

Reprinted 1/24/86

SENATE FILE 2064  
BY COMMITTEE ON AGRICULTURE  
*Approved (p. 133)*

FILED JAN 29 1986

Passed Senate, Date 1-23-86 (p. 145) Passed House, Date \_\_\_\_\_  
Vote: Ayes 43 Nays 1 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to licensed dealers and warehouses for  
2 agricultural products, and providing an effective date.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 2064

1 Section 1. Section 542.1, Code Supplement 1985, is amended  
2 by adding the following new subsections:

3 NEW SUBSECTION. 7. "Bond" means a bond issued by a surety  
4 company or a letter of credit issued by a financial  
5 institution described in subsection 8.

6 NEW SUBSECTION. 8. "Financial institution" means a bank  
7 or savings and loan association authorized by the state of  
8 Iowa or by the laws of the United States, which is a member of  
9 the federal deposit insurance corporation or the federal  
10 savings and loan insurance corporation, respectively.

11 Sec. 2. Section 543.1, Code 1985, is amended by adding the  
12 following new subsections:

13 NEW SUBSECTION. 23. "Bond" means a bond issued by a  
14 surety company or a letter of credit issued by a financial  
15 institution described in subsection 7.

16 NEW SUBSECTION. 24. "Financial institution" means a bank  
17 or savings and loan association authorized by the state of  
18 Iowa or by the laws of the United States, which is a member of  
19 the federal deposit insurance corporation or the federal  
20 savings and loan insurance corporation, respectively.

21 Sec. 3. Section 543.11, Code 1985, is amended to read as  
22 follows:

23 543.11 SUSPENSION OR REVOCATION OF LICENSE FOR  
24 INSUFFICIENCY OF BOND OR INSURANCE.

25 When the commission determines that a bond filed under this  
26 chapter and approved by the commission, is, or has become,  
27 insufficient to secure the faithful performance of the  
28 obligations of the licensed warehouse operator, or when the  
29 commission determines that insurance is not fully provided as  
30 required under section 543.15, it may require the licensed  
31 warehouse operator to provide additional bond or additional  
32 evidence of insurance coverage so that the bond and insurance  
33 conform with the requirements of this chapter. If additional  
34 insurance is not provided within five days after receipt by  
35 the licensee of notice by certified mail, the license of the

1 warehouse operator concerned shall be automatically suspended.  
2 If additional insurance is not filed within another ten days,  
3 the warehouse license shall be automatically revoked. If  
4 additional bond is not provided within ~~thirty~~ sixty days after  
5 receiving notice, the warehouse license shall be suspended.  
6 If additional bond is not filed within ten days following  
7 suspension, the warehouse license shall be automatically  
8 revoked. When a license is so revoked, the commission shall  
9 notify each holder of an outstanding warehouse receipt and all  
10 known persons who have grain retained in open storage of the  
11 revocation. The commission shall further notify each receipt  
12 holder and all known persons who have grain retained in open  
13 storage that the grain must be removed from the warehouse not  
14 later than the ~~thirtieth~~ sixtieth day following the  
15 revocation. The notice shall be by ordinary mail sent to the  
16 last known address of each person having grain in storage as  
17 provided in this section.

18 ~~Whenever~~ When the commission ~~shall receive~~ receives notice  
19 from a surety that it has canceled the bond of a warehouse  
20 operator, the commission shall automatically suspend the  
21 warehouse license if a new bond is not received by the  
22 commission within ~~thirty~~ sixty days of receipt of the notice  
23 of cancellation. The commission shall cause an inspection of  
24 the licensed warehouse immediately at the end of ~~such-thirty-~~  
25 day the sixty-day period. If a new bond is not received  
26 within ~~sixty~~ ninety days of receipt of the notice of  
27 cancellation the commission shall revoke the warehouse  
28 license. The commission shall cause a further inspection of  
29 the licensed warehouse at the end of ~~such-sixty-day~~ the  
30 ninety-day period. When a license is so revoked the  
31 commission shall give notice of ~~such~~ the revocation to each  
32 holder of an outstanding warehouse receipt and all known  
33 persons who have grain retained in open storage. The  
34 commission shall further notify each receipt holder and all  
35 known persons who have grain retained in open storage that the

1 grain must be removed from the warehouse not later than the  
2 ~~ninetieth~~ one hundred twentieth day following the commission's  
3 receipt of notice of cancellation, ~~by the commission~~. Such  
4 The notice requiring removal of grain shall be sent by  
5 ordinary mail to the last known address of each person having  
6 grain in storage as provided in this section. The commission  
7 shall cause a final inspection of the licensed warehouse  
8 immediately after the end of ~~such ninety-day~~ the one hundred  
9 twenty-day period.

10 Sec. 4. This bill, being deemed of immediate importance,  
11 takes effect from and after its publication in The Algona  
12 Upper Des Moines, a newspaper published in Algona, Iowa, and  
13 in the Audubon News-Advocate, a newspaper published in  
14 Audubon, Iowa.

15 EXPLANATION

16 This bill increases by thirty days the time allowed a  
17 bonded warehouse to obtain a new or additional bond.

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SENATE FILE 2064

S-5014

1 Amend Senate File 2064 as follows:

2 1. Page 1, line 4, by striking the words "or a"  
3 and inserting the words "or an irrevocable".

4 2. Page 1, by inserting after line 10 the  
5 following:

6 "Sec. \_\_\_\_ . Section 542.4, Code 1985, is amended to  
7 read as follows:

8 542.4 BOND REQUIRED.

9 An applicant for a license to operate as a grain  
10 dealer shall, as a condition to the granting of the  
11 license, file with the commission a bond payable to  
12 the state of Iowa with a corporate surety approved by  
13 the commission conditioned that the applicant will pay  
14 to the producer the purchase price of any grain to the  
15 producer; provided that. However, the aggregate  
16 liability of the surety to such persons shall in no  
17 event producers shall not exceed the sum of such the  
18 bond. The bond for each class 1 license shall be in  
19 the penal sum of fifty thousand dollars. The bond for  
20 each class 2 license shall be in the penal sum of  
21 twenty-five thousand dollars. One bond, cumulative as  
22 to minimum requirements, shall be required where if a  
23 person has more than one license, but in no event  
24 shall the total amount of bond required by this  
25 section shall not exceed three hundred thousand  
26 dollars for a class 1 licensee, or one hundred fifty  
27 thousand dollars for a class 2 licensee. No A bond  
28 shall not be canceled by a surety before at least  
29 sixty ninety days' notice by certified mail to the  
30 commission and the grain dealer. The liability of the  
31 surety shall cover covers purchases made by the grain  
32 dealer during the time the bond is in force. A grain  
33 dealer's bond filed with this the commission shall be  
34 in continuous force until canceled by the surety. The  
35 liability of the surety on any a bond required by the  
36 provisions of this chapter shall not accumulate for  
37 each successive license period during which the bond  
38 is in force."

39 3. Page 1, line 14, by striking the words "or a"  
40 and inserting the words "or an irrevocable".

41 4. Page 1, line 34, by striking the word "five"  
42 and inserting the words "five thirty".

43 5. Page 3, by inserting after line 9 the  
44 following:

45 "Sec. \_\_\_\_ . Section 543.13, unnumbered paragraph  
46 one, is amended to read as follows:

47 Each bond required under section 543.12 shall be in  
48 such the form and shall contain such reasonable terms  
49 and conditions for the protection of the public as  
50 prescribed by the commission shall prescribe, and

S-5014 Page 2

1 shall be endorsed as surety by a bonding company  
2 authorized to do business in this state. No bond  
3 shall be canceled by the surety on less than ninety  
4 one hundred twenty days' notice by certified mail to  
5 the commission and the principal. ~~In no event, shall~~  
6 ~~the~~ The liability of the surety on any a bond required  
7 by section 543.12 does not accumulate for each  
8 successive license period during which the bond is in  
9 force. The liability of the surety ~~shall be~~ is  
10 limited in the aggregate to the face amount of the  
11 bond.

12 Sec. \_\_\_\_ . Section 543.15, unnumbered paragraph 1,  
13 Code 1985, is amended to read as follows:

14 All agricultural products in storage in a licensed  
15 warehouse, or in a warehouse operated under temporary  
16 permit as provided in this chapter, and all  
17 agricultural products which have been deposited  
18 temporarily in a licensed warehouse pending storage or  
19 for purposes other than storage, shall be kept fully  
20 insured by the warehouse operator for the current  
21 value of such the agricultural products against loss  
22 by fire, inherent explosion, or windstorm. Such The  
23 insurance shall be carried in an insurance company or  
24 companies authorized to do business in this state, and  
25 evidence of such the insurance coverage in a form to  
26 be approved by the commission shall be filed with the  
27 commission. No An insurance policy shall not be  
28 canceled by the insurance company on less than fifteen  
29 sixty days' notice by certified mail to the commission  
30 and the principal unless such the policy is being  
31 replaced with another policy and evidence of the new  
32 policy is filed with the commission at the time of  
33 cancellation of the policy on file. Such The  
34 insurance shall be provided by, and carried in the  
35 name of, the warehouse operator. Claimants against  
36 such the insurance shall have precedence in the  
37 following order:"

S-5014 Filed and adopted January 23, 1986 BY HUSAK, FRAISE,  
*Adopted 1/23 (p. 145)* SOORHOLTZ

SENATE FILE 2064

S-5015

1 Amend Senate File 2064 as follows:

2 1. Page 3, by inserting before line 10 the  
3 following:

4 "Sec. \_\_\_\_ . This bill, being deemed of immediate  
5 importance, applies to sureties which have not issued  
6 a notice of cancellation before the effective date of  
7 this Act."

S-5015 Filed and adopted January 23, 1986 BY HUSAK

*Adopted 1/23 (p. 145)*



1 Section 1. Section 542.1, Code Supplement 1985, is amended  
2 by adding the following new subsections:

3 NEW SUBSECTION. 7. "Bond" means a bond issued by a surety  
4 company or an irrevocable letter of credit issued by a  
5 financial institution described in subsection 8.

6 NEW SUBSECTION. 8. "Financial institution" means a bank  
7 or savings and loan association authorized by the state of  
8 Iowa or by the laws of the United States, which is a member of  
9 the federal deposit insurance corporation or the federal  
10 savings and loan insurance corporation, respectively.

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11 Sec. 2. Section 542.4, Code 1985, is amended to read as  
12 follows:

13 542.4 BOND REQUIRED.

14 An applicant for a license to operate as a grain dealer  
15 shall, as a condition to the granting of the license, file  
16 with the commission a bond payable to the state of Iowa with a  
17 corporate surety approved by the commission conditioned that  
18 the applicant will pay to the producer the purchase price of  
19 any grain to the producer, provided that. However, the  
20 aggregate liability of the surety to such persons shall in no  
21 event producers shall not exceed the sum of such the bond.  
22 The bond for each class 1 license shall be in the penal sum of  
23 fifty thousand dollars. The bond for each class 2 license  
24 shall be in the penal sum of twenty-five thousand dollars.  
25 One bond, cumulative as to minimum requirements, shall be  
26 required where if a person has more than one license, but in  
27 no event shall the total amount of bond required by this  
28 section shall not exceed three hundred thousand dollars for a  
29 class 1 licensee, or one hundred fifty thousand dollars for a  
30 class 2 licensee. No A bond shall not be canceled by a surety  
31 before at least sixty ninety days' notice by certified mail to  
32 the commission and the grain dealer. The liability of the  
33 surety shall cover covers purchases made by the grain dealer  
34 during the time the bond is in force. A grain dealer's bond  
35 filed with this the commission shall be in continuous force

1 until canceled by the surety. The liability of the surety on  
2 any a bond required by the-provisions-of this chapter shall  
3 not accumulate for each successive license period during which  
4 the bond is in force.

5 Sec. 3. Section 543.1, Code 1985, is amended by adding the  
6 following new subsections:

7 NEW SUBSECTION. 23. "Bond" means a bond issued by a  
8 surety company or an irrevocable letter of credit issued by a  
9 financial institution described in subsection 7.

10 NEW SUBSECTION. 24. "Financial institution" means a bank  
11 or savings and loan association authorized by the state of  
12 Iowa or by the laws of the United States, which is a member of  
13 the federal deposit insurance corporation or the federal  
14 savings and loan insurance corporation, respectively.

15 Sec. 4. Section 543.11, Code 1985, is amended to read as  
16 follows:

17 543.11 SUSPENSION OR REVOCATION OF LICENSE FOR  
18 INSUFFICIENCY OF BOND OR INSURANCE.

19 When the commission determines that a bond filed under this  
20 chapter and approved by the commission, is, or has become,  
21 insufficient to secure the faithful performance of the  
22 obligations of the licensed warehouse operator, or when the  
23 commission determines that insurance is not fully provided as  
24 required under section 543.15, it may require the licensed  
25 warehouse operator to provide additional bond or additional  
26 evidence of insurance coverage so that the bond and insurance  
27 conform with the requirements of this chapter. If additional  
28 insurance is not provided within five thirty days after  
29 receipt by the licensee of notice by certified mail, the  
30 license of the warehouse operator concerned shall be  
31 automatically suspended. If additional insurance is not filed  
32 within another ten days, the warehouse license shall be  
33 automatically revoked. If additional bond is not provided  
34 within thirty sixty days after receiving notice, the warehouse  
35 license shall be suspended. If additional bond is not filed

1 within ten days following suspension, the warehouse license  
2 shall be automatically revoked. When a license is so revoked,  
3 the commission shall notify each holder of an outstanding  
4 warehouse receipt and all known persons who have grain  
5 retained in open storage of the revocation. The commission  
6 shall further notify each receipt holder and all known persons  
7 who have grain retained in open storage that the grain must be  
8 removed from the warehouse not later than the ~~thirtieth~~  
9 sixtieth day following the revocation. The notice shall be by  
10 ordinary mail sent to the last known address of each person  
11 having grain in storage as provided in this section.

12 ~~Whenever~~ When the commission ~~shall receive~~ receives notice  
13 from a surety that it has canceled the bond of a warehouse  
14 operator, the commission shall automatically suspend the  
15 warehouse license if a new bond is not received by the  
16 commission within ~~thirty~~ sixty days of receipt of the notice  
17 of cancellation. The commission shall cause an inspection of  
18 the licensed warehouse immediately at the end of ~~such-thirty-~~  
19 day the sixty-day period. If a new bond is not received  
20 within ~~sixty~~ ninety days of receipt of the notice of  
21 cancellation the commission shall revoke the warehouse  
22 license. The commission shall cause a further inspection of  
23 the licensed warehouse at the end of ~~such-sixty-day~~ the  
24 ninety-day period. When a license is so revoked the  
25 commission shall give notice of ~~such~~ the revocation to each  
26 holder of an outstanding warehouse receipt and all known  
27 persons who have grain retained in open storage. The  
28 commission shall further notify each receipt holder and all  
29 known persons who have grain retained in open storage that the  
30 grain must be removed from the warehouse not later than the  
31 ~~ninetieth~~ one hundred twentieth day following the commission's  
32 receipt of notice of cancellation, ~~by the commission~~. Such  
33 The notice requiring removal of grain shall be sent by  
34 ordinary mail to the last known address of each person having  
35 grain in storage as provided in this section. The commission

1 shall cause a final inspection of the licensed warehouse  
2 immediately after the end of ~~such-ninety-day~~ the one hundred  
3 twenty-day period.

4 Sec. 5. Section 543.13, unnumbered paragraph one, is  
5 amended to read as follows:

6 Each bond required under section 543.12 shall be in such  
7 the form and shall contain such reasonable terms and  
8 conditions for the protection of the public as prescribed by  
9 the commission ~~shall-prescribe~~, and shall be endorsed as  
10 surety by a bonding company authorized to do business in this  
11 state. No bond shall be canceled by the surety on less than  
12 ninety one hundred twenty days' notice by certified mail to  
13 the commission and the principal. ~~In-no-event, shall-the~~ The  
14 liability of the surety on any a bond required by section  
15 543.12 does not accumulate for each successive license period  
16 during which the bond is in force. The liability of the  
17 surety ~~shall-be~~ is limited in the aggregate to the face amount  
18 of the bond.

19 Sec. 6. Section 543.15, unnumbered paragraph 1, Code 1985,  
20 is amended to read as follows:

21 All agricultural products in storage in a licensed  
22 warehouse, or in a warehouse operated under temporary permit  
23 as provided in this chapter, and all agricultural products  
24 which have been deposited temporarily in a licensed warehouse  
25 pending storage or for purposes other than storage, shall be  
26 kept fully insured by the warehouse operator for the current  
27 value of such the agricultural products against loss by fire,  
28 inherent explosion, or windstorm. Such The insurance shall be  
29 carried in an insurance company or companies authorized to do  
30 business in this state, and evidence of such the insurance  
31 coverage in a form to-be approved by the commission shall be  
32 filed with the commission. No An insurance policy shall not  
33 be canceled by the insurance company on less than fifteen  
34 sixty days' notice by certified mail to the commission and the  
35 principal unless such the policy is being replaced with

1 another policy and evidence of the new policy is filed with  
2 the commission at the time of cancellation of the policy on  
3 file. Such The insurance shall be provided by, and carried in  
4 the name of, the warehouse operator. Claimants against such  
5 the insurance shall have precedence in the following order:

6 Sec. 7. This bill, being deemed of immediate importance,  
7 applies to sureties which have not issued a notice of  
8 cancellation before the effective date of this Act.

9 Sec. 8. This bill, being deemed of immediate importance,  
10 takes effect from and after its publication in The Algona  
11 Upper Des Moines, a newspaper published in Algona, Iowa, and  
12 in the Audubon News-Advocate, a newspaper published in  
13 Audubon, Iowa.

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SENATE AMENDMENT TO HOUSE AMENDMENT TO  
SENATE FILE 2064

H-5055

1 Amend the House amendment S-5018 to Senate File  
2 2064 as amended, passed, and reprinted by the Senate  
3 as follows:

4 1. Page 1, by striking lines 9 through 25, and  
5 inserting the following: "limited. Therefore, this  
6 bill applies to sureties which issue a notice of  
7 cancellation of a grain dealer's or warehouse  
8 operator's bond on or after the effective date of this  
9 Act, and applies to licensed grain dealers and  
10 licensed warehouse operators whose sureties issue a  
11 notice of bond cancellation on or after the effective  
12 date of this Act."

H-5055 FILED JANUARY 30, 1986 RECEIVED FROM THE SENATE  
*House returned 2/3/86 (p. 217)*

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SENATE FILE 2064

H-5048

1 Amend Senate File 2064 as amended, passed, and  
2 reprinted by the Senate as follows:  
3 1. Page 5, by striking lines 6 through 8, and  
4 inserting the following:  
5 Sec. 7. The legislature finds that there is an  
6 emergency condition confronting grain dealers and  
7 warehouse operators, as the availability of the  
8 bonding necessary for licensure has become extremely  
9 limited. However, it is also necessary for the  
10 protection of the public that there is no lapse in  
11 coverage of a grain dealer or warehouse operator.  
12 Therefore, due to the crisis situation facing grain  
13 dealers and warehouse operators who are attempting to  
14 procure bonding in this state, the provisions of this  
15 bill are made retroactive to January 1, 1986. Notices  
16 of cancellation of bond made on or after January 1,  
17 1986, are deemed to be one hundred twenty day notices  
18 in the case of warehouse operators, and ninety days  
19 notices in the case of grain dealers. Warehouse  
20 operators whose sureties give notice of cancellations  
21 of bond on or after January 1, 1986, are given sixty  
22 days until their license is suspended."  
23 2. Page 5, line 13, by inserting after the word  
24 "Iowa" the words ", and is retroactive to January 1,  
25 1986".

BY SKOW of Guthrie

H-5048 FILED JANUARY 27, 1986

KOENIGS of Mitchell

ADOPTED (p. 182)

SENATE FILE 2064

H-5047

1 Amend Senate File 2064 as amended, passed, and  
2 reprinted by the Senate as follows:  
3 1. Page 1, by inserting after line 10 the  
4 following:  
5 "Sec. \_\_\_\_ . Section 542.3, subsection 2, paragraph  
6 b, Code Supplement 1985, is amended to read as  
7 follows:  
8 "b. A class 2 license is required for any grain  
9 dealer not holding a class 1 license. A class 2  
10 licensee whose purchases from producers during a  
11 fiscal year exceed a limit of five hundred thousand  
12 dollars in value shall file within thirty days of the  
13 date the limit is reached a complete application for a  
14 class 1 license. If a class 1 license is denied, the  
15 person immediately shall cease doing business as a  
16 grain dealer. However, if the class 2 licensee's  
17 purchases are five hundred thousand dollars or more  
18 within a three month period and the licensee can prove  
19 to the satisfaction of the commission that there are  
20 no outstanding obligations for purchases made during  
21 that period, the class 2 licensee need not file for a  
22 class 1 license and need not cease doing business as a  
23 grain dealer."

H-5047 FILED JANUARY 27, 1986 BY HANSON of Delaware  
NOT GERMANE, Motion to Suspend Rules LOST

1/27/86 (p. 180)

HOUSE AMENDMENT TO  
SENATE FILE 2064

S-5018

1 Amend Senate File 2064 as amended, passed, and  
2 reprinted by the Senate as follows:

3 1. Page 5, by striking lines 6 through 8, and  
4 inserting the following:

5 Sec. 7. The legislature finds that there is an  
6 emergency condition confronting grain dealers and  
7 warehouse operators, as the availability of the  
8 bonding necessary for licensure has become extremely  
9 limited. However, it is also necessary for the  
10 protection of the public that there is no lapse in  
11 coverage of a grain dealer or warehouse operator.  
12 Therefore, due to the crisis situation facing grain  
13 dealers and warehouse operators who are attempting to  
14 procure bonding in this state, the provisions of this  
15 bill are made retroactive to January 1, 1986. Notices  
16 of cancellation of bond made on or after January 1,  
17 1986, are deemed to be one hundred twenty day notices  
18 in the case of warehouse operators, and ninety days  
19 notices in the case of grain dealers. Warehouse  
20 operators whose sureties give notice of cancellations  
21 of bond on or after January 1, 1986, are given sixty  
22 days until their license is suspended."

23 2. Page 5, line 13, by inserting after the word  
24 "Iowa" the words ", and is retroactive to January 1,  
25 1986".

S-5018 Filed January 27, 1986

*Adopted as amended by 5026 1/30 (p 199)*

SENATE FILE 2064

S-5026

1 Amend the House amendment S-5018 to Senate File  
2 2064 as amended, passed, and reprinted by the Senate  
3 as follows:

4 1. Page 1, by striking lines 9 through 25, and  
5 inserting the following: "limited. Therefore, this  
6 bill applies to sureties which issue a notice of  
7 cancellation of a grain dealer's or warehouse  
8 operator's bond on or after the effective date of this  
9 Act, and applies to licensed grain dealers and  
10 licensed warehouse operators whose sureties issue a  
11 notice of bond cancellation on or after the effective  
12 date of this Act."

S-5026 Filed and adopted January 30, 1986 BY HUSAK, FRAISE,  
*(p 199)* SOORHOLTZ

*New  
SF 2064*

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
AGRICULTURE BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to bonded warehouses for agricultural products,  
2 and providing an effective date.

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

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1 Section 1. Section 543.11, Code 1985, is amended to read  
2 as follows:

3 543.11 SUSPENSION OR REVOCATION OF LICENSE FOR  
4 INSUFFICIENCY OF BOND OR INSURANCE.

5 When the commission determines that a bond filed under this  
6 chapter and approved by the commission, is, or has become,  
7 insufficient to secure the faithful performance of the  
8 obligations of the licensed warehouse operator, or when the  
9 commission determines that insurance is not fully provided as  
10 required under section 543.15, it may require the licensed  
11 warehouse operator to provide additional bond or additional  
12 evidence of insurance coverage so that the bond and insurance  
13 conform with the requirements of this chapter. If additional  
14 insurance is not provided within five days after receipt by  
15 the licensee of notice by certified mail, the license of the  
16 warehouse operator concerned shall be automatically suspended.  
17 If additional insurance is not filed within another ten days,  
18 the warehouse license shall be automatically revoked. If  
19 additional bond is not provided within ~~thirty~~ sixty days after  
20 receiving notice, the warehouse license shall be suspended.  
21 If additional bond is not filed within ten days following  
22 suspension, the warehouse license shall be automatically  
23 revoked. When a license is so revoked, the commission shall  
24 notify each holder of an outstanding warehouse receipt and all  
25 known persons who have grain retained in open storage of the  
26 revocation. The commission shall further notify each receipt  
27 holder and all known persons who have grain retained in open  
28 storage that the grain must be removed from the warehouse not  
29 later than the ~~thirtieth~~ sixtieth day following the  
30 revocation. The notice shall be by ordinary mail sent to the  
31 last known address of each person having grain in storage as  
32 provided in this section.

33 Whenever ~~When~~ the commission ~~shall receive~~ receives notice  
34 from a surety that it has canceled the bond of a warehouse  
35 operator, the commission shall automatically suspend the

1 warehouse license if a new bond is not received by the  
2 commission within thirty sixty days of receipt of the notice  
3 of cancellation. The commission shall cause an inspection of  
4 the licensed warehouse immediately at the end of such-thirty-  
5 day the sixty-day period. If a new bond is not received  
6 within sixty ninety days of receipt of the notice of  
7 cancellation the commission shall revoke the warehouse  
8 license. The commission shall cause a further inspection of  
9 the licensed warehouse at the end of such-sixty-day the  
10 ninety-day period. When a license is so revoked the  
11 commission shall give notice of such the revocation to each  
12 holder of an outstanding warehouse receipt and all known  
13 persons who have grain retained in open storage. The  
14 commission shall further notify each receipt holder and all  
15 known persons who have grain retained in open storage that the  
16 grain must be removed from the warehouse not later than the  
17 ninetieth one hundred twentieth day following the commission's  
18 receipt of notice of cancellation, by the commission. Such  
19 The notice requiring removal of grain shall be sent by  
20 ordinary mail to the last known address of each person having  
21 grain in storage as provided in this section. The commission  
22 shall cause a final inspection of the licensed warehouse  
23 immediately after the end of such-ninety-day the one hundred  
24 twenty-day period.

25 Sec. 2. This bill, being deemed of immediate importance,  
26 takes effect from and after its publication in The Algona  
27 Upper Des Moines, a newspaper published in Algona, Iowa, and  
28 in the Audubon News-Advocate, a newspaper published in  
29 Audubon, Iowa.

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## EXPLANATION

31 This bill increases by thirty days the time allowed a  
32 bonded warehouse to obtain a new or additional bond.

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SENATE FILE 2064

AN ACT

RELATING TO LICENSED DEALERS AND WAREHOUSES FOR AGRICULTURAL PRODUCTS, AND PROVIDING AN EFFECTIVE DATE.

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

Section 1. Section 542.1, Code Supplement 1985, is amended by adding the following new subsections:

NEW SUBSECTION. 7. "Bond" means a bond issued by a surety company or an irrevocable letter of credit issued by a financial institution described in subsection 8.

NEW SUBSECTION. 8. "Financial institution" means a bank or savings and loan association authorized by the state of Iowa or by the laws of the United States, which is a member of the federal deposit insurance corporation or the federal savings and loan insurance corporation, respectively.

Sec. 2. Section 542.4, Code 1985, is amended to read as follows:

542.4 BOND REQUIRED.

An applicant for a license to operate as a grain dealer shall, as a condition to the granting of the license, file with the commission a bond payable to the state of Iowa with a corporate surety approved by the commission conditioned that the applicant will pay to the producer the purchase price of any grain to the producer; provided that, ~~However, the~~

~~aggregate liability of the surety to such persons shall in no event producers shall not exceed the sum of such the bond. The bond for each class 1 license shall be in the penal sum of fifty thousand dollars. The bond for each class 2 license shall be in the penal sum of twenty-five thousand dollars. One bond, cumulative as to minimum requirements, shall be required where if a person has more than one license, but in no event shall the total amount of bond required by this section shall not exceed three hundred thousand dollars for a class 1 licensee, or one hundred fifty thousand dollars for a class 2 licensee. No A bond shall not be canceled by a surety before at least sixty ninety days' notice by certified mail to the commission and the grain dealer. The liability of the surety shall cover covers purchases made by the grain dealer during the time the bond is in force. A grain dealer's bond filed with this the commission shall be in continuous force until canceled by the surety. The liability of the surety on any a bond required by the provisions of this chapter shall not accumulate for each successive license period during which the bond is in force.~~

Sec. 3. Section 543.1, Code 1985, is amended by adding the following new subsections:

NEW SUBSECTION. 23. "Bond" means a bond issued by a surety company or an irrevocable letter of credit issued by a financial institution described in subsection 24.

NEW SUBSECTION. 24. "Financial institution" means a bank or savings and loan association authorized by the state of Iowa or by the laws of the United States, which is a member of the federal deposit insurance corporation or the federal savings and loan insurance corporation, respectively.

Sec. 4. Section 543.11, Code 1985, is amended to read as follows:

543.11 SUSPENSION OR REVOCATION OF LICENSE FOR INSUFFICIENCY OF BOND OR INSURANCE.

When the commission determines that a bond filed under this chapter and approved by the commission, is, or has become, insufficient to secure the faithful performance of the obligations of the licensed warehouse operator, or when the commission determines that insurance is not fully provided as required under section 543.15, it may require the licensed warehouse operator to provide additional bond or additional evidence of insurance coverage so that the bond and insurance conform with the requirements of this chapter. If additional insurance is not provided within five ~~thirty~~ days after receipt by the licensee of notice by certified mail, the license of the warehouse operator concerned shall be automatically suspended. If additional insurance is not filed within another ten days, the warehouse license shall be automatically revoked. If additional bond is not provided within ~~thirty~~ sixty days after receiving notice, the warehouse license shall be suspended. If additional bond is not filed within ten days following suspension, the warehouse license shall be automatically revoked. When a license is so revoked, the commission shall notify each holder of an outstanding warehouse receipt and all known persons who have grain retained in open storage of the revocation. The commission shall further notify each receipt holder and all known persons who have grain retained in open storage that the grain must be removed from the warehouse not later than the ~~thirtieth~~ sixtieth day following the revocation. The notice shall be by ordinary mail sent to the last known address of each person having grain in storage as provided in this section.

~~Whenever when~~ the commission shall receive ~~receives~~ notice from a surety that it has canceled the bond of a warehouse operator, the commission shall automatically suspend the warehouse license if a new bond is not received by the commission within ~~thirty~~ sixty days of receipt of the notice of cancellation. The commission shall cause an inspection of the licensed warehouse immediately at the end of ~~such~~ such ~~thirty-~~

~~day~~ the sixty-day period. If a new bond is not received within ~~sixty~~ ninety days of receipt of the notice of cancellation the commission shall revoke the warehouse license. The commission shall cause a further inspection of the licensed warehouse at the end of ~~such~~ such ~~sixty-day~~ the ninety-day period. When a license is so revoked the commission shall give notice of ~~such~~ the revocation to each holder of an outstanding warehouse receipt and all known persons who have grain retained in open storage. The commission shall further notify each receipt holder and all known persons who have grain retained in open storage that the grain must be removed from the warehouse not later than the ~~ninetieth~~ one hundred twentieth day following ~~the~~ the commission's receipt of notice of cancellation ~~by the commission~~. Such ~~The~~ notice requiring removal of grain shall be sent by ordinary mail to the last known address of each person having grain in storage as provided in this section. The commission shall cause a final inspection of the licensed warehouse immediately after the end of ~~such~~ such ~~ninety-day~~ the one hundred twenty-day period.

Sec. 5. Section 543.13, unnumbered paragraph one, is amended to read as follows:

Each bond required under section 543.12 shall be in ~~such~~ the form and shall contain such reasonable terms and conditions for the protection of the public as ~~prescribed by~~ prescribed by the commission ~~shall prescribe~~, and shall be endorsed as surety by a bonding company authorized to do business in this state. No bond shall be canceled by the surety on less than ~~ninety~~ ninety one hundred twenty days' notice by certified mail to the commission and the principal. ~~In no event, shall the~~ the liability of the surety ~~on any a~~ on any a bond required by section 543.12 ~~does not~~ does not accumulate for each successive license period during which the bond is in force. The liability of the surety ~~shall be~~ is limited in the aggregate to the face amount of the bond.

Sec. 6. Section 543.15, unnumbered paragraph 1, Code 1985, is amended to read as follows:

All agricultural products in storage in a licensed warehouse, or in a warehouse operated under temporary permit as provided in this chapter, and all agricultural products which have been deposited temporarily in a licensed warehouse pending storage or for purposes other than storage, shall be kept fully insured by the warehouse operator for the current value of such the agricultural products against loss by fire, inherent explosion, or windstorm. Such The insurance shall be carried in an insurance company or companies authorized to do business in this state, and evidence of such the insurance coverage in a form to be approved by the commission shall be filed with the commission. No an insurance policy shall not be canceled by the insurance company on less than fifteen sixty days' notice by certified mail to the commission and the principal unless such the policy is being replaced with another policy and evidence of the new policy is filed with the commission at the time of cancellation of the policy on file. Such The insurance shall be provided by, and carried in the name of, the warehouse operator. Claimants against such the insurance shall have precedence in the following order:

Sec. 7. The legislature finds that there is an emergency condition confronting grain dealers and warehouse operators, as the availability of the bonding necessary for licensure has become extremely limited. Therefore, this bill applies to sureties which issue a notice of cancellation of a grain dealer's or warehouse operator's bond on or after the effective date of this Act, and applies to licensed grain dealers and licensed warehouse operators whose sureties issue a notice of bond cancellation on or after the effective date of this Act.

Sec. 8. This bill, being deemed of immediate importance, takes effect from and after its publication in The Algona Upper Des Moines, a newspaper published in Algona, Iowa, and

in the Audubon News-Advocate, a newspaper published in Audubon, Iowa.

\_\_\_\_\_  
ROBERT T. ANDERSON  
President of the Senate

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DONALD D. AVENSON  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2064, Seventy-first General Assembly.

\_\_\_\_\_  
X. MARIE THAYER  
Secretary of the Senate

Approved Feb 11, 1986

\_\_\_\_\_  
TERRY E. BRANSTAD  
Governor