

**CHAPTER 239****HEALTH COVERAGES AND MUTUAL SERVICE CORPORATIONS***H.F. 570*

**AN ACT** relating to health coverages and mutual service corporations operating under chapter 514 including the taxation thereof and establishing procedures for the mutualization thereof and the authority of insurance companies, making an appropriation for the extension of the medically needy program, and providing for a study.

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

Section 1. **NEW SECTION. 432.2 MUTUAL SERVICE CORPORATIONS.**

Notwithstanding section 432.1, a hospital service corporation, medical service corporation, pharmaceutical service corporation, optometric service corporation and any other service corporation operating under chapter 514 shall pay as taxes to the director of revenue an amount equal to two percent of the gross amount of payments received during the preceding calendar year for subscriber contracts covering residents in this state after deducting the amounts returned to subscribers upon canceled subscriber contracts and rejected applications. Section 432.1, subsections 3 and 4, apply to the tax imposed by this section.

Sec. 2. Section 508.29, Code 1985, is amended to read as follows:

**508.29 AUTHORITY TO WRITE OTHER INSURANCE.**

Any life insurance company organized on the stock or mutual plan and authorized by its charter or articles of incorporation so to do, may in addition to such life insurance, insure, either individually or on the group plan, the health of persons and against personal injuries, disablement or death, resulting from traveling or general accidents by land or water, and insure employers against loss in consequence of accidents or casualties of any kind to employees or other persons, or to property resulting from any act of the employee or any accident or casualty to persons or property, or both, occurring in or connected with the transaction of their business, or from the operation of any machinery connected therewith, but nothing herein contained shall be construed to authorize any life insurance company to insure against loss or injury to person, or property, or both, growing out of explosion or rupture of steam boilers. An insurer may contract with health care service providers and offer different levels of benefits to policyholders based upon the provider contracts.

Sec. 3. Section 514.15, Code 1985, is amended to read as follows:

**514.15 NONEXEMPT FROM TAXATION — RATE OF TAX ON CONTRACTS.**

Every corporation organized under the provisions of this chapter is hereby declared to be a charitable and benevolent institution but its property and funds, including subscribers' contracts, shall not be exempt from taxation. ~~The tax on subscriber contracts shall be at the rate of fifteen cents for each subscriber contract issued in the preceding calendar year and shall be paid to the commissioner of insurance at the time of filing of each corporation's annual statement.~~ For purposes of this section, the term "subscriber contract" shall mean only those benefit contracts issued or delivered in Iowa by corporations subject to this chapter, including certificates issued under such contracts, and which provide coverage to residents of Iowa on a risk basis.

Sec. 4. NEW SECTION. 514.23 MUTUALIZATION PLAN.

A corporation organized and governed by this chapter may become a mutual insurer under a plan which is approved by the commissioner of insurance. The plan shall state whether the insurer will be organized as a for-profit corporation pursuant to chapter 491 or 496A or a non-profit corporation pursuant to chapter 504A. Upon consummation of the plan, the corporation shall thereafter fully comply with the requirements of the law that apply to a mutual insurance company. If the insurer is to be organized under chapter 504A, then at least seventy-five percent of the initial board of directors of the mutual insurer so formed shall be policyholders who are also nonproviders of health care. All directors comprising this initial board of directors shall be selected by an independent committee appointed by the state commissioner of insurance. This independent committee shall consist of seven to eleven persons who are current policyholders, who are nonproviders of health care, and who are not directors of any corporation subject to this chapter. For purposes of this subsection, a "nonprovider of health care" is an individual who is not any of the following:

- a. A "provider" as defined in section 514B.1, subsection 5.
- b. A person who has material financial or fiduciary interest in the delivery of health care services or a related industry.
- c. An employee of an institution which provides health care services.
- d. A spouse or a member of the immediate family of a person described in paragraphs "a" through "c".

Sec. 5. Section 515.1, Code 1985, is amended to read as follows:

515.1 INCORPORATION.

Corporations formed for the purpose of insurance, other than life insurance, shall be governed by the provisions of chapter 491 or chapter 504A, except as modified by the provisions of this chapter.

Sec. 6. Section 515.48, subsection 5, paragraph a, Code 1985, is amended to read as follows:

a. Insure any person, ~~his~~ the person's family or dependents, against bodily injury or death by accident, or against disability on account of sickness, or accident, including the granting of hospital, medical, surgical and sick care benefits, but such benefits shall not include the furnishing or replacing in kind of whole human blood or blood products of any kind; however, this provision shall not prohibit payments of indemnity for human blood or blood products. An insurer may contract with health care services providers and offer different levels of benefits to policyholders based upon the provider contracts.

Sec. 7. There is appropriated to the department of human services for the fiscal year commencing July 1, 1985, and ending June 30, 1986, three million (3,000,000) dollars, or so much thereof as is necessary, to provide for extension and operation of the medically needy program under the medical assistance program to supplemental security income-related groups. This appropriation is in addition to other funds provided to the department, and shall be matched with available federal funds.

Sec. 8. For each fiscal year beginning July 1, 1985, except for the amount appropriated in section 7 of this Act, the entire increase, as determined by the commissioner of insurance and certified to the comptroller of state, or taxes paid under chapter 432 on premiums and payments on individual and group accident and health insurance policies and certificates and individual and group subscriber contracts under chapter 514 shall be set aside in a separate account within the general fund and reserved solely for the purposes of implementing the programs to be studied as provided in section 9 of this Act. The balance of the account shall be considered part of the balance of the general fund of the state except for purposes of determining the annual inflation factor under section 422.4, subsection 17. The funds within the account shall not be expended except as otherwise provided by the general assembly.

Sec. 9. The legislative council shall create a study committee composed of members of the senate committee on commerce and the house committee on small business and commerce representing both political parties, citizen members from the insurance industry having expertise in insurance matters, and such other persons as may be deemed appropriate. The committee shall study the manner in which states presently administer guaranty fund laws which provide for the indemnification of losses of policyholders of insolvent life and health insurance companies as well as the manner in which states administer risk-sharing pools which provide accident and health insurance to persons who are uninsurable. The study committee shall review the funding mechanisms of such laws and develop recommendations which specifically address the manner in which the funds deposited in the general fund pursuant to section 8 of this Act shall be used and administered. Included within the study shall be considerations relating to the administration of the cash flow and funding of the insurance programs, including the collection and deposit of funds, assessments, creation of a permanent state funding mechanism, granting of credits which recognize expenditures to finance guaranty fund and risk-sharing pools, granting of credits which recognize losses attributable to providing comprehensive health coverage to the unemployed or uninsurable public or individuals whose group health coverage is terminated because membership in the group is terminated, and such other considerations as may assist in providing adequate and protective insurance for the public.

The results of the study accompanied by bill drafts designed to carry out recommendations of the committee, shall be submitted to the legislative council, the senate committee on commerce, the house committee on small business and commerce, and to the members of the general assembly prior to convening of the second session of the Seventy-first General Assembly.

Approved May 31, 1985

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**CHAPTER 240**  
**CERTAIN LOCAL TAX LEVIES**  
*H.F. 729*

**AN ACT** relating to certain tax levies of political subdivisions and area schools.

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

Section 1. Section 76.2, Code 1985, is amended by adding the following new unnumbered paragraph:

**NEW UNNUMBERED PARAGRAPH.** If funds, including reserves and amounts available for temporary transfer, are found to be insufficient to pay in full any installment of principal or interest, a public issuer of bonds may anticipate the next levy of taxes pursuant to this section in the manner provided in chapter 74, whether the taxes so anticipated are to be collected in the same or a future fiscal year.