

January 26, 1953.
Insurance.

House File 125
By PAUL, KUESTER and SCHWENGEL.

Passed House, Date.....
Vote: Ayes..... Nays.....
Passed Senate, Date.....
Vote: Ayes..... Nays.....
Approved

A BILL FOR

An Act relating to risks, standards and liabilities in insurance contracts other than life and to amend section five hundred fifteen point forty-nine (515.49), Code 1950.

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

1 Section 1. Section five hundred fifteen point forty-nine
2 (515.49), Code 1950, is amended by striking from subsection seven
3 (7) all beginning with the word, "other", in line sixteen (16)
4 and ending with the word, "company", in line twenty (20) and
5 inserting in lieu thereof the words, "authorized insurer".
6 Further amend said subsection seven (7) by adding in line
7 twenty-one (21) after the word, "insured", the words, "upon
8 request."
9 Further amend said subsection seven (7) by adding after line
10 twenty-one (21) the following:
11 "All reinsurance contracts shall contain (a) a clause ap-
12 pointing the commissioner of insurance as agent to accept service
13 of process or notice of any kind, on behalf of the reinsurer; and
14 (b) a clause providing that in the case of insolvency of the
15 ceding insurer, the reinsurer's liability shall not be diminished
16 in any manner under its contract with the insolvent ceding insurer.

17 The clauses above referred to shall be in the form prescribed by
18 the commissioner.
19 "Whenever 'an authorized company or association' is
20 mentioned in connection with reinsurance under the provisions of
21 sections 515.47 and 515.49 of the Code, it shall mean (a) an
22 insurer licensed to issue policies in this state, or (b) an insurer
23 authorized in another state of the United States wherein it is
24 required to meet at least the same standards of solvency and
25 similar statutory and departmental regulations as insurers of
26 this state. The commissioner shall have sole discretion in the
27 evaluation of the adequacy of the standards herein referred to."

EXPLANATION OF H. F. 125

This bill would tighten up restrictions on reinsurance contracts for casualty insurance to permit small companies to make more advantageous reinsurance contracts so far as rates are concerned and give the insurance department more latitude in determining the adequacy of the standards for reinsurance.

1 Amend House File 125 by striking from section one (1) all
2 of lines nineteen (19) to twenty-seven (27), inclusive, and in-
3 serting in lieu thereof the following:
4 "Whenever an 'authorized company or association' is mentioned
5 in connection with reinsurance under the provisions of sections
6 515.47 and 515.49 of the Code, it shall mean:
7 "(a) An insurer licensed to issue policies in this state
8 "(b) An insurer authorized in another state of the United
9 States wherein it is required to meet at least the same standards
10 of solvency and similar statutory and departmental regulations as
11 insurers of this state. The commissioner shall have sole discre-
12 tion in the evaluation of the adequacy of the standards herein
13 referred to.
14 "(c) An alien insurer incorporated or unincorporated which
15 has transacted a reinsurance business in the United States for a
16 period of at least ten years, and which maintains a deposit in the
17 United States in the amount of at least one hundred million dollars.
18 The trust agreement governing said deposit must provide that the
19 funds on deposit may be used to satisfy final judgments rendered
20 by any court of competent jurisdiction. The conditions herein
21 mentioned shall be in lieu of any requirements or restrictions
22 imposed by other laws of the state.
23 "Any insurer not licensed in the state shall be required to
24 secure an annual permit from the commissioner of insurance to
25 transact the business of reinsurance with companies domiciled
26 in this state. Such permit shall apply only to reinsurance and
27 shall be issued upon proper showing that the conditions set forth
28 in paragraphs (b) or (c) have been met. The fee for such permit
29 shall be fifty dollars and it shall expire on the first day of
30 April next succeeding its issue."

Filed
February 11, 1953.

PAUL of Poweshiek.

1 Amend House File 125 as follows:
2 1. Amend House File 125 by striking from section one (1)
3 all of lines nineteen (19) to twenty-seven (27), inclusive, and
4 inserting in lieu thereof the following:
5 "Whenever an 'authorized company or association' is
6 mentioned in connection with reinsurance under the provisions
7 of sections 515.47 and 515.49 of the Code, it shall mean:
8 "(a) An insurer licensed to issue policies in this state.
9 "(b) An insurer authorized in another state of the United
10 States wherein it is required to meet at least the same standards
11 of solvency and similar statutory and departmental regulations as
12 insurers of this state. The commissioner shall have sole discre-
13 tion in the evaluation of the adequacy of the standards herein
14 referred to.
15 "(c) An alien insurer incorporated or unincorporated which
16 has transacted a reinsurance business in the United States for a
17 period of at least ten years, and which maintains a deposit in the
18 United States in the amount of at least one hundred million dol-
19 lars. The trust agreement governing said deposit must provide
20 that the funds on deposit may be used to satisfy final judgments
21 rendered by any court of competent jurisdiction. The conditions
22 herein mentioned shall be in lieu of any requirements or restrictions
23 imposed by other laws of the state.
24 "Any insurer not licensed in the state shall be required
25 to secure an annual permit from the commissioner of insurance
26 to transact the business of reinsurance with companies domiciled
27 in this state. Such permit shall apply only to reinsurance and
28 shall be issued upon proper showing that the conditions set forth
29 in paragraphs (b) or (c) have been met. The fee for such permit
30 shall be fifty dollars and it shall expire on the first day of
31 April next succeeding its issue."
32 2. Further amend House File 125 by adding the following
33 sections thereto:
34 "Sec. 2. Amend section five hundred twenty point twenty-
35 one (520.21), Code 1960, by changing the period at the end
36 thereof to a comma and adding immediately thereafter the
37 following: 'or be an authorized reinsurer having a permit from
38 the commissioner of insurance as defined and provided in section
39 five hundred fifteen point forty-nine (515.19) of the Code as
40 amended.'"
41 "Sec. 3. This act being deemed of immediate importance
42 shall be in full force and effect from and after its passage
43 and publication in, a newspaper published in
44, Iowa, and in, a newspaper
45 published in, Iowa."
46 3. Amend the title of House File 125 by inserting in
47 line three (3) immediately before the word "Code" the following:
48 "and section five hundred twenty point twenty-one (520.21).";
49 also amend the title of House File 125 by changing the period
50 to a comma at the end of the title and adding immediately there-
51 after the following: "relating to reinsurance."

Filed

February 18, 1953.

PAUL of Poweshiek.

Explanation of H. F. 125 as Amended.

This bill reflects certain recommendations of the National Association of Insurance Commissioners relating to reinsurance and sets up certain standards for acceptance of reinsurance placed in foreign and alien insurers not licensed in this state. The end result will be to provide more adequate reinsurance markets to companies domiciled in this state with adequate safeguards.

Filed

February 11, 1953.

PAUL of Poweshiek.

1 Amend House File 125 as follows:

2 1. Strike lines nineteen (19) to twenty-seven (27)
3 inclusive, and insert in lieu thereof the following:

4 "Whenever an 'authorized company or association' is
5 mentioned in connection with reinsurance under the provisions
6 of sections five hundred fifteen point forty-seven (515.47)
7 and five hundred fifteen point forty-nine (515.49), Code 1950,
8 it shall mean:

9 "(a) An insurer licensed to issue policies in this state.

10 "(b) An insurer authorized in another state of the
11 United States wherein it is required to meet at least the same
12 standards of solvency and similar statutory and departmental
13 regulations as insurers of this state. The commissioner shall
14 have sole discretion in the evaluation of the adequacy of the
15 standards herein referred to.

16 "(c) An alien insurer incorporated or unincorporated
17 which has transacted a reinsurance business in the United
18 States for a period of at least ten years, and which maintains
19 a deposit in the United States in the amount of at least one
20 hundred million dollars. The trust agreement governing said
21 deposit must provide that the funds on deposit may be used to
22 satisfy final judgments rendered by any court of competent
23 jurisdiction. The conditions herein mentioned shall be in lieu
24 of any requirements or restrictions imposed by other laws of
25 the state."

26 2. Amend section five hundred twenty point twenty-one
27 (520.21), Code 1950, by changing the period to a comma at the
28 end thereof and adding immediately thereafter the following:
29 "or be an authorized insurer as defined and provided in
30 section five hundred fifteen point forty-nine (515.49),
31 Code 1950, as amended."

32 3. Amend the title to the bill by striking in
33 line three (3) thereof the words "Code 1950" and inserting
34 in lieu thereof the following: "section five hundred twenty
35 point twenty-one (520.21), Code 1950, and relating to
36 reinsurance."

Filed

March 13, 1953.

PAUL of Poweshiek.