

APR 4 1986

SENATE FILE 2226  
BY COMMITTEE ON COMMERCE  
*(Approved (p. 538))*

*Substituted for H. F. 2272*

Passed Senate, Date 3-11-86 (p. 658) Passed House, Date 3-21-86 (p. 1013)  
Vote: Ayes 43 Nays 0 Vote: Ayes 93 Nays 0  
Approved April 7, 1986 (p. 1091)

**A BILL FOR**

1 An Act relating to the guaranty capital of a mutual insurance  
2 company.

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

- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

S.F. 2226

1 Section 1. Section 515.20, Code 1985, is amended to read  
2 as follows:

3 515.20 GUARANTY FUND CAPITAL.

4 Any A mutual company ~~heretofore-or-hereafter~~ organized  
5 under this chapter may establish and maintain a guaranty fund  
6 capital of at least fifty thousand dollars made up of  
7 multiples of ten thousand dollars, divided into shares of not  
8 less than fifty dollars each, to be invested as provided for  
9 the investment of insurance capital and funds by section  
10 515.35. Guaranty shareholders shall be members of the  
11 corporation, and provision may be made for representation of  
12 the shareholders of such the guaranty fund capital on the  
13 board of directors of the corporation, ~~such.~~ The  
14 representation shall not ~~to~~ exceed one-third of the membership  
15 of such the board. Guaranty shareholders in such mutual  
16 companies ~~shall-be~~ are subject to the same regulations of law  
17 relative to their right to vote as apply to its policyholders.  
18 ~~Such~~ The guaranty fund capital shall be applied to the payment  
19 of the legal obligations of the corporation only when such the  
20 corporation has exhausted its assets in excess of the unearned  
21 premium reserve and other liabilities, ~~and-if-such.~~ If the  
22 guaranty fund ~~be~~ capital is thus impaired, the directors may  
23 restore the whole, or any part ~~thereof~~ of the capital, by  
24 assessment on its policyholders as provided for in section  
25 515.18. By a legal vote of the policyholders of the  
26 corporation, at any regular or special meeting ~~thereof,~~ said  
27 of the policyholders of the corporation, the guaranty fund  
28 capital may be fully retired or may be reduced to an amount of  
29 not less than fifty thousand dollars, ~~provided-that~~ if the net  
30 surplus of the corporation together with the remaining  
31 guaranty fund ~~shall~~ capital is equal to or ~~exceed~~ exceeds the  
32 amount of minimum assets required by this chapter for such  
33 companies, and ~~provided,~~ further, ~~that~~ if the commissioner of  
34 insurance consents ~~thereto~~ to the action. Due notice of such  
35 the proposed action on the part of the corporation shall be

1 included in the notice given to policyholders and shareholders  
2 of any annual or special meeting and notice of such the  
3 meeting shall also be given in accordance with ~~the provisions~~  
4 ~~of its~~ the corporation's articles of incorporation. No A  
5 company with such the guaranty fund capital, which has ceased  
6 to do business, shall not distribute among its shareholders or  
7 policyholders any part of its assets, or guaranty fund  
8 capital, until it has fully performed, or legally canceled,  
9 all of its policy obligations. Shareholders of such the  
10 guaranty fund capital shall be are entitled to interest on the  
11 par value of their respective shares at a rate to be fixed by  
12 the board of directors, ~~not to exceed seven percent per annum,~~  
13 and approved by the commissioner, cumulative, payable  
14 semiannually, and payable only out of the surplus earnings of  
15 such the company, but in no event shall. However, the surplus  
16 account of such the company shall not be reduced by the  
17 payment of such the interest below the figure maintained at  
18 the time said the guaranty fund capital was established, ~~and~~  
19 ~~provided, further, that no such~~. In addition, the interest  
20 payment shall not be made unless the surplus assets remaining  
21 after the payment ~~thereof shall~~ of the interest at least equal  
22 the amount required by the statutes of Iowa to permit such the  
23 corporation to continue in business. In the event of the  
24 dissolution and liquidation of any a corporation having a  
25 guaranty fund capital under ~~the provisions hereof~~ this  
26 section, the shareholders of ~~such fund shall be~~ the capital  
27 are entitled, after the payment of all valid obligations of  
28 the company, to receive the par value of their respective  
29 shares, together with any unpaid interest thereon on their  
30 shares, before there may be any distribution of the assets of  
31 said the corporation among its policyholders. These  
32 provisions are in addition to and independent of the  
33 provisions ~~now~~ contained in section 515.19.

34

## EXPLANATION

35 This bill changes the name of the guaranty fund of a mutual

1 insurance company to guaranty capital. In addition, it  
2 provides that shareholders of the guaranty fund are entitled  
3 to interest on the par value of their shares at a rate fixed  
4 by the board of directors with the approval of the  
5 commissioner of insurance. Current law limits the rate to  
6 seven percent per annum.

- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28
- 29
- 30
- 31
- 32
- 33
- 34
- 35

COMMERCE: Palmer, Chair; Priebe and Holden

*New  
SF 2226*

SENATE FILE 2226  
BY (PROPOSED COMMITTEE ON  
COMMERCE BILL)

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

**A BILL FOR**

1 An Act relating to the guaranty capital of a mutual insurance  
2 company.

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

- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24

1 Section 1. Section 515.20, Code 1985, is amended to read  
2 as follows:

3 515.20 GUARANTY FUND CAPITAL.

4 Any A mutual company heretofore-or-hereafter organized  
5 under this chapter may establish and maintain a guaranty fund  
6 capital of at least fifty thousand dollars made up of  
7 multiples of ten thousand dollars, divided into shares of not  
8 less than fifty dollars each, to be invested as provided for  
9 the investment of insurance capital and funds by section  
10 515.35. Guaranty shareholders shall be members of the  
11 corporation, and provision may be made for representation of  
12 the shareholders of such the guaranty fund capital on the  
13 board of directors of the corporation, ~~such.~~ The  
14 representation shall not to exceed one-third of the membership  
15 of such the board. Guaranty shareholders in such mutual  
16 companies ~~shall-be~~ are subject to the same regulations of law  
17 relative to their right to vote as apply to its policyholders.  
18 ~~Such~~ The guaranty fund capital shall be applied to the payment  
19 of the legal obligations of the corporation only when such the  
20 corporation has exhausted its assets in excess of the unearned  
21 premium reserve and other liabilities, ~~and-if-such.~~ If the  
22 guaranty fund ~~be~~ capital is thus impaired, the directors may  
23 restore the whole, or any part thereof of the capital, by  
24 assessment on its policyholders as provided for in section  
25 515.18. By a legal vote of the policyholders of the  
26 corporation, at any regular or special meeting thereof, ~~said~~  
27 of the policyholders of the corporation, the guaranty fund  
28 capital may be fully retired or may be reduced to an amount of  
29 not less than fifty thousand dollars, ~~provided-that~~ if the net  
30 surplus of the corporation together with the remaining  
31 guaranty fund ~~shall~~ capital is equal to or ~~exceed~~ exceeds the  
32 amount of minimum assets required by this chapter for such  
33 companies, and ~~provided,-further,-that~~ if the commissioner of  
34 insurance consents thereto to the action. Due notice of such  
35 the proposed action on the part of the corporation shall be

1 included in the notice given to policyholders and shareholders  
 2 of any annual or special meeting and notice of such the  
 3 meeting shall also be given in accordance with ~~the provisions~~  
 4 ~~of its~~ the corporation's articles of incorporation. No A  
 5 company with such the guaranty fund capital, which has ceased  
 6 to do business, shall not distribute among its shareholders or  
 7 policyholders any part of its assets, or guaranty fund  
 8 capital, until it has fully performed, or legally canceled,  
 9 all of its policy obligations. Shareholders of such the  
 10 guaranty fund capital shall be are entitled to interest on the  
 11 par value of their respective shares at a rate to be fixed by  
 12 the board of directors, ~~not to exceed seven percent per annum,~~  
 13 and approved by the commissioner, cumulative, payable  
 14 semiannually, and payable only out of the surplus earnings of  
 15 such the company, but in no event shall. However, the surplus  
 16 account of such the company shall not be reduced by the  
 17 payment of such the interest below the figure maintained at  
 18 the time said the guaranty fund capital was established, ~~and~~  
 19 ~~provided, further, that no such~~. In addition, the interest  
 20 payment shall not be made unless the surplus assets remaining  
 21 after the payment thereof ~~shall~~ of the interest at least equal  
 22 the amount required by the statutes of Iowa to permit such the  
 23 corporation to continue in business. In the event of the  
 24 dissolution and liquidation of any a corporation having a  
 25 guaranty fund capital under ~~the provisions hereof~~ this  
 26 section, the shareholders of ~~such fund shall be~~ the capital  
 27 are entitled, after the payment of all valid obligations of  
 28 the company, to receive the par value of their respective  
 29 shares, together with any unpaid interest thereon on their  
 30 shares, before there may be any distribution of the assets of  
 31 said the corporation among its policyholders. These  
 32 provisions are in addition to and independent of the  
 33 provisions ~~now~~ contained in section 515.19.

34

## EXPLANATION

35

This bill changes the name of the guaranty fund of a mutual

1 insurance company to guaranty capital. In addition, it  
2 provides that shareholders of the guaranty fund are entitled  
3 to interest on the par value of their shares at a rate fixed  
4 by the board of directors with the approval of the  
5 commissioner of insurance. Current law limits the rate to  
6 seven percent per annum.

- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28
- 29
- 30
- 31
- 32
- 33
- 34
- 35

## SENATE FILE 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.

---

ROBERT T. ANDERSON  
President of the Senate

---

DONALD D. AVENSON  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2226, Seventy-first General Assembly.

---

K. MARIE THAYER  
Secretary of the Senate

Approved April 7, 1986

---

TERRY E. BRANSTAD  
Governor