed veterinarian of a post-

4 mortem examination of the livestock for which claim is made, but in
5 no event later than forty-eight hours from the time of occurrence.

1 **SEC. 21. Reporting of losses of crops by hail.** In the event of loss
2 to growing crops by hail, notice of such loss must be given by mailing
3 to the association a certified letter within ten days from the time such
4 loss or damage occurred.

1 **SEC. 22. Limitation of action.** No action on any loss shall be
2 begun sooner than forty days after proof of loss has been given to the
3 association, and unless commenced within twelve months next after
4 the inception of the loss.

1 **SEC. 23. Cancellation of policies.** Any policy shall be canceled at
2 any time at the request of the insured upon the return of the policy
3 to the home office of the association, and the payment of all premium
4 charges against such policy; or by the association by giving five days'
5 notice of such cancellation. Such service of notice may be made in
6 person, or by mailing such notice by certified mail deposited in the
7 post office and directed to the insured at his post-office address as
8 given in or upon the policy, or to such other address as the insured
9 shall have given to the association in writing. A post office department
10 receipt of certified or registered mail shall be deemed proof of receipt
11 of such notice. If in either case the cash payments shall exceed the
12 amount properly chargeable, the excess will be refunded upon the
13 surrender of the policy to the association at its home office.

1 **SEC. 24.** Section five hundred eighteen point one (518.1), Code
2 1962, subsection three (3), is hereby amended by striking all of such
3 subsection after the word "companies" in line three (3).

1 **SEC. 25.** Section five hundred eighteen point two (518.2), Code
2 1962, is hereby amended by striking from lines three (3) through
3 thirteen (13) inclusive, the comma and the words following the word
4 "chapter" in line three (3) " , doing business only within the county
5 in which is situated the town or city named in its articles of incorpo-
6 ration as its principal place of business, or the counties contiguous
7 thereto, shall, for the purpose of this chapter, be deemed a county
8 mutual assessment association; all other associations operating here-
9 under shall, for the purposes of this chapter, be deemed state mutual
10 assessment associations, and such associations".

1 **SEC. 26.** Section five hundred eighteen point sixteen (518.16), Code
2 1962, is hereby repealed.

1 **SEC. 27.** Section five hundred eighteen point eighteen (518.18),
2 Code 1962, is hereby amended by striking from lines twelve (12)
3 through sixteen (16) thereof, the following words:

4 "The county associations, the state associations, and those doing an
5 exclusive tornado, an exclusive hailstorm, or an exclusive automobile
6 insurance business shall be separately classified in said report".

1 **SEC. 28.** Section five hundred eighteen point thirty-seven (518.37),
2 Code 1962, is hereby repealed.

1 SEC. 29. Section five hundred eighteen point forty-one (518.41),
 2 Code 1962, is hereby amended by striking from lines three (3) and
 3 four (4) thereof, the words “, other than county mutuals,”.

1 SEC. 30. Section five hundred twenty-two point one (522.1), Code
 2 1962, is hereby amended by striking from lines six (6) and seven (7)
 3 thereof, the words “county mutuals or”, and adding to said sentence
 4 after the comma in line seven (7) the words “except that the licens-
 5 ing of persons so acting for county mutuals shall be subject only to
 6 the provisions of section sixteen (16) of this Act,”.

1 SEC. 31. Section four hundred thirty-two point one (432.1), Code
 2 1962, is amended by striking from line four (4) thereof, the words
 3 “county mutual associations”, and by adding to said section after the
 4 word “following” in line nine (9) the words “, except that the premium
 5 tax applicable to county mutual associations shall be governed by sec-
 6 tion eighteen (18) of this Act”.

1 SEC. 32. Section five hundred fifteen point twenty-four (515.24),
 2 Code 1962, is hereby amended by adding to line eleven (11) after the
 3 word “reinsurance”, the words “except that any company reinsuring
 4 windstorm or hail risks written by county mutual associations shall be
 5 required to pay a two percent tax on the gross amount of reinsurance
 6 premiums received upon such risks”.

1 SEC. 33. Section five hundred eighteen point thirty-five (518.35),
 2 Code 1962, is hereby amended by adding to line eleven (11) after the
 3 word “reinsurance”, the words “except that any company reinsuring
 4 windstorm or hail risks written by county mutual associations shall be
 5 required to pay a two percent tax on the gross amount of reinsurance
 6 premiums received upon such risks”.

1 SEC. 34. Section five hundred seven point one (507.1), Code 1962,
 2 is hereby amended by striking from line five (5) the words “except
 3 county mutuals” and substituting in lieu thereof the words “associa-
 4 tions subject to the provisions of this Act”.

Approved March 25, 1965.

CHAPTER 402

PROXIES FROM INSURANCE STOCKHOLDERS

H. F. 209

AN ACT relating to the solicitation of proxies from policyholders and stockholders of insurance companies.

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

1 SECTION 1. Sections five hundred twenty-three point two (523.2),
 2 five hundred twenty-three point three (523.3), and five hundred
 3 twenty-three point four (523.4), Code 1962, are hereby repealed and
 4 the following section substituted therefor: “The commissioner of
 5 insurance shall promulgate such rules with respect to the solicitation