

CHAPTER 1241

LIFE INSURANCE COMPANIES

H. F. 1249

AN ACT relating to the investments of life insurance companies and to life insurance standard valuation and nonforfeiture laws.

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

1 SECTION 1. Section five hundred eight point ten (508.10), Code
2 1973, is amended to read as follows:

3 508.10 **Foreign companies—capital or surplus—investments.** No
4 company incorporated by or organized under the laws of any other
5 state or government shall transact business in this state unless it is
6 possessed of the actual amount of capital and surplus required of any
7 company organized by the laws of this state, or, if it be a mutual com-
8 pany, of surplus equal in amount thereto, and the same is invested in
9 bonds of the United States or of this state, or in interest-paying bonds,
10 when they are at or above par, of the state in which the company is
11 located, or of some other state, or in notes or bonds secured by mort-
12 gages on unencumbered real estate within this or the state where such
13 company is located, worth one and ~~two-thirds~~ *one-third* times the
14 amount loaned thereon, which securities shall, at the time, be on
15 deposit with the superintendent of insurance, auditor, comptroller, or
16 chief financial officer of the state by whose laws the company is incor-
17 porated, or of some other state, and the commissioner of insurance is
18 furnished with a certificate of such officer, under his official seal, that
19 he as such officer holds in trust and on deposit for the benefit of all
20 the policyholders of such company, the securities above mentioned.
21 This certificate shall embrace the items of security so held, and show
22 that such officer is satisfied that such securities are worth the amount
23 stated in the certificate. Nothing herein contained shall invalidate
24 the agency of any company incorporated in another state by reason of
25 its having exchanged the bonds or securities so deposited with such
26 officer for other bonds or securities authorized by this chapter, or
27 by reason of its having drawn its interest and dividends on the same.

1 SEC. 2. Section five hundred eleven point eight (511.8), subsection
2 eight (8), paragraph b, subparagraphs one (1) and two (2), Code
3 1973, are amended to read as follows:

4 (1) ~~Two~~ *With the exception of public utility securities, two percent*
5 *of the legal reserve in the securities of any one corporation. Five*
6 *percent of the legal reserve in the securities of any one public utility*
7 *corporation.*

8 (2) *Fifty percent of the legal reserve in the securities described in*
9 *subsection 5 issued by other than public utility corporations. Fifty*
10 *percent of the legal reserve in the securities described in subsection*
11 *five (5) issued by public utility corporations.*

1 SEC. 3. Section five hundred eleven point eight (511.8), subsection
2 nine (9), paragraph f, Code 1973, is amended to read as follows:

3 f. Bonds, notes, obligations or other evidences of indebtedness
4 secured by mortgages or deeds of trust which are a first lien upon
5 unencumbered personal or real property or both personal and real
6 property, including a leasehold of real estate, within the United

7 States of America, or any insular or territorial possession of the
8 United States of America, or the Dominion of Canada, under lease,
9 purchase contract, or lease purchase contract to any governmental
10 body or instrumentality whose obligations qualify under subsections 1,
11 2 or 3 of this section, or to a corporation whose obligations qualify
12 under paragraph "a" of subsection 5 of this section, if the terms of the
13 bond, note or other evidence of indebtedness provide for the amortiza-
14 tion during the initial, fixed period of the lease or contract of one hun-
15 dred percent of the indebtedness and there is pledged or assigned, as
16 additional security for the loan, sufficient of the rentals payable under
17 the lease, or of contract payments, to provide the required payments
18 on the loan necessary to permit such amortization, including but not
19 limited to payments of principal, interest, ground rents and taxes
20 other than the income taxes of the borrower; provided, however, that
21 where the security consists of a first mortgage or deed of trust lien
22 on a fee interest in real property only, the bond, note or other evidence
23 of indebtedness may provide for the amortization during the initial,
24 fixed period of the lease or contract of less than one hundred percent
25 of the indebtedness if there is to be left unamortized at the end of
26 such period an amount not greater than the appraised value of the
27 land only, exclusive of all improvements, and if there is pledged or
28 assigned, as additional security for the loan, sufficient of the rentals
29 payable under the lease, or of contract payments, to provide the
30 required payments on the loan necessary to permit such amortization,
31 including but not limited to payments of principal, interest, and taxes
32 other than the income taxes of the borrower. Investments made in
33 accordance with the provisions of this paragraph shall not be eligible
34 in excess of ~~fifteen~~ *twenty-five* percent of the legal reserve, *nor shall*
35 *any one such investment in excess of five percent of the legal reserve*
36 *be eligible.*

1 SEC. 4. Section five hundred eight point thirty-six (508.36), sub-
2 section two (2), unnumbered paragraph two (2), Code 1973, is
3 amended to read as follows:

4 *The Except as otherwise provided in section eight (8) of this Act*
5 *for group annuity and pure endowment contracts, the minimum*
6 *standard of valuation for all policies of domestic life insurance com-*
7 *panies shall be the Commissioners Reserve Valuation Method defined*
8 *in paragraph "b" of subsection 3 and the American Experience Table*
9 *of Mortality and four and one-half percent interest or the Actuaries'*
10 *(or Combined) Experience Table of Mortality and four percent*
11 *interest.*

1 SEC. 5. Section five hundred eight point thirty-six (508.36), sub-
2 section three (3), unnumbered paragraph one (1), Code 1973, is
3 amended to read as follows:

4 This subsection shall apply to only those policies and contracts
5 issued on or after the operative date of section 508.37 (the Standard
6 Nonforfeiture Law), *except as otherwise provided in section eight (8)*
7 *of this Act for group annuity and pure endowment contracts issued*
8 *prior to such operative date.*

1 SEC. 6. Section five hundred eight point thirty-six (508.36), sub-
2 section three (3), paragraph a, unnumbered paragraph one (1), Code
3 1973, is amended to read as follows:

4 *The Except as otherwise provided in section eight (8) of this Act,*
5 *the minimum standard for the valuation of all such policies and con-*
6 *tracts shall be the Commissioners Reserve Valuation Method defined*
7 *in paragraph "b" of this subsection 3, three and one-half percent*
8 *interest or in the case of policies and contracts, other than annuity*
9 *and pure endowment contracts, issued on or after July 1, 1974 and*
10 *prior to January 1, 1986, four percent interest, and the following*
11 *tables:*

1 SEC. 7. Section five hundred eight point thirty-six (508.36), sub-
2 section three (3), paragraph e, Code 1973, is amended to read as fol-
3 lows:

4 e. If the gross premium charged by any life insurance company on
5 any policy or contract is less than the net premium for the policy or
6 contract according to the mortality table, rate of interest and method
7 used in calculating the reserve thereon, *according to the minimum*
8 *standard prescribed in this section*, there shall be maintained on such
9 policy or contract a deficiency reserve in addition to all other reserves
10 required by law. For each such policy or contract the deficiency re-
11 serve shall be the present value, according to such standard, of an an-
12 nuity of the difference between such net premium and the premium
13 charged for such policy or contract, running for the remainder of the
14 premium-paying period.

1 SEC. 8. Section five hundred eight point thirty-six (508.36), sub-
2 section three (3), Code 1973, is amended by adding the following new
3 paragraphs:

4 NEW PARAGRAPH. The minimum standard for the valuation of all
5 individual annuity and pure endowment contracts issued on or after
6 the operative date of this paragraph, and for all annuities and pure
7 endowments purchased on or after such operative date under group
8 annuity and pure endowment contracts, shall be the Commissioners
9 Reserve Valuation Method defined in paragraph b of this subsection
10 and the following tables and interest rates:

11 (1) For individual annuity and pure endowment contracts issued
12 prior to January 1, 1986, excluding any disability and accidental death
13 benefits in such contracts, the 1971 Individual Annuity Mortality
14 Table, or any modification of this table approved by the commissioner,
15 and six percent interest for single premium immediate annuity con-
16 tracts, and four percent interest for all other individual annuity and
17 pure endowment contracts.

18 (2) For individual annuity and pure endowment contracts issued
19 on or after January 1, 1986, excluding any disability and accidental
20 death benefits in such contracts, the 1971 Individual Annuity Mortality
21 Table, or any modification of this table approved by the commissioner,
22 and three and one-half percent interest.

23 (3) For all annuities and pure endowments purchased prior to Jan-
24 uary 1, 1986 under group annuity and pure endowment contracts, ex-
25 cluding any disability and accidental death benefits purchased under
26 such contracts, the 1971 Group Annuity Mortality Table, or any modi-
27 fication of this table approved by the commissioner, and six percent
28 interest.

29 (4) For all annuities and pure endowments purchased on or after
30 January 1, 1986 under group annuity and pure endowment contracts,

31 excluding any disability and accidental death benefits in such con-
32 tracts, the 1971 Group Annuity Mortality Table, or any modification
33 of this table approved by the commissioner, and three and one-half
34 percent interest.

35 NEW PARAGRAPH. After July 1, 1974, any company may file with
36 the commissioner a written notice of its election to comply with the
37 provisions of section eight (8) of this Act after a specified date before
38 January 1, 1979, which shall be the operative date of section eight
39 (8) of this Act for such company; provided, a company may elect a
40 different operative date for individual annuity and pure endowment
41 contracts from that elected for group annuity and pure endowment
42 contracts. If a company makes no such election, the operative date of
43 section eight (8) of this Act for such company shall be January 1,
44 1979.

1 SEC. 9. Section five hundred eight point thirty-seven (508.37), sub-
2 section five (5), unnumbered paragraph four (4), Code 1973, is
3 amended to read as follows:

4 All adjusted premiums and present values referred to in this sec-
5 tion shall for all policies of ordinary insurance be calculated on
6 the basis of the Commissioners 1958 Standard Ordinary Mortality
7 Table, provided that for any category of ordinary insurance issued on
8 female risks, adjusted premiums and present values may be calculated
9 according to an age not more than three years younger than the actual
10 age of the insured. Such calculations for all policies of industrial in-
11 surance shall be made on the basis of the 1941 Standard Industrial
12 Mortality Table; provided, however, that any company may file with
13 the commissioner a written notice of its election that such adjusted
14 premiums and present values shall be calculated on the basis of the
15 Commissioners 1961 Standard Industrial Mortality Table, after a
16 specified date before January 1, 1968; provided, further, that, whether
17 or not any election has been made, such Commissioners 1961 Standard
18 Industrial Mortality Table shall be the basis for such calculations as
19 to all policies of industrial insurance issued on or after January 1,
20 1968. All calculations shall be made on the basis of the rate of inter-
21 est, ~~not exceeding three and one-half percent per annum~~, specified in
22 the policy for calculating cash surrender values and paid-up nonfor-
23 feiture benefits; provided, *that such rate of interest shall not exceed*
24 *three and one-half percent per annum, except that a rate of interest*
25 *not exceeding four percent per annum may be used for policies issued*
26 *on or after July 1, 1974 and prior to January 1, 1986. Provided, how-*
27 *ever, that in calculating the present value of any paid-up term insur-*
28 *ance with accompanying pure endowment, if any, offered as a non-*
29 *forfeiture benefit, the rates of mortality assumed in the case of policies*
30 *of ordinary insurance, may be not more than those shown in the*
31 *Commissioners 1958 Extended Term Insurance Table, and, in the case*
32 *of policies of industrial insurance, may be not more than one hundred*
33 *thirty percent of the rates of mortality according to the 1941 Standard*
34 *Industrial Mortality Table, except that when the Commissioners 1961*
35 *Standard Industrial Mortality Table becomes applicable, as herein-*
36 *before provided, such rates of mortality assumed may be not more*
37 *than those shown in the Commissioners 1961 Industrial Extended*
38 *Term Insurance Table, provided, further, that for insurance issued*
39 *on a substandard basis, the calculation of any such adjusted premiums*

40 and present values may be based on such other table of mortality as
41 may be specified by the company and approved by the commissioner.

Approved May 27, 1974

CHAPTER 1242

INSURANCE COMPANIES ANNUAL STATEMENT

H. F. 392

AN ACT relating to the annual statement of insurance companies.

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

1 SECTION 1. Section five hundred eight point eleven (508.11), Code
2 1973, is amended by adding the following new subsection:

3 NEW SUBSECTION. All other information as required by the na-
4 tional association of insurance commissioners' annual statement blank.

1 SEC. 2. Section five hundred fifteen point sixty-three (515.63),
2 Code 1973, is amended by adding the following new unnumbered para-
3 graph:

4 NEW UNNUMBERED PARAGRAPH. Fifteenth—All other information
5 as required by the national association of insurance commissioners'
6 annual statement blank.

Approved March 29, 1974

CHAPTER 1243

INSURANCE COMPANY AUTHORITY

H. F. 639

AN ACT relating to the annual certificate of authority of insurance companies.

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

1 SECTION 1. Section five hundred eight point thirteen (508.13),
2 Code 1973, is amended to read as follows:

3 508.13 **Annual certificate of authority.** On receipt of the deposit
4 provided in subsection 13 of section 511.8 and the statement, and the
5 statement and evidence of investment of foreign companies, all of
6 which shall be renewed annually, by the first day of March, the com-
7 missioner of insurance shall issue a certificate setting forth the cor-
8 porate name of the company, its home office, that it has fully com-
9 plied with the laws of the state and is authorized to transact the
10 business of life insurance for the ensuing year, which certificate shall
11 expire on the first day of ~~April~~ *May* of the ensuing year, or sooner
12 upon thirty days' notice given by the commissioner, of the next annual
13 valuation of its policies. Such certificate shall be renewed annually,