

CHAPTER 1038
MUTUAL INSURANCE COMPANY GUARANTY CAPITAL
S.F. 2226

AN ACT relating to the guaranty capital of a mutual insurance company.

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

Section 1. Section 515.20, Code 1985, is amended to read as follows:
515.20 GUARANTY FUND CAPITAL.

Any A mutual company heretofore or hereafter organized under this chapter may establish and maintain a guaranty fund capital of at least fifty thousand dollars made up of multiples of ten thousand dollars, divided into shares of not less than fifty dollars each, to be invested as provided for the investment of insurance capital and funds by section 515.35. Guaranty shareholders shall be members of the corporation, and provision may be made for representation of the shareholders of such the guaranty fund capital on the board of directors of the corporation; such. The representation shall not to exceed one-third of the membership of such the board. Guaranty shareholders in such mutual companies shall be are subject to the same regulations of law relative to their right to vote as apply to its policyholders. Such The guaranty fund capital shall be applied to the payment of the legal obligations of the corporation only when such the corporation has exhausted its assets in excess of the unearned premium reserve and other liabilities; and if such. If the guaranty fund be capital is thus impaired, the directors may restore the whole, or any part thereof of the capital, by assessment on its policyholders as provided for in section 515.18. By a legal vote of the policyholders of the corporation, at any regular or special meeting thereof, said of the policyholders of the corporation, the guaranty fund capital may be fully retired or may be reduced to an amount of not less than fifty thousand dollars, provided that if the net surplus of the corporation together with the remaining guaranty fund shall capital is equal to or exceed exceeds the amount of minimum assets required by this chapter for such companies, and provided, further, that if the commissioner of insurance consents thereto to the action. Due notice of such the proposed action on the part of the corporation shall be included in the notice given to policyholders and shareholders of any annual or special meeting and notice of such the meeting shall also be given in accordance with the provisions of its the corporation's articles of incorporation. No A company with such the guaranty fund capital, which has ceased to do business, shall not distribute among its shareholders or policyholders any part of its assets, or guaranty fund capital, until it has fully performed, or legally canceled, all of its policy obligations. Shareholders of such the guaranty fund capital shall be are entitled to interest on the par value of their respective shares at a rate to be fixed by the board of directors, not to exceed seven percent per annum, and approved by the commissioner, cumulative, payable semiannually, and payable only out of the surplus earnings of such the company, but in no event shall. However, the surplus account of such the company shall not be reduced by the payment of such the interest below the figure maintained at the time said the guaranty fund capital was established; and provided, further, that no such. In addition, the interest payment shall not be made unless the surplus assets remaining after the payment thereof shall of the interest at least equal the amount required by the statutes of Iowa to permit such the corporation to continue in business. In the event of the dissolution and liquidation of any a corporation having a guaranty fund capital under the provisions hereof this section, the shareholders of such fund shall be the capital are entitled, after the payment of all valid obligations of the company, to receive the par value of their respective shares, together with any unpaid interest thereon on their shares, before there may be any distribution of the assets of said the corporation among its policyholders. These provisions are in addition to and independent of the provisions now contained in section 515.19.

Approved April 7, 1986