

CHAPTER 169
FIRE AND CASUALTY INSURERS OPTIONS
H. F. 292

AN ACT providing that domestic fire and casualty insurers may engage in certain options transactions.

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

Section 1. Section 515.35, Code 1981, is amended to read as follows:

515.35 INVESTMENTS.

1. Any company organized under ~~the--provisions-of~~ this chapter shall invest its capital and funds in the following described securities and no other:

1- a. FEDERAL AND TERRITORIAL OBLIGATIONS. Bonds or other evidences of indebtedness issued or guaranteed by the United States, notes or other obligations, issued by federal land banks, federal intermediate credit banks, banks for cooperatives, or any of all of the federal farm credit banks, federal home loan bank bonds, home owners' loan corporation bonds, bonds, notes or obligations representing loans and advances of credit which are eligible for insurance by the federal housing administrator, and bonds, notes or obligations secured by real property or leasehold which the federal housing administrator has insured or has committed himself or herself to insure or debentures issued by such administrator.

2- b. STATE AND MUNICIPAL OBLIGATIONS. Bonds or other evidences of indebtedness issued or guaranteed by the state of Iowa or any other state, or any county, city, school, road, drainage, or other district, or any civil subdivision or governmental authority of ~~such the~~ state or states, or any instrumentality of any such authorized by statute to borrow money and issue securities, provided that the obligations are:

a- (1) General or full faith and credit obligations of the issuing or guaranteeing unit, or

b- (2) Payable from assessments levied for improvement purposes and secured by a lien upon real estate, or

e- (3) Payable from especially designated revenues which are specifically pledged to the payment of principal and interest on such obligations.

3- c. CANADIAN GOVERNMENT AND MUNICIPAL OBLIGATIONS. Bonds or other evidences of indebtedness issued or guaranteed by the Dominion of Canada, or any province thereof, or any municipality or district therein with a population in excess of ten thousand according to the last dominion or provincial census taken prior to the date of ~~such the~~ investment, which are general or full faith and credit obligations of the issuing or guaranteeing unit.

4- d. REAL ESTATE MORTGAGES. Mortgages and other interest-bearing securities being first liens upon real estate within this or any other state

of the United States, provided that at the date of acquisition the total indebtedness secured by such lien shall not exceed seventy-five percent of the value of the property upon which it is a lien. Improvements shall not be considered in estimating value unless the owner shall contract to keep the same insured in a reliable fire insurance company or companies, association or associations authorized to transact business in this state, during the life of the loan in a sum at least equal to the excess of the loan above seventy-five percent of the value of the ground, exclusive of improvements, the insurance to be made payable in case of loss to the company or association investing its funds as its interests may appear at the time of loss. Any mortgage lien upon real estate shall not for the purpose of this section be held or construed to be other than a first lien, by reason of the fact that drainage or other improvement assessments may have been levied against the real estate covered by ~~said~~ the mortgage whether the installment of ~~said~~ the assessments be matured or not, provided that in determining the value of ~~such~~ the real estate for loan purposes the amount of drainage or other assessment tax unpaid shall be first deducted.

5+ e. REAL ESTATE BONDS. Real estate bonds which are first lien upon real estate within this or any other state of the United States, provided the outstanding indebtedness against the property does not exceed sixty percent of ~~the its~~ reasonable value ~~thereof~~ and provided further that the average earnings of the property are at least two and one-half times the interest requirements of all outstanding bonds and indebtedness.

6+ f. CORPORATE BONDS AND STOCKS. Bonds or other evidences of indebtedness of any solvent corporation organized under the laws of any of the states of the United States or of any of the provinces of Canada; and, not to exceed thirty percent of its capital and funds, in stock of any solvent dividend-paying corporation, organized under the laws of the United States, or any state ~~thereof~~, other than the company's own stock, provided that no company may invest an amount in excess of ten percent of its capital and surplus in the stock and bonds of any one corporation, and provided further that any ~~such~~ company may purchase or acquire its own stock in furtherance of a general savings and investment plan for employees of such company with the approval of the Iowa state insurance commissioner.

7+ g. LOANS. Any loans secured by collateral security consisting of any securities enumerated in this section, provided there is a margin of ten percent between the amount of the loan and the value of the securities.

2. OPTIONS TRANSACTIONS. A domestic fire and casualty company may only engage in the following transactions in options on an exchange and only when in accordance with the rules of the exchange on which the transactions take place:

a. The sale of exchange-traded covered options.

b. The purchase of exchange-traded covered options solely in closing purchase transactions.

3. RULES AND DEFINITION. The commissioner of insurance pursuant to chapter 17A shall adopt rules regulating option sales under subsection 2. In adopting the rules, the commissioner shall be bound by the following definitions which shall have the meanings given unless the context clearly requires otherwise:

a. "Covered options" means the sale of a call option where the seller owns and has in possession the underlying stock.

b. "Call option" means an option contract or contracts, under which the holder of the option has the right, under the terms of the option, to purchase a specified number of shares or other units of the underlying security covered by the option at a specified price per share or unit prior to the fixed expiration time of the option.

c. "Exchange" means a national securities exchange registered under the Securities Exchange Act of 1934, as amended, whose rules respecting transactions in options have been approved pursuant to section 19(b) of that Act.

d. "Exchange-traded" means traded on the floor of an exchange.

e. "Security or securities" means a security or securities authorized to be acquired and owned by a domestic insurance company under section 515.35.

f. "Exercise price" means the price per share or unit for which the holder of a call option may purchase the underlying security upon exercise of the option.

g. "Escrow receipt" means a receipt issued to the options clearing corporation with respect to the escrowed security held on deposit by a bank, trust company, or other custodian approved by the options clearing corporation for that purpose.

h. "Escrowed security" means a security with respect to which an escrow receipt has been issued.

i. "Closing purchase transaction" means the purchase on an exchange, but not otherwise, of an option of the same series as the option previously written, for the purpose of reducing or liquidating an obligation under an exchange-traded option previously written.

j. "Class of options" means options covering the same underlying security.

k. "Series of options" means options of the same class having the same exercise price and expiration time.

Approved May 1, 1981

CHAPTER 170

SYNOPSIS OF INSURANCE BUSINESS ABOLISHED

S. F. 147

AN ACT to eliminate the requirement of publication of a synopsis of the annual report of insurance companies doing business in this state.

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

Section 1. Section 515.90, Code 1981, is repealed.

Approved March 13, 1981