

A BILL

FOR AN ACT TO REQUIRE AN ANNUAL APPORTIONMENT AND ACCOUNTING OF SURPLUS OF LIFE INSURANCE COMPANIES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Every old line, legal reserve, life insurance company doing business in this state
2 which issues participating policies or is conducted upon the mutual plan, shall annually make
3 an apportionment and accounting of surplus or profits to the holders of all participating
4 policies hereafter issued to residents of this state, and shall notify each and every such policy
5 holder of his share of such surplus or profit, on or before the third anniversary of his policy
6 and annually thereafter. For the purpose of determining each individual policyholder's
7 contribution to and share in the annual divisible surplus, the method known as "The Con-
8 tribution Plan" shall be applied and when such share is ascertained it shall be distributed in
9 accordance with the provisions of section four (4) of this act.

Sec. 2. In determining the amount of surplus to be apportioned, a company may, for the
2 greater security of its policyholders, retain from the gross divisible surplus, the necessary funds
3 to maintain a contingent surplus, which contingent surplus shall be set out and carried as a
4 separate item, provided that companies having less than forty million (40,000,000) dollars of
5 insurance in force, shall not in any one year retain more than fifteen (15) per cent of the total
6 divisible surplus of any year for the purpose of such contingent surplus, and provided further,
7 that the contingent surplus of such companies shall at no time exceed twenty-five thousand
8 dollars, (\$25,000) unless fifty (50) per cent of the divisible surplus earnings of any year shall
9 exceed twenty-five thousand dollars, (\$25,000) in which event the contingent surplus shall not
10 exceed fifty (50) per cent of the divisible surplus for such year. Companies having more
11 than forty million dollars (\$40,000,000) of insurance in force, shall not in any one year retain
12 more than ten (10) per cent of the total divisible surplus of any year, for the purpose of such
13 contingent surplus, nor shall the contingent surplus at any time exceed fifty thousand
14 dollars, (\$50,000) unless twenty-five (25) per cent of the divisible surplus earnings of any year
15 shall exceed fifty thousand dollars, (\$50,000) in which event the contingent surplus shall not
16 exceed twenty-five (25) per cent of the divisible surplus for such year.

Sec. 3. Every such company, shall annually, as of December thirty-first, ascertain the
2 divisible surplus for the year then ending, in accordance with the requirements of this act, and

3 shall report, apportion and carry such amount as a liability in its sworn annual statement,
4 said ascertainment to be made not later than the first day of April following, and shall render
5 to each policyholder as herein provided an accounting of the amount of his share of the appor-
6 tioned surplus on or before the date of the next succeeding premium payment or anniversary
7 of his policy.

Sec. 4. On or before the third anniversary of each and every participating policy, the policy-
2 holder shall have submitted to him and shall be permitted to select any one of the following
3 options for the application of the apportioned surplus:

- 4 1. To be applied to purchase paid up additions to the contract.
- 5 2. To be applied to purchase pure endowment additions.
- 6 3. To be applied in the reduction of the premium.
- 7 4. To be paid to the policyholder in cash.

8 Provided that if a policyholder at any time elects to choose either the second, third or fourth
9 option and subsequently desires to select the first, he may be required to pass a satisfactory
10 medical examination or furnish a health certificate as the company may determine.

11 The company shall carry and report all surplus apportioned under subdivisions one (1) and
12 two (2) of this section as an additional reserve liability.

Sec. 5. At the time of the lapse or surrender of any policy of life insurance hereafter
2 issued, the reserve plus the surplus additions as herein provided, less any loan or other indebted-
3 ness owing by the policyholder, shall be taken as a single premium to purchase non-participat-
4 ing paid-up or extended insurance at the option of the insured; if the insured fail or neglect to
5 exercise such option within sixty (60) days from the date of lapse or surrender and no provi-
6 sion is made for such failure or neglect in the policy contract, then the company at its own
7 option shall apply such reserve either to purchase of such paid-up, or extended insurance.

8 Whenever any policy of life insurance thereafter issued provides for loan, or cash surrender
9 privileges, the reserve plus the surplus additions as provided for in this act shall be taken as a
10 basis for such loan or surrender value at the time such loan or surrender is granted, under
11 such conditions and restrictions as are expressed in the policy contract.

Sec. 6. On all policies of life insurance heretofore issued and now in force, under the pro-
2 visions of which the distribution of surplus is deferred to a fixed or a specified time, the
3 company shall, as of the thirty-first day of December following the date of the taking effect of
4 this act, and annually thereafter, ascertain the amount of surplus in accordance with the
5 above provisions to which all such policies as a separate class are entitled and shall annually
6 apportion to such policies as a class, the amount of surplus so ascertained and carry the
7 amount of such apportioned surplus, plus the actual interest earnings and accretions thereof,
8 as a distinct and separate liability to such class of policies on and for which the same was
9 accumulated, and no company or any of its officers shall be permitted to use any part of such

10 apportioned surplus fund for any purpose whatsoever, other than the express purpose for
11 which the same was accumulated, or as herein provided. Every company having heretofore
12 issued and having now in force any deferred dividend policies, shall at the time of mailing the
13 annual premium notice, furnished to each such policyholder, whose policy has been in force
14 for three years or longer, a statement showing the surplus accumulation to the credit of his
15 policy at the beginning of the preceding year, the rate of interest earned on the accumulation,
16 the amount of interest and the amount of saving and profit contingently credited to said
17 policyholder during the preceding year with a showing of the total amount of surplus accumu-
18 lated, then contingently credited to the policy, provided, however, that nothing in this section
19 shall be construed to permit the further issuance of such deferred dividend contracts.

Sec. 7. No life insurance company shall be permitted to enter into any agreement with
2 any policyholder or applicant for insurance intended as a waiver of any of the provisions of
3 this act, and it shall be the duty of the Auditor of State to revoke the certificate of authority
4 of any insurance company to transact business in this state which fails to comply with any of
5 the requirements of this act, or for violating the same.