

## CHAPTER 511

PROVISIONS APPLICABLE TO LIFE INSURANCE  
COMPANIES AND ASSOCIATIONS

Referred to in §87.4, 296.7, 331.301, 364.4, 505.28, 505.29, 507.1, 508A.5, 521A.2, 669.14, 670.7

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**511.1 Annual statement of foreign companies.**

Every company or association organized under the laws of any other state or country and doing business in this state shall annually, by the first day of March, file with the commissioner of insurance a statement of its affairs for the year terminating on the thirty-first day of December preceding, in the same manner and form provided for similar companies or associations organized in this state.

[C73, §1166; C97, §1799; C24, 27, 31, 35, 39, §8728; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.1]

**511.2 Amended forms of statement.**

The commissioner may amend the form of the annual statement required to be made by companies or associations doing business in this state, and propose and require such additional matter to be covered therein as the commissioner may think necessary to elicit a full exhibit of the standing of any such company or association.

[C73, §1168; C97, §1799; C24, 27, 31, 35, 39, §8729; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.2]

**511.3 Reserved.****511.4 Advertisements — who deemed agent.**

The provisions of [section 515.105](#) shall apply to life insurance companies and associations.

[C97, §1815; C24, 27, 31, 35, 39, §8731; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.4] [2001 Acts, ch 16, §8, 37; 2001 Acts, ch 69, §12; 2007 Acts, ch 152, §57](#)

**511.5 and 511.6 Reserved.**

**511.7 Recovery of penalties.**

Actions brought to recover any of the penalties provided for in [this chapter](#) shall be instituted in the name of the state by the county attorney of the county, under the direction and authority of the commissioner of insurance, and may be brought in the district court of any county in which the company or association proceeded against is engaged in the transaction of business, or in which the offending person resides, if it is against the person. The penalties, when recovered, shall be paid to the treasurer of state for deposit in the general fund of the state.

[C73, §1178; C97, §1802; C24, 27, 31, 35, 39, **§8734**; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.7]

[83 Acts, ch 185, §49, 62; 83 Acts, ch 186, §10106, 10201, 10204](#)

Referred to in [§331.756\(60\)](#)

**511.8 Investment of funds.**

A company organized under [chapter 508](#) shall, at all times, have invested in the securities provided in [this section](#), funds equivalent to its legal reserve. Legal reserve is the net present value of all outstanding policies and contracts involving life contingencies. [This section](#) does not prohibit a company or association from holding a portion of its legal reserve in cash. The investment programs developed by companies shall take into account the safety of the company's principal, investment yield and return, stability in the value of the investment, and liquidity necessary to meet the company's expected business needs and investment diversification.

1. *United States government obligations.*

- a. Bonds or other evidences of indebtedness issued, assumed, or guaranteed by the United States of America, or by any agency or instrumentality of the United States of America.

- b. Bonds or other evidences of indebtedness issued, assumed, or guaranteed by the United States of America, or by any agency or instrumentality of the United States of America include investments in an open-end management investment company registered with the federal securities and exchange commission under the federal Investment Company Act of 1940, 15 U.S.C. §80a-1 et seq., and operated in accordance with [17 C.F.R. §270.2a-7](#), the portfolio of which is limited to the United States government obligations described in paragraph "a", and which are included in the national association of insurance commissioners' securities valuation office's United States direct obligations – full faith and credit exempt list.

2. *State, District of Columbia, territorial and municipal obligations.* Bonds or other evidences of indebtedness issued, assumed, or guaranteed by the District of Columbia, or by any state, insular or territorial possession of the United States of America, or by any county, city, town, school, road, drainage, or other district located within any state, or insular or territorial possession of the United States of America, or by any civil subdivision or governmental authority of any such state, or insular or territorial possession, or by any instrumentality of any such state, or insular or territorial possession, civil subdivision, or governmental authority; provided that the obligations are valid, legally authorized and issued.

3. *Canadian government, provincial and municipal obligations.* Bonds or other evidences of indebtedness issued, assumed, or guaranteed by the Dominion of Canada, or by any province thereof, or by any municipality or district therein, provided that the obligations are valid, legally authorized and issued.

4. *International Bank bonds.* Bonds or other evidence of indebtedness issued, assumed or guaranteed by the International Bank for reconstruction and development, in an amount not to exceed two percent of its total assets as shown by the last annual report, or by the Inter-American Development Bank in an amount not to exceed two percent of its total assets as shown by the last annual report, by the Asian Development Bank in an amount not to exceed two percent of its total assets as shown by the last annual report or by the African Development Bank in an amount not to exceed two percent of its total assets as shown by the last annual report. However, the combined investment in bonds or evidences of indebtedness permitted by [this subsection](#) shall not exceed four percent of its total assets as shown by the last annual report.

5. *Corporate obligations.* Subject to the restrictions contained in [subsection 8](#), bonds or other evidences of indebtedness issued, assumed, or guaranteed by a corporation incorporated under the laws of the United States of America, or of any state, district, or insular or territorial possession thereof; or of the Dominion of Canada, or any province thereof; and which meet the following qualifications:

a. (1) If fixed interest-bearing obligations, the net earnings of the issuing, assuming, or guaranteeing corporation available for its fixed charges for a period of five fiscal years next preceding the date of acquisition of the obligations by such insurance company shall have averaged per year not less than one and one-half times such average annual fixed charges of the issuing, assuming, or guaranteeing corporation applicable to such period, and, during at least one of the last two years of such period, its net earnings shall have been not less than one and one-half times its fixed charges for such year; or if, at the date of acquisition, the obligations are investment grade as defined by the commissioner by rule.

(2) However, with respect to fixed interest-bearing obligations which are issued, assumed, or guaranteed by a financial company, the net earnings by the financial company available for its fixed charges for the period of five fiscal years preceding the date of acquisition of the obligations by the insurance company shall have averaged per year not less than one and one-fourth times such average annual fixed charges of the issuing, assuming, or guaranteeing financial company applicable to such period, and, during at least one of the last two years of the period, its net earnings shall have been not less than one and one-fourth times its fixed charges for such year; or if, at the date of acquisition, the obligations are investment grade as defined by the commissioner by rule. As used in this subparagraph (2), “*financial company*” means a corporation which on the average over its last five fiscal years preceding the date of acquisition of its obligations by the insurer, has had at least fifty percent of its net income, including income derived from subsidiaries, derived from the business of wholesale, retail, installment, mortgage, commercial, industrial or consumer financing, or from banking or factoring, or from similar or related lines of business.

b. If adjustment, income, or other contingent interest obligations, the net earnings of the issuing, assuming, or guaranteeing corporation available for its fixed charges for a period of five fiscal years next preceding the date of acquisition of the obligations by such insurance company shall have averaged per year not less than one and one-half times such average annual fixed charges of the issuing, assuming, or guaranteeing corporation and its average annual maximum contingent interest applicable to such period and, during at least one of the last two years of such period, its net earnings shall have been not less than one and one-half times the sum of its fixed charges and maximum contingent interest for such year, or if, at the date of acquisition, the obligations are investment grade as defined by the commissioner by rule.

c. Are securities that at the date of acquisition are rated three by the securities valuation office of the national association of insurance commissioners or have the equivalent rating by a rating organization that is approved by the national association of insurance commissioners as an acceptable rating organization and are listed or admitted to trading on a securities exchange in the United States or are publicly held and actively traded in the over-the-counter market and market quotations are readily available. If a security acquired under this paragraph is subsequently downgraded from a three rating by the securities valuation office of the national association of insurance commissioners or from the equivalent rating by a national association of insurance commissioners’ acceptable rating organization, the security no longer qualifies as a legal reserve investment.

d. The term “*net earnings available for fixed charges*” as used in [this section](#) means the net income after deducting all operating and maintenance expenses, taxes other than any income taxes, depreciation, and depletion, but nonrecurring items of income or expense may be excluded.

e. The term “*fixed charges*” as used in [this section](#) includes interest on unfunded debt and funded debt on a parity with or having a priority to the obligation under consideration.

f. The term “*corporation*” as used in [this chapter](#) includes a joint stock association, a limited liability company, a partnership, or a trust.

g. The securities, real estate, and mortgages described in [this section](#) include

participations, which means instruments evidencing partial or undivided collective interests in such securities, real estate, and mortgages.

6. *Preferred and guaranteed stocks.*

a. Subject to the restrictions contained in [subsection 8](#) hereof, preferred stocks of, or stocks guaranteed by, a corporation incorporated under the laws of the United States of America, or of any state, district, insular or territorial possession thereof; or of the Dominion of Canada, or any province thereof; and which meet the following qualifications:

(1) Preferred stocks.

(a) All of the obligations and preferred stocks of the issuing corporation, if any, prior to the preferred stock acquired must be eligible as investments under [this section](#) as of the date of acquisition; and

(b) The net earnings available for fixed charges and preferred dividends of the issuing corporation shall have been, for each of the five fiscal years immediately preceding the date of acquisition, not less than one and one-half times the sum of the annual fixed charges and contingent interest, if any, and the annual preferred dividend requirements as of the date of acquisition; or at the date of acquisition the preferred stock is investment grade as defined by the commissioner by rule.

(i) The term “*preferred dividend requirements*” shall mean cumulative or noncumulative dividends whether paid or not.

(ii) The term “*fixed charges*” shall be construed in accordance with [subsection 5](#).

(iii) The term “*net earnings available for fixed charges and preferred dividends*” as used herein shall mean the net income after deducting all operating and maintenance expenses, taxes, including any income taxes, depreciation and depletion, but nonrecurring items may be excluded.

(2) Guaranteed stocks.

(a) All of the fixed interest-bearing obligations of the guaranteeing corporation, if any, must be eligible under [this section](#) as of the date of acquisition; and

(b) The net earnings available for fixed charges of the guaranteeing corporation shall meet the requirements outlined in paragraph “a” of [subsection 5](#), except that all guaranteed dividends shall be included in “*fixed charges*”.

b. Any investments in preferred stocks or guaranteed stocks made under the provisions of [this subsection](#) shall be considered as moneys and credits for purposes of taxation and their assessment shall be subject to deductions for indebtedness as provided by law in the case of assessment of moneys and credits in general. This provision shall be effective as to assessments made during the year 1947 and thereafter.

7. *Equipment trust obligations.* Subject to the restrictions contained in [subsection 8](#), bonds, certificates, or other evidences of indebtedness secured by any transportation equipment used wholly or in part in the United States of America or Canada, that provide a right to receive determined rental, purchase or other fixed obligatory payments adequate to retire the obligations within twenty years from date of issue, and also provide:

a. For vesting of title to such equipment free from encumbrance in a corporate trustee, or

b. For creation of a first lien on such equipment.

8. *Further restrictions.* Securities included under [subsections 5, 6, and 7, and subsection 9](#), paragraph “h”, shall not be eligible:

a. If the corporation is in default on fixed obligations as of the date of acquisition. Securities provided in [subsection 6](#), paragraph “a”, subparagraph (1), shall not be eligible if the issuing corporation is in arrears with respect to the payment of any preferred dividends as of the date of acquisition.

b. The investments of any company or association in the securities of a corporation shall not exceed the following percentages of the legal reserve of such company or association:

(1) For any one corporation other than a public utility company, two percent of the legal reserve. For any one public utility company, five percent of the legal reserve.

(2) For securities described in [subsection 5](#) issued by public utility companies, fifty percent of the legal reserve.

(3) Ten percent of the legal reserve in the securities described in [subsection 6](#).

(4) Ten percent of the legal reserve in the securities described in [subsection 7](#).

c. Statements adjusted to show the actual condition at the time of acquisition or the effect of new financing, known commercially as pro forma statements, may be used in determining whether investments under [subsections 5 and 6](#) are in compliance with requirements. Statements so adjusted or consolidated statements may be used in order to include the earnings of all predecessor, merged, consolidated, or purchased companies.

d. In addition to the restrictions contained in paragraphs “a” and “b”, the investments of any company or association in securities included under [subsection 5](#), paragraph “c”, are not eligible in excess of three percent of the legal reserve, but not more than one-half of one percent of the legal reserve shall be invested in the securities of any one corporation.

9. *Real estate bonds and mortgages.*

a. (1) Bonds, notes, obligations, or other evidences of indebtedness secured by mortgages or deeds of trust which are a first or second lien upon otherwise unencumbered real property and appurtenances thereto within the United States of America, or any insular or territorial possession of the United States, or the Dominion of Canada, and upon leasehold estates in real property where fifty years or more of the term including renewals is unexpired, provided that at the date of acquisition the total indebtedness secured by the first or second lien shall not exceed ninety percent of the value of the property upon which it is a lien. However, a company or organization shall not acquire an indebtedness secured by a first or second lien upon a single parcel of real property, or upon a leasehold interest in a single parcel of real property, in excess of two percent of its legal reserve. These limitations do not apply to obligations described in paragraphs “b”, “c”, “d”, “e”, “f”, and “g” of [this subsection](#).

(2) Improvements and appurtenances to real property shall not be considered in estimating the value of the property unless the owner contracts to keep the property adequately insured during the life of the loan in some reliable fire insurance companies, or associations, the insurance to be made payable in case of loss to the mortgagee, trustee, or assignee as its interest appears at the time of the loss.

(3) For the purpose of [this subsection](#) a mortgage or deed of trust is not other than a first or second lien upon property by reason of the existence of taxes or assessments that are not delinquent, instruments creating or reserving mineral, oil, or timber rights, rights-of-way, joint driveways, sewer rights, rights in walls or by reason of building restrictions or other like restrictive covenants, or when the real estate is subject to lease in whole or in part whereby rents or profits are reserved to the owner.

b. Bonds, notes, or other evidences of indebtedness representing loans and advances of credit that have been issued, guaranteed, or insured, in accordance with the terms and provisions of an Act of Congress of the United States of America approved June 27, 1934, entitled the “National Housing Act”, 48 Stat. 1246, 12 U.S.C. §1701 et seq., as amended to and including January 1, 2008, or of an Act of Congress of the United States of America approved July 24, 1970, entitled the “Federal Home Loan Mortgage Corporation Act”, 84 Stat. 451, 12 U.S.C. §1451 et seq., as amended to and including January 1, 2008.

c. Bonds, notes, or other evidences of indebtedness representing loans and advances of credit that have been issued or guaranteed, in whole or in part, in accordance with the terms and provisions of Tit. III of an Act of Congress of the United States of America approved June 22, 1944, known as Public Law 346, Pub. L. No. 78-268, cited as the “Servicemen’s Readjustment Act of 1944”, 58 Stat. 284, recodified at 72 Stat. 1105, 1273, 38 U.S.C. §3701 et seq., as amended to and including January 1, 2008.

d. Contracts of sale, purchase money mortgages or deeds of trust secured by property obtained through foreclosure, or in settlement or satisfaction of any indebtedness, or in the acquisition or disposition of real property acquired pursuant to [subsection 14](#).

e. Bonds, notes, or other evidences of indebtedness representing loans and advances of credit that have been issued or guaranteed, in whole or in part, in accordance with Tit. I of the Bankhead-Jones Farm Tenant Act, an Act of the Congress of the United States, cited as the “Farmers Home Administration Act of 1946”, 60 Stat. 1062, as amended to and including the effective date or dates of its repeal as set forth in 76 Stat. 318, or with Tit. III of an Act of Congress of the United States of America approved August 8, 1961, entitled the “Consolidated Farm and Rural Development Act”, 75 Stat. 307, 7 U.S.C. §1921 et seq., as amended to and including January 1, 2008.



f. Bonds, notes, obligations or other evidences of indebtedness secured by mortgages or deeds of trust which are a first lien upon unencumbered personal or real property or both personal and real property, including a leasehold of real estate, within the United States of America, or any insular or territorial possession of the United States of America, or the Dominion of Canada, under lease, purchase contract, or lease purchase contract to any governmental body or instrumentality whose obligations qualify under [subsection 1, 2, or 3 of this section](#), or to a corporation whose obligations qualify under paragraph “a” of [subsection 5 of this section](#), if the terms of the bond, note or other evidence of indebtedness provide for the amortization during the initial, fixed period of the lease or contract of one hundred percent of the indebtedness and there is pledged or assigned, as additional security for the loan, sufficient of the rentals payable under the lease, or of contract payments, to provide the required payments on the loan necessary to permit such amortization, including but not limited to payments of principal, interest, ground rents and taxes other than the income taxes of the borrower; provided, however, that where the security consists of a first mortgage or deed of trust lien on a fee interest in real property only, the bond, note or other evidence of indebtedness may provide for the amortization during the initial, fixed period of the lease or contract of less than one hundred percent of the indebtedness if there is to be left unamortized at the end of such period an amount not greater than the appraised value of the land only, exclusive of all improvements, and if there is pledged or assigned, as additional security for the loan, sufficient of the rentals payable under the lease, or of contract payments, to provide the required payments on the loan necessary to permit such amortization, including but not limited to payments of principal, interest, and taxes other than the income taxes of the borrower. Investments made in accordance with the provisions of this paragraph shall not be eligible in excess of twenty-five percent of the legal reserve, nor shall any one such investment in excess of five percent of the legal reserve be eligible.

g. Bonds, notes or other evidences of indebtedness representing loans and advances of credit that have been issued, guaranteed, or insured, in accordance with the terms and provisions of an Act of the federal Parliament of the Dominion of Canada, cited as the “National Housing Act”, R.S.C. 1985, c. N-11 as amended to and including January 1, 2008.

h. Mezzanine real estate loans subject to the following conditions:

(1) The terms of the mezzanine real estate loan agreement shall do all of the following:

(a) Require that each pledgor abstain from granting additional security interests in the equity interest pledged.

(b) Set forth techniques to minimize the likelihood or impact of a bankruptcy filing on the part of the real estate owner or the mezzanine real estate loan borrower consistent with the national association of insurance commissioners’ accounting practices and procedures manual.

(c) Require the real estate owner or mezzanine real estate loan borrower to do all of the following:

(i) Hold no assets other than, in the case of the real estate owner, the real property, and in the case of the mezzanine real estate loan borrower, the equity interest of the real estate owner.

(ii) Not engage in any business other than, in the case of the real estate owner, the ownership and operation of the real estate, and in the case of the mezzanine real estate loan borrower, holding an ownership interest in the real estate owner.

(iii) Not incur additional debt, other than limited trade payables, a first mortgage loan, or mezzanine real estate loans.

(2) At the time of purchase, the sum of the first mortgage and the mezzanine real estate loans shall not exceed ninety percent of the value of the real estate evidenced by a current appraisal and the mezzanine real estate loan shall be classified as CM4 or better in accordance with the national association of insurance commissioners’ rating methodology, or an equivalent or successor rating.

(3) The value of a company’s or association’s total investments qualified under this paragraph “h” shall not exceed three percent of the legal reserve subject to the following conditions:

(a) The value of a company’s or association’s total investments qualified under this

paragraph “h” in mezzanine real estate loans classified as CM3 in accordance with the national association of insurance commissioners’ rating methodology or an equivalent or successor rating at the time of purchase shall not exceed three percent of the legal reserve.

(b) The value of a company’s or association’s total investments qualified under this paragraph “h” in mezzanine real estate loans classified as CM4 in accordance with the national association of insurance commissioners’ rating methodology or an equivalent or successor rating at the time of purchase shall not exceed one percent of the legal reserve.

(4) For purposes of this paragraph “h”, “*mezzanine real estate loan*” means a loan secured by a pledge of a direct or indirect equity interest in an entity that owns real estate.

10. *Real estate.*

a. Real estate in this state which is necessary for the accommodation of the company or association as a home office or in the transaction of its business. In the erection of buildings for such purposes, there may be added rooms for rent. Before the company or association invests any of its funds in accordance with this paragraph it shall first obtain the consent of the commissioner. The maximum amount which a company or association shall be permitted to invest in accordance with these provisions shall not exceed ten percent of the legal reserve. However, a stock company may invest such portion of its paid-up capital, in addition to ten percent of the legal reserve, as is not held to constitute a part of its legal reserve, under [section 508.36](#), and the total legal reserve of the company shall be equal to or exceed the amount of its paid-up capital stock.

b. Any real estate acquired through foreclosure, or in settlement or satisfaction of any indebtedness. Any company or association may improve real estate so acquired or remodel existing improvements and exchange such real estate for other real estate or securities, and real estate acquired by such exchange may be improved or the improvements remodeled.

11. *Certificates of sale.* Certificates of sale obtained through foreclosure of liens on real estate.

12. *Policy loans.* Loans upon the security of the policies of the company or association and constituting a lien thereon in an amount not exceeding the legal reserve thereon.

13. *Collateral loans.* Loans secured by collateral consisting of any assets or investments qualified under [this section](#), provided the amount of the loan is not in excess of ninety percent of the value of the assets or investments. Provided further that [subsection 8](#) shall apply to the collateral assets or investments pledged to the payment of loans qualified under [this subsection](#).

14. *Urban real estate and personal property.*

a. Personal or real property or both located within the United States or the Dominion of Canada, other than real property used or to be used primarily for agricultural, horticultural, ranching or mining purposes, which produces income or which by suitable improvement will produce income. However, personal property acquired under [this subsection](#) shall be acquired for the purpose of entering into a contract for the sale or for a use under which the contractual payments may reasonably be expected to result in the recovery of the investment and an investment return within the anticipated useful life of the property. Legal title to the real property may be acquired subject to a contract of sale.

b. “*Real property*” as used in [this subsection](#) includes all of the following:

- (1) A leasehold of real estate.
- (2) An undivided interest in a leasehold of real estate.
- (3) An undivided interest in the fee title of real estate.

(4) A controlling membership, partnership, shareholder, or trust interest in any entity created solely for the purpose of owning and operating any of the interests described in subparagraph (1), (2), or (3), if the entity is expressly limited to that purpose within its organizational documents.

c. Investments under [this subsection](#) are not eligible in excess of ten percent of the legal reserve.

15. *Railroad obligations.*

a. Bonds or other evidences of indebtedness which carry a fixed rate of interest and are issued, assumed or guaranteed by any railroad company incorporated under the laws of the United States of America, or of any state, district, insular or territorial possessions thereof,

not in reorganization or receivership at the time of such investment, provided that the railroad company:

(1) Shall have had for the three-year period immediately preceding investment, for which the necessary data for the railroad company shall have been published, a balance of income available for fixed charges which shall have averaged per year not less than one and one-quarter times the fixed charges for the latest year of the period; and

(2) Shall have had for the three-year period immediately preceding investment, for which the necessary data for both the railroad company and all class I railroads shall have been published:

(a) A balance of income available for the payment of fixed charges at least as many times greater than the fixed charges for the latest year of the period as the balance of income available for the payment of fixed charges of all class I railroads for the same three-year period is times greater than the amount of all fixed charges for such class I railroads for the latest year of the period; and

(b) An amount of railway operating revenues remaining after deduction of three times the fixed charges for the latest year of the period from the balance of income available for the payment of fixed charges for the three-year period, which amount is as great a proportion of its railway operating revenues for the same three-year period as is the proportion of railway operating revenues remaining for all class I railroads, determined in the same manner and for the same period as for the railroad.

b. The terms “*class I railroads*”, “*balance of income available for the payment of fixed charges*”, “*fixed charges*” and “*railway operating revenues*” when used in [this subsection](#), are to be given the same meaning as in the accounting reports filed by a railroad company in accordance with the regulations for common carriers by rail of the Interstate Commerce Act, 24 Stat. 379, codified at 49 U.S.C. §1 – 40, 1001 – 1100, provided that the “*balance of income available for the payment of fixed charges*” and “*railway operating revenues remaining*”, as the terms are used in [this subsection](#), shall be computed before deduction of federal income or excess profits taxes; and that in computing “*fixed charges*” there shall be excluded interest and amortization charges applicable to debt called for redemption or which will otherwise mature within six months from the time of investment and for the payment of which funds have been or currently are being specifically set aside.

c. The eligibility of railroad obligations described in paragraph “a”, unnumbered paragraph 1, shall be determined exclusively as provided herein, without regard to the provisions for qualification contained in [subsections 5 and 8](#). Provisions for qualification contained in [this section](#) shall not be construed as applying to equipment trust obligations, guaranteed stocks, or contingent interest bonds of railroad companies. Investments made in accordance with the provisions of [this subsection](#) shall not be eligible in excess of ten percent of the legal reserve.

16. *Deposit of securities.*

a. Securities in an amount not less than the legal reserve as defined in [this section](#) shall be deposited and the deposit maintained with the commissioner of insurance or at such places as the commissioner may designate as will properly safeguard them. There may be included in the deposit an amount of cash on hand not in excess of five percent of the deposit required, that deposit to be evidenced by a certified check, certificate of deposit, or other evidence satisfactory to the commissioner of insurance. Deposits of securities may be made in excess of the amounts required by [this section](#). A stock company organized under the laws of this state shall not be required to make a deposit until the legal reserve, as ascertained by the commissioner, exceeds the amount deposited by it as capital. Real estate may be made a part of the deposit by furnishing evidence of ownership satisfactory to the commissioner and by conveying the real estate to the commissioner or the commissioner’s successors in office by warranty deed. The commissioner and the successors in office shall hold the real estate in trust for the benefit of the policyholders of the company or members of the association. Real estate mortgage loans and policy loans may be made a part of the deposit by filing a verified statement of the loans with the commissioner, which statement is subject to check at the discretion of the commissioner.

b. The securities comprising the deposit of a company or association against which



proceedings are pending under [section 508.18](#) shall vest in the state for the benefit of all policyholders of the company or association.

c. Securities or title to real estate on deposit may be withdrawn at any time and other eligible securities may be substituted, provided the amount maintained on deposit is equal to the sum of the legal reserve and twenty-five thousand dollars. In the case of real estate the commissioner shall execute and deliver to the company or association a quitclaim deed to the real estate. Any company or association shall, if requested by the commissioner, at the time of withdrawing any securities on deposit, designate for what purpose the securities are being withdrawn.

d. Companies or associations having securities or title to real estate on deposit with the commissioner of insurance shall have the right to collect all dividends, interest, rent, or other income from the deposit unless proceedings against the company or association are pending under [section 508.18](#), in which event the commissioner shall collect such interest, dividends, rent, or other income and add the same to the deposit.

e. Any company or association receiving payments or partial payments of principal on any securities deposited with the commissioner of insurance shall notify the commissioner of such fact at such times and in such manner as the commissioner may prescribe, giving the amount and date of payment.

f. The commissioner of insurance may receive on deposit securities or title to real estate of alien companies authorized to do business in the state of Iowa, for the purpose of securing its policyholders in the state of Iowa and the United States. The provisions of [this subsection](#) not inconsistent with the deposit agreement shall apply to the deposits of such alien companies.

g. Common stocks or shares issued by any federal home loan bank eligible for inclusion in the legal reserve under [subsection 18](#), paragraph "c", may be made a part of a deposit by filing a verified statement of the common stocks or shares issued by a federal home loan bank that are held in the legal reserve. Attached to the statement shall be the annual capital stock statement of the respective federal home loan bank showing membership stock balance and activity-based stock balance.

h. Financial instruments used in hedging transactions and securities pledged as collateral for financial instruments used in highly effective hedging transactions eligible for inclusion in the legal reserve under [subsection 22](#) may be made a part of the deposit by filing a verified statement of the financial instruments used or securities pledged pursuant to the terms and conditions of the applicable hedging transaction agreement or the applicable collateral or other credit support agreement.

#### 17. *Rules of valuation.*

a. (1) All bonds or other evidences of debt having a fixed term and rate of interest, if amply secured and not in default as to principal or interest, may be valued as follows:

(a) If purchased at par, at the par value.

(b) If purchased above or below par, on the basis of the purchase price adjusted so as to bring the value to par at maturity and so as to yield in the meantime the effective rate of interest at which the purchase was made.

(2) In applying the rule contained in subparagraph (1), the purchase price shall in no case be taken at a higher figure than the actual market value at the time of purchase.

b. Certificates of sale obtained by foreclosure of liens on real estate shall be valued in an amount not greater than the unpaid principal of the defaulted indebtedness plus any amounts actually expended for taxes and acquisition costs.

c. (1) All investments, except those for which a specific rule is provided in [this subsection](#), shall be valued at their market value, or at their appraised value, or at prices determined by the commissioner of insurance as representing their fair market value, or at a value as determined under rules adopted by the national association of insurance commissioners.

(2) The commissioner of insurance shall have full discretion in determining the method of calculating values according to the foregoing rules, but no company or association shall be prevented from valuing any asset at an amount less than that provided by [this subsection](#).

#### 18. *Common stocks or shares.*

a. (1) Common stocks, shares, or equity interests issued by solvent corporations or institutions are eligible if the total investment in the common stocks, shares, or equity

interests of the corporations or institutions does not exceed ten percent of legal reserve, provided not more than one-half percent of the legal reserve is invested in common stocks, shares, or equity interests of any one corporation or institution. However, not more than four percent of legal reserve shall be invested in common stocks, shares, or equity interests which do not meet one of the following requirements:

(a) Are listed or admitted to trading on an established foreign securities exchange or a securities exchange in the United States.

(b) Are publicly held and traded in the “over-the-counter market”, provided that market quotations shall be readily available.

(2) An investment in common stocks, shares, or equity interests shall not create a conflict of interest for an officer or director of the company between the insurance company and the corporation whose common stocks, shares, or equity interests are purchased.

b. Common stocks or shares in a subsidiary corporation, the acquisition or purchase of which is authorized by [section 508.33](#) are eligible if the total investment in these stocks or shares does not exceed five percent of the legal reserve; provided, however, that common stocks or shares of stock in a direct or indirect subsidiary insurance company which is domiciled in the United States are eligible up to an additional two percent of the legal reserve upon application by the insurer to and upon approval by the commissioner. Stocks or shares of the insurer’s subsidiary corporations are not eligible in total in excess of seven percent of the legal reserve and the stock or shares of any one subsidiary corporation are not eligible in excess of five percent of the legal reserve. These stocks or shares are eligible even if the stocks or shares are not listed or admitted to trading on a securities exchange in the United States and are not publicly held and have not been traded in the “over-the-counter market”. The stocks or shares shall be valued at their book value; provided, however, that stocks or shares of a direct or indirect subsidiary insurance company held in the legal reserve of up to an additional two percent of the legal reserve shall be valued at their statutory book value, excluding approved permitted practices.

c. Common stocks or shares issued by any federal home loan bank under the Federal Home Loan Bank Act, 12 U.S.C. §1421 et seq., and the Acts amendatory thereof, are eligible if the total investment in those stocks or shares does not exceed one-half of one percent of the legal reserve.

19. *Other foreign government or corporate obligations.*

a. Bonds or other evidences of indebtedness, not to include currency, issued, assumed, or guaranteed by a foreign government other than Canada, or by a corporation incorporated under the laws of a foreign government other than Canada. Such governmental obligations must be valid, legally authorized and issued, and on the date of acquisition have predominantly investment qualities and characteristics as provided by rule. Such corporate obligations must meet the qualifications established in [subsection 5](#) for bonds and other evidences of indebtedness issued, assumed, or guaranteed by a corporation incorporated under the laws of the United States or Canada. Foreign investments authorized by [this subsection](#) are not eligible in excess of twenty-five percent of the legal reserve of the life insurance company or association. Investments in obligations of a foreign government, other than Canada, the United Kingdom, and foreign governments rated AAA by Standard and Poor’s division of McGraw-Hill companies, inc., or Aaa by Moody’s investors services, inc., are not eligible in excess of two percent of the legal reserve in the securities of foreign governments of any one foreign nation. Investments in obligations of the United Kingdom are not eligible in excess of four percent of the legal reserve. Investments in obligations of foreign governments rated either AAA by Standard and Poor’s division of McGraw-Hill companies, inc., or Aaa by Moody’s investors services, inc., are not eligible in excess of five percent of the legal reserve. Investments in a corporation incorporated under the laws of a foreign government other than Canada are not eligible in excess of two percent of the legal reserve in the securities of any one foreign corporation.

b. Eligible investments in foreign obligations under [this subsection](#) are limited to the types of obligations specifically referred to in [this subsection](#). [This subsection](#) in no way limits or restricts investments in Canadian obligations and securities specifically authorized in other subsections of [this section](#).

c. [This subsection](#) shall not authorize investment in evidences of indebtedness issued, assumed, or guaranteed by a foreign government which engages in a consistent pattern of gross violations of human rights.

20. *Venture capital funds.*

a. Shares or equity interests in venture capital funds which agree to invest an amount equal to at least fifty percent of the funds in small businesses having their principal offices within this state and having either more than one half of their assets within this state or more than one half of their employees employed within this state. A company shall not invest more than five percent of its legal reserve under [this subsection](#).

b. For purposes of [this subsection](#), “venture capital fund” means a corporation, partnership, proprietorship, or other entity formed under the laws of the United States, or a state, district, or territory of the United States, whose principal business is or will be the making of investments in, and the provision of significant managerial assistance to, small businesses which meet the small business administration definition of small business. “Equity interests” means limited partnership interests and other equity interests in which liability is limited to the amount of the investment, but does not mean general partnership interests or other interests involving general liability. “Venture capital fund” includes an equity interest in the Iowa fund of funds as defined in [section 15E.62](#) and an equity interest in an innovation fund as defined in [section 15E.52](#).

21. *Use of custodian banks, clearing corporations, and the federal reserve book-entry system.*

a. As used in [this subsection](#):

(1) “Clearing corporation” means a corporation as defined in [section 554.8102](#).

(2) “Custodian bank” means a federal or state bank or trust company regulated under the Iowa banking laws or the federal reserve system, which maintains an account in its name in a clearing corporation and acts as custodian of securities owned by a domestic insurer.

(3) “Federal reserve book-entry system” means the computerized system sponsored by the United States department of the treasury and certain agencies and instrumentalities of the United States for holding and transferring securities of the United States government and its agencies and instrumentalities, in the federal reserve banks through national banks, state banks, or trust companies, which either are members of the federal reserve system or otherwise have access to the computerized systems.

b. Securities deposited by a domestic insurance company with a custodian bank, or redeposited by a custodian bank with a clearing corporation, or held in the federal reserve book-entry system may be used to meet the deposit requirements of [subsection 16](#). The commissioner shall adopt rules necessary to implement [this section](#) which:

(1) Establish guidelines on which the commissioner determines whether a custodian bank qualifies as a bank in which securities owned by an insurer may be deposited for the purpose of satisfying the requirements of [subsection 16](#).

(2) Designate those clearing corporations in which securities owned by insurers may be deposited.

(3) Set forth provisions that custodian agreements executed between custodian banks and insurers shall contain. These shall include provisions stating that minimum deposit levels shall be maintained and that the parties agree securities in deposits with custodian banks shall vest in the state in accordance with [section 508.18](#) whenever proceedings under that section are instituted.

(4) Establish other safeguards applicable to the use of custodian banks and clearing corporations by insurers which the commissioner believes necessary to protect the policyholders of the insurers.

c. A security owned by a domestic insurer and deposited in a custodian bank or clearing corporation does not qualify for purposes of its legal reserve deposit unless the custodian bank and clearing corporation are approved by the commissioner for that purpose.

22. *Financial instruments used in hedging transactions.*

a. As used in [this subsection](#), unless the context otherwise requires:

(1) “Financial instrument” means an agreement, option, instrument, or any series or combination agreement, option, or instrument that provides for either of the following:

(a) To make or take delivery of, or assume or relinquish, a specified amount of one or more underlying interests, or to make a cash settlement in lieu of such delivery or relinquishment.

(b) Which has a price, performance, value, or cash flow based primarily upon the actual or expected price, level, performance, value, or cash flow of one or more underlying interests.

(2) “*Financial instrument transaction*” means a transaction involving the use of one or more financial instruments.

(3) “*Hedging transaction*” means a financial instrument transaction which is entered into and maintained to reduce either of the following:

(a) The risk of a change in the value, yield, price, cash flow, or quality of assets or liabilities which the domestic insurer has acquired and maintains as qualified assets in its legal reserve deposit or which liabilities the domestic insurer has incurred and form the basis for calculation of its legal reserve.

(b) The currency exchange-rate risk or the degree of exposure as to assets or liabilities which the domestic insurer has acquired or incurred.

(4) “*United States government-sponsored enterprise*” means the federal national mortgage corporation under 12 U.S.C. §1716 – 1723i of the National Housing Act and the federal home loan marketing association under the Federal Home Loan Mortgage Act, 12 U.S.C. §1451 – 1459.

b. To be eligible as investments, financial instruments used in hedging transactions shall be either of the following:

(1) Be between an insurer and a counterparty that meets the qualifications established in [subsection 5](#) for an issuer, obligor, or guarantor of bonds or other evidences of indebtedness issued, assumed, or guaranteed by a corporation incorporated under the laws of the United States or of any state, district, or insular or territorial possession thereof, or Canada, or that meets the qualifications established in [subsection 19](#) for an issuer, obligor, or guarantor of bonds or other evidences of indebtedness issued, assumed, or guaranteed by a corporation incorporated under the laws of a foreign government other than Canada.

(2) Be between an insurer and a conduit and be collateralized by cash or obligations which are eligible under [subsection 1, 2, 3, 5, 19, or 24](#), are deposited with a custodian bank as defined in [subsection 21](#), and are held under a written agreement with the custodian bank that complies with [subsection 21](#) and provides for the proceeds of the collateral, subject to the terms and conditions of the applicable collateral or other credit support agreement, to be remitted to the legal reserve deposit of the company or association and to vest in the state in accordance with [section 508.18](#) whenever proceedings under that section are instituted. Paragraphs “c”, “d”, and “e” of [this subsection](#) are not applicable to investments in financial instruments used in hedging transactions eligible pursuant to this subparagraph. As used in this subparagraph, “*conduit*” means a person within an insurer’s insurance holding company system, as defined in [section 521A.1, subsection 7](#), which aggregates hedging transactions by other persons within the insurance holding company system and replicates them with counterparties.

(a) Financial instruments used in hedging transactions between an insurer and a conduit which are collateralized by obligations eligible under [subsection 5, 19, or 24](#) are eligible only to the extent that such securities deposited as collateral are not in excess of two percent of the legal reserve in the securities of any one corporation, less any securities of that corporation owned by the insurer or which are the subject of hedging transactions by the insurer, that are included in the insurer’s legal reserve.

(b) Financial instruments used in hedging transactions between an insurer and a conduit which are collateralized by obligations eligible under [subsection 5](#) or by cash equivalents eligible under [subsection 24](#), other than a rule 2a-7 money market fund, are eligible only to the extent that such securities deposited as collateral are not in excess of ten percent of the legal reserve, less any obligations eligible under [subsection 5](#) or cash equivalents eligible under [subsection 24](#), other than a rule 2a-7 money market fund, owned by the insurer or which are the subject of hedging transactions by the insurer, that are included in the insurer’s legal reserve.

(c) Financial instruments used in hedging transactions between an insurer and a conduit which are collateralized by obligations eligible under [subsection 19](#) are eligible only to the

extent that such securities deposited as collateral are not in excess of twenty percent of the legal reserve, less any securities eligible under [subsection 19](#) owned by the insurer or which are the subject of hedging transactions by the insurer, that are included in the insurer's legal reserve.

(3) Financial instruments used in hedging transactions shall be eligible only as provided by this paragraph “b” and rules adopted by the commission pursuant to [chapter 17A](#) setting standards for hedging transactions between an insurer and a conduit as authorized under [section 521A.5, subsection 1](#), paragraph “b”.

c. Investments in financial instruments used in hedging transactions are not eligible in excess of two percent of the legal reserve in the financial instruments of any one corporation, less any securities of that corporation owned by the company or association and in which its legal reserve is invested, except insofar as the financial instruments are collateralized by cash, United States government obligations as authorized by [subsection 1](#), or obligations of or guaranteed by a United States government-sponsored enterprise which on the date they are pledged as collateral are investment grade as defined by the commissioner by rule, which are deposited with a custodian bank as defined in [subsection 21](#), and held under a written agreement with the custodian bank that complies with [subsection 21](#) and provides for the proceeds of the collateral, subject to the terms and conditions of the applicable collateral or other credit support agreement, to be remitted to the legal reserve deposit of the company or association and to vest in the state in accordance with [section 508.18](#) whenever proceedings under that section are instituted.

d. Investments in financial instruments used in hedging transactions are not eligible in excess of ten percent of the legal reserve, except insofar as the financial instruments are collateralized by cash, United States government obligations as authorized by [subsection 1](#), or obligations of or guaranteed by a United States government-sponsored enterprise which on the date they are pledged as collateral are investment grade as defined by the commissioner by rule, which are deposited with a custodian bank as defined in [subsection 21](#), and held under a written agreement with the custodian bank that complies with [subsection 21](#) and provides for the proceeds of the collateral, subject to the terms and conditions of the applicable collateral or other credit support agreement, to be remitted to the legal reserve deposit of the company or association and to vest in the state in accordance with [section 508.18](#) whenever proceedings under that section are instituted.

e. (1) Investments in financial instruments of foreign governments or foreign corporate obligations, other than Canada, used in hedging transactions shall be included in the limitation contained in [subsection 19](#) that allows only twenty percent of the legal reserve of the company or association to be invested in such foreign investments, except insofar as the financial instruments are collateralized by cash, United States government obligations as authorized by [subsection 1](#), or obligations of or guaranteed by a United States government-sponsored enterprise which on the date they are pledged as collateral are investment grade as defined by the commissioner by rule, which are deposited with a custodian bank as defined in [subsection 21](#), and held under a written agreement with the custodian bank that complies with [subsection 21](#) and provides for the proceeds of the collateral, subject to the terms and conditions of the applicable collateral or other credit support agreement, to be remitted to the legal reserve deposit of the company or association and to vest in the state in accordance with [section 508.18](#) whenever proceedings under that section are instituted.

(2) This paragraph “e” does not authorize the inclusion of financial instruments used in hedging transactions in an insurer's legal reserve that are in excess of the eligibility limitation provided in paragraph “d” unless the financial instruments are collateralized as provided in this paragraph “e”.

f. Prior to engaging in hedging transactions under [this subsection](#), a domestic insurer shall develop and adequately document policies and procedures regarding hedging transaction strategies and objectives. Such policies and procedures shall address authorized hedging transactions, limitations, internal controls, documentation, and authorization and approval procedures. Such policies and procedures shall also provide for review of hedging transactions by the domestic insurer's board of directors or the board of directors' designee.



g. A domestic insurer shall be able to demonstrate to the commissioner the intended hedging characteristics of hedging transactions under [this subsection](#) and the ongoing effectiveness of each hedging transaction or combination of hedging transactions.

h. Financial instruments used in hedging transactions shall only be eligible in accordance with [this subsection](#) after the commissioner has adopted rules pursuant to [chapter 17A](#) regulating hedging transactions under [this subsection](#).

i. Securities held in the legal reserve of a life insurance company or association and pledged as collateral for financial instruments used in hedging transactions shall continue to be eligible for inclusion in the legal reserve of the life insurance company or association subject to all of the following:

(1) The life insurance company or association does not include the financial instruments used in hedging transactions for which the securities are pledged as collateral in the legal reserve of the life insurance company or association, provided, however, that this subparagraph shall not exclude securities pledged to a counterparty, clearing organization, or clearinghouse on an upfront basis in the form of initial margin, independent amount, or other securities pledged as a precondition of entering into financial instruments used in hedging transactions from inclusion in the legal reserve of the life insurance company or association.

(2) Securities pledged as collateral for financial instruments used in highly effective hedging transactions as defined in the national association of insurance commissioners' statement of statutory accounting principles no. 86 or the national association of insurance commissioners' statement of statutory accounting principles no. 108, together with securities pledged to a counterparty, clearing organization, or clearinghouse on an upfront basis in the form of initial margin, independent amount, or other securities pledged as a precondition of entering into highly effective hedging transactions pursuant to subparagraph (1), are not eligible in excess of ten percent of the legal reserve of the life insurance company or association, less any financial instruments used in hedging transactions held in the legal reserve under [this subsection](#) and less any securities included under subparagraph (3).

(3) Securities pledged as collateral for financial instruments used in hedging transactions that the life insurance company or association does not report as highly effective hedging transactions, together with securities pledged to a counterparty, clearing organization, or clearinghouse on an upfront basis in the form of initial margin, independent amount, or other securities pledged as a precondition of entering into hedging transactions pursuant to subparagraph (1) that the life insurance company or association does not report as highly effective hedging transactions, are not eligible in excess of three percent of the legal reserve of the life insurance company or association, less any financial instruments used in hedging transactions held in the legal reserve under [this subsection](#).

### 23. *Security loans.*

a. A life insurance company or association may loan securities held by it in its legal reserve to a broker-dealer registered under the Securities Exchange Act of 1934, a national bank, or a state bank, foreign bank, or trust company that is a member of the United States federal reserve system, and the loaned securities shall continue to be eligible for inclusion in the legal reserve of the life insurance company or association.

b. The loan shall be fully collateralized by cash, cash equivalents, or obligations issued or guaranteed by the United States or an agency or instrumentality of the United States. The life insurance company or association shall take delivery of the collateral either directly or through an authorized custodian.

c. If the loan is collateralized by cash or cash equivalents, the cash or cash equivalent collateral may be reinvested by the life insurance company or association in rule 2a-7 money market funds as defined in [subsection 24](#), individual securities which are eligible for inclusion in the legal reserve of the life insurance company or association, or in repurchase agreements fully collateralized by such securities if the life insurance company or association takes delivery of the collateral either directly or through an authorized custodian or pooled fund comprised of individual securities which are eligible for inclusion in the legal reserve of the life insurance company or association. If such reinvestment is made in individual securities, or in repurchase agreements collateralized by securities other than United

States government obligations as described in [subsection 1](#), the individual securities or the securities which collateralize the repurchase agreements shall mature in less than two hundred seventy days. If such reinvestment is made in a pooled fund, the average maturity of the securities comprising such pooled fund must be one hundred eighty days or less and the individual maturities of the securities comprising such pooled fund must be three hundred ninety-seven days or less. Individual securities and securities comprising the pooled fund shall be investment grade. As used in this paragraph, “maturity” means the earlier of the fixed date on which the holder of the security is unconditionally entitled to receive principal and interest in full or the date on which the holder of the security is unconditionally entitled upon demand to receive principal and interest in full.

d. The loan shall be evidenced by a written agreement which provides all of the following:

(1) That the loan will be fully collateralized at all times during the term of the loan, and that the collateral will be adjusted as necessary each business day during the term of the loan to maintain the required collateralization in the event of market value changes in the loaned securities or collateral.

(2) If the loan is fully collateralized by cash or cash equivalents, the cash or cash equivalent may be reinvested by the life insurance company or association as provided in paragraph “c”.

(3) That the loan may be terminated by the life insurance company or association at any time, and that the borrower shall return the loaned stocks or obligations or equivalent stocks or obligations within five business days after termination.

(4) That the life insurance company or association has the right to retain the collateral or use the collateral to purchase investments equivalent to the loaned securities if the borrower defaults under the terms of the agreement, and that the borrower remains liable for any losses and expenses incurred by the life insurance company or association due to default that are not covered by the collateral.

e. Securities loaned pursuant to [this subsection](#) are not eligible for inclusion in the legal reserve of the life insurance company or association in excess of ten percent of the legal reserve.

f. A life insurance company or association may continue to hold in the legal reserve of the life insurance company or association securities which are the subject of a reverse repurchase agreement. If such securities are held in the legal reserve of a life insurance company or association, the securities shall be subject to the limitations of paragraph “e” as if they were securities loaned pursuant to [this subsection](#).

g. For securities loaned pursuant to [this subsection](#) that are included in the legal reserve of the life insurance company or association, the collateral received for the loaned securities shall not be eligible for inclusion in the legal reserve.

24. *Cash equivalents.*

a. As used in [this subsection](#), unless the context otherwise requires:

(1) “Cash equivalents” means highly liquid investments with an original term to maturity of ninety days or less that are all of the following:

(a) Readily convertible to a known amount of cash without penalty.

(b) So near maturity that the investment presents an insignificant risk of change in value.

(c) Rated any of the following:

(i) “P-1” by Moody’s investors services, inc.

(ii) “A-1” by Standard and Poor’s division of McGraw-Hill companies, inc., or by the national association of insurance commissioners’ securities valuation office.

(iii) Equivalent by a nationally recognized statistical rating organization that is recognized by the national association of insurance commissioners’ securities valuation office.

(2) “Rule 2a-7 money market fund” means investments in an open-end management investment company registered with the federal securities and exchange commission under the federal Investment Company Act of 1940, 15 U.S.C. §80a-1 et seq., and operated in accordance with [17 C.F.R. §270.2a-7](#).

b. Cash equivalents include a rule 2a-7 money market fund.

c. Cash equivalents, other than a rule 2a-7 money market fund, are not eligible in excess

of two percent of the legal reserve in the obligations of any one corporation, and are not eligible in excess of ten percent of the legal reserve.

[C73, §1179 – 1181; C97, §1791 – 1793, 1803, 1804, 1806, 1807; SS15, §1806; C24, 27, 31, 35, 39, §8698 – 8701, 8735 – 8739, 8741, 8742, 8744, 8747; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.8; 81 Acts, ch 168, §1; 82 Acts, ch 1095, §2 – 5]

84 Acts, ch 1067, §40; 85 Acts, ch 136, §1; 85 Acts, ch 228, §4; 85 Acts, ch 252, §31; 87 Acts, ch 64, §1 – 4; 88 Acts, ch 1112, §205; 89 Acts, ch 83, §69; 89 Acts, ch 311, §29; 91 Acts, ch 26, §38, 59, 60; 96 Acts, ch 1013, §1; 96 Acts, ch 1138, §1, 84; 98 Acts, ch 1014, §1; 2000 Acts, ch 1023, §15 – 18, 60; 2002 Acts, ch 1119, §179; 2003 Acts, ch 91, §20; 2004 Acts, ch 1110, §28 – 31; 2006 Acts, ch 1010, §136, 137; 2006 Acts, ch 1117, §50 – 54; 2008 Acts, ch 1123, §20 – 23; 2009 Acts, ch 145, §8; 2010 Acts, ch 1121, §10 – 14; 2011 Acts, ch 70, §24, 25; 2011 Acts, ch 131, §70, 158; 2012 Acts, ch 1023, §110, 111; 2012 Acts, ch 1138, §35; 2013 Acts, ch 30, §125; 2013 Acts, ch 90, §152; 2013 Acts, ch 124, §11 – 14; 2014 Acts, ch 1007, §3, 4; 2015 Acts, ch 30, §163, 164; 2015 Acts, ch 128, §10 – 20, 50, 51; 2017 Acts, ch 7, §1 – 4; 2018 Acts, ch 1003, §1; 2020 Acts, ch 1009, §1; 2021 Acts, ch 57, §1, 2

Referred to in §508.13, 508.14, 508.29, 508.33A, 508C.8, 511.8A, 511.9, 512B.21, 514B.15, 521A.2, 521G.6

2021 amendment to subsection 23, paragraph c applies to cash or cash equivalent reinvestments by a life insurance company or association made in repurchase agreements collateralized by securities on or after January 1, 2022; 2021 Acts, ch 57, §2

Subsection 23, paragraph c amended

#### **511.8A Agricultural land.**

Agricultural land, as defined in [section 9H.1](#), acquired as provided in [section 511.8, subsection 10](#), paragraph “b”, by a life insurance company or association incorporated by or organized under the laws of this or any other state, shall be sold or otherwise disposed of by the company or association within five years after title is vested in the company or association. A life insurance company or association is a corporation for purposes of [chapter 9H](#).

89 Acts, ch 311, §30

#### **511.9 Violations.**

The commissioner shall have authority to suspend or revoke the certificate of authority of any company or association failing to comply with any of the provisions of [section 511.8](#), or for violating the same.

[SS15, §1806; C24, 27, 31, 35, 39, §8745; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.9]

#### **511.10 Rule of valuation.**

1. All bonds or other evidences of debt having a fixed term and rate, held by any fraternal beneficiary association authorized to do business in this state may, if amply secured and not in default as to principal and interest, be valued as follows:

a. If purchased at par, at the par value.

b. If purchased above or below par, on the basis of the purchase price adjusted so as to bring the value to par at maturity and so as to yield in the meantime the effective rate of interest at which the purchase was made.

2. Provided that the purchase price shall in no case be taken at a higher figure than the actual market value at the time of purchase.

3. The commissioner of insurance shall have full discretion in determining the method of calculating values according to the foregoing rule.

[C24, 27, 31, 35, 39, §8746; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.10]

2012 Acts, ch 1023, §157

#### **511.11 Prohibited loans.**

No insurance company or association organized under the statutes of this state to transact an insurance business, shall invest its capital, surplus funds, or other assets, in or loan the same on property owned by any officer or director of such company or by any of the immediate members of the family of any such officer or director.

[C24, 27, 31, 35, 39, §8748; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.11]

**511.12 Officers not to profit by investments.**

An officer or director of a life insurance company or association shall not profit from the investment of funds of the company.

[C24, 27, 31, 35, 39, §8749; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.12]

[2021 Acts, ch 80, §321](#)

Section amended

**511.13 Disbursements — vouchers — affidavit.**

No domestic life insurance company shall make any disbursement of one hundred dollars or more unless the same be evidenced by a voucher signed by or on behalf of the person, firm, or corporation receiving the money and correctly describing the consideration for the payment. If the expenditure be for both services and disbursements the voucher shall set forth the services rendered and an itemized statement of the disbursements made. When such voucher cannot be obtained the expenditure shall be evidenced by an affidavit of some officer or agent of said company describing the character and object of the expenditure and stating the reason for not obtaining such voucher.

[S13, §1820-a; C24, 27, 31, 35, 39, §8750; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.13]

**511.14 Taxes — from what funds payable.**

In case this or any other state shall impose or levy any tax on any company or association, the same may be paid from any surplus or emergency fund of such company or association.

[C97, §1821; C24, 27, 31, 35, 39, §8751; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.14]

**511.15 Reserved.****511.16 Illegal business.**

It shall be unlawful for any officer, manager, or agent of any life insurance company or association, with knowledge that it is doing business in an unlawful manner or is insolvent, to solicit or receive applications for insurance with the company or association, or to do any other act or thing toward procuring or receiving any new business for the company or association.

[C97, §1814; C24, 27, 31, 35, 39, §8755; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.16]

[2004 Acts, ch 1110, §32](#)

**511.17 Contracts void — recovery — damages — attorney fees.**

All contracts, promises, and agreements made by any person to or with any such company or association concerning any premium, policy, or certificate of new business, after the revocation of its certificates or denial of authority to do business, shall be null and void, and all payments of premium or assessments advanced or made by any person on account of any such policy, certificate of new business, or upon any arrangement therefor, may be recovered from such company or association, or its agent to whom payment was advanced or made, or from both of them, and in addition thereto plaintiff may recover an equal amount as liquidated damages, together with a reasonable fee to plaintiff's attorney for services in the case.

[C97, §1814; C24, 27, 31, 35, 39, §8756; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.17]

Referred to in [§507.16](#)

**511.18 Fraud in procuring insurance.** Repealed by [2004 Acts, ch 1110, §71](#).**511.19 through 511.21 Reserved.**

**511.22 May not advertise authorized capital.**

No insurance company shall be permitted to advertise or publish an authorized capital, or to represent in any manner itself as possessed of any greater capital than that actually paid up and invested.

[S13, §1783-g; C24, 27, 31, 35, 39, §8761; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.22]

Referred to in [§511.23](#)

**511.23 Penalties.**

Any person, firm, or corporation violating any of the provisions of [section 511.22](#), [sections 515.8 through 515.10](#), or [section 515.23](#) or failing to comply with any of the provisions in those sections, shall be subjected to the penalties provided in [sections 507.10](#) and [507.12](#).

[S13, §1783-h; C24, 27, 31, 35, 39, §8762; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.23]

[2019 Acts, ch 59, §182](#); [2020 Acts, ch 1063, §285](#)

**511.24 Fees from domestic and foreign companies.**

When not otherwise provided, a foreign or domestic life insurance company doing business in this state shall pay to the commissioner of insurance the following fees:

1. For filing an application to do business, or an application to renew a certificate of authority, fifty dollars.
2. For issuing a certificate of authority to do business in this state, or for renewing a certificate, fifty dollars.
3. For filing amended articles of incorporation, fifty dollars.
4. For issuing an amended certificate of authority, twenty-five dollars.
5. For affixing the official seal to any paper filed with the division, ten dollars.

[C73, §1183; C97, §1818; C24, 27, 31, 35, 39, §8763, 8764; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.24, 511.25; [82 Acts, ch 1003, §5](#)]

[88 Acts, ch 1112, §206, 303](#)

Referred to in [§511.26](#), [514B.22](#), [514B.33](#)

**511.25 Reserved.****511.26 Fee statute — applicability.**

The provisions of the chapter on insurance other than life apply as to fees under [this chapter](#) and [chapter 508](#) except as modified by [section 511.24](#).

[C97, §1818; C24, 27, 31, 35, 39, §8765; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.26]  
[83 Acts, ch 101, §107](#); [89 Acts, ch 83, §70](#)

Insurance other than life, [chapter 515](#)

**511.27 Commissioner as process agent.**

Every life insurance company and association shall, before receiving a certificate to do business in this state or any renewal of a certificate to do business in this state, file in the office of the commissioner of insurance a power of attorney and an agreement in writing that service of notice or process of any kind may be made on the commissioner that shall be as valid, binding, and effective for all purposes as if served upon the company according to the laws of this or any other state, and waiving all claim or right of error due to the filing of the power of attorney and the agreement regarding service of notice or process.

[C73, §1165; C97, §1808; C24, 27, 31, 35, 39, §8766; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.27]

[2003 Acts, ch 91, §21](#)

Referred to in [§511.29](#)



**511.28 Service of process.**

Service of process made on the commissioner as the agent for service of process shall be made as provided in [section 505.30](#).

[C73, §1165; C97, §1808; C24, 27, 31, 35, 39, §8767; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.28]

[92 Acts, ch 1162, §15](#); [99 Acts, ch 165, §7](#); [2018 Acts, ch 1018, §5](#)

Referred to in [§511.29](#)

**511.29 Interpretation.**

The provisions of [sections 511.27](#) and [511.28](#) are merely additions to the general provisions of law on the subjects therein referred to, and are not to be construed to be exclusive.

[C97, §1809; C24, 27, 31, 35, 39, §8768; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.29]

Service generally, [chapter 617](#)

**511.30 Intoxication as defense.** Repealed by [2003 Acts, ch 91, §51](#).**511.31 Physician's certificate — estoppel.**

In any case where the medical examiner, or physician acting as such, of any life insurance company or association doing business in the state shall issue a certificate of health or declare the applicant a fit subject for insurance, or so report to the company or association or its agent under the rules and regulations of the company or association, the company or association shall be estopped from setting up in defense of the action on the policy or certificate that the assured was not in the condition of health required by the policy at the time of the issuance or delivery of the policy or certificate, unless the policy or certificate was procured by or through the fraud or deceit of the assured.

[C97, §1812; C24, 27, 31, 35, 39, §8770; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.31]

[2016 Acts, ch 1073, §147](#)

**511.32 Misrepresentation of age.**

In all cases where it shall appear that the age of the person insured has been understated in the proposal, declaration or other instrument upon which a policy of life insurance has been founded or issued, then the amount payable under the policy shall be such as the premium paid would have purchased at the correct age; provided, however, that one who, by misstating one's age, obtains life insurance not otherwise obtainable shall be entitled to recover from the insurer on account of such policy only the aggregate premiums paid.

[C97, §1813; C24, 27, 31, 35, 39, §8771; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.32]

**511.33 Application for insurance — duty to attach to policy.**

All life insurance companies or associations organized or doing business in this state under the provisions of the preceding chapters shall, upon the issue of any policy, attach to such policy, or endorse thereon, a true copy of any application or representation of the assured which by the terms of such policy are made a part thereof, or of the contract of insurance, or referred to therein, or which may in any manner affect the validity of such policy, or, upon reinstatement of a lapsed policy, shall attach to the renewal receipt a true copy of all representations made by the assured upon which the renewal or reinstatement is made.

[C97, §1819; C24, 27, 31, 35, 39, §8772; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.33]

Referred to in [§511.34](#)

Similar provisions, [§515.133](#)

**511.34 Failure to attach — defenses — estoppel.**

The omission so to do shall not render the policy invalid, but if any company or association neglects to comply with the requirements of [section 511.33](#), the company or association shall forever be precluded from pleading, alleging, or proving such application or representations, or any part thereof, or the falsity thereof, or any part thereof, in any action upon the policy, and the plaintiff in any such action shall not be required, in order to recover against the

company or association, either to plead or prove such application or representation, but may do so at the plaintiff's option.

[C97, §1819; C24, 27, 31, 35, 39, §8773; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.34] [2016 Acts, ch 1011, §94](#)

Similar provisions, [§515.134](#)

### **511.35 Limitation on proofs of loss.**

No stipulation or condition in any policy or contract of insurance or beneficiary certificate issued by any company or association mentioned or referred to in [this chapter](#), limiting the time to a period of less than one year after knowledge by the beneficiary within which notice or proofs of death or the occurrence of other contingency insured against must be given, shall be valid.

[C97, §1820; S13, §1820; C24, 27, 31, 35, 39, §8774; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §511.35]

### **511.36 Interest rates on policy loans.**

1. Life insurance policies issued after July 1, 1984 may provide interest rates on policy loans in accordance with either of the following:

- a. A maximum interest rate of not more than eight percent per annum.
- b. An adjustable maximum interest rate established as permitted under [this section](#).

2. The rate of interest charged on a policy loan made under [subsection 1](#), paragraph "b", shall not exceed the greater of the following:

- a. The published monthly average for the calendar month ending two months before the date on which the rate is determined. For purposes of [this subsection](#), "published monthly average" means one of the following:

- (1) Moody's corporate bond yield average-monthly average corporates as published in Moody's investors service, inc., or any successor to the investors service.

- (2) If Moody's corporate bond yield average-monthly average corporates is no longer published, a substantially similar average established by rule issued by the commissioner of insurance.

- b. The rate used to compute the cash surrender values under the policy during the applicable period plus one percent per annum.

3. If the maximum rate of interest is determined under [subsection 1](#), paragraph "b", the policy shall state the frequency at which the rate is to be determined for that policy.

4. The maximum rate for the policy shall be determined at established intervals at least once every twelve months, but not more frequently than once every three months. At the intervals established in the policy the rate:

- a. May be increased when an increase as determined under [subsection 2](#) would increase the charged rate by one-half percent or more per annum.

- b. Shall be reduced when a reduction as determined under [subsection 2](#) would decrease the charged rate by one-half percent or more per annum.

5. When a cash loan is made, the insurer shall notify the policyholder of the initial interest rate on the loan. With respect to premium loans, the insurer shall notify the policyholder of the initial interest rate as soon as the insurer can reasonably do so after making the loan. An insurer need not inform the policyholder of the interest rate when an additional premium loan is made unless the interest rate increases. However, policyholders with either cash or premium loans shall receive reasonable advance notice of any increase in the interest rate. Notices required under [this subsection](#) shall also contain the following information:

- a. The maximum interest rate on the loan if the loan is a fixed rate loan.
- b. The fact that the interest rate is adjustable if the loan is an adjustable rate loan.
- c. The frequency at which the rate is to be determined for that policy or if an adjustable interest rate, the established intervals at which the rate may be adjusted.

6. A policy shall not terminate in a policy year solely as the result of change in the interest rate during that year. The life insurer shall maintain coverage during that policy year until the time at which it would otherwise have terminated if there had been no change during that policy year.

7. Policies of insurance upon which a loan can be made shall state the following:
  - a. Whether fixed rate loans or adjustable rate loans are permitted.
  - b. If fixed rate loans are permitted, the maximum rate of interest on those loans.
  - c. If adjustable rate loans are permitted, the established intervals at which the rate may be adjusted.
8. Unless the context otherwise requires, for purposes of [this section](#):
  - a. The rate of interest on policy loans includes the interest rate charged on reinstatement of policy loans for the period during and after a lapse of the policy.
  - b. “Policy loan” includes a premium loan made under a policy to pay a premium that was not paid to the insurer when due.
  - c. “Policyholder” includes the owner of the policy or the person designated, on the records of the insurer, to pay premiums.
  - d. “Policy” includes certificates issued by a fraternal benefit society and annuity contracts which provide for policy loans.
9. Other provisions of law do not apply to policy loan interest rates unless made specifically applicable to the rates.

[84 Acts, ch 1017, §1; 97 Acts, ch 186, §8](#)

Referred to in [§511.38](#)

#### **511.37 Reserved.**

#### **511.38 Interest on delayed claims payments.**

1. When an insurance policy provides for the payment of its proceeds to a beneficiary upon the death of an individual and, without the written consent of the beneficiary, the company fails or refuses to pay the proceeds within thirty days after receipt of satisfactory proof of death, the company shall pay interest on the proceeds or any amount of the proceeds not paid within the thirty days, provided, however, if the policy requires a beneficiary to survive for a designated period after the death of the insured, the company shall pay interest on the proceeds or any amount of the proceeds not paid within thirty days after the designated period.

2. The interest owed on any amount of the proceeds of a policy under [this section](#) shall be computed from the date of receipt of the proof of death. The rate of interest shall be the higher of the following:

- a. The effective rate of interest charged by the company on policy loans under [section 511.36](#) on the date of receipt of proof of death.
- b. The effective rate of interest paid by the company on death proceeds left on deposit with the company.

3. A payment of interest shall not be required under [this section](#) in any case in which the beneficiary elects to receive the proceeds under the policy by any means other than a lump sum payment.

[89 Acts, ch 321, §35](#)

Referred to in [§507B.4](#)

#### **511.39 Charitable organizations — insurable interest.**

A charitable organization described in section 501(c)(3) of the Internal Revenue Code, as defined in [section 422.3](#), has an insurable interest in the life of a person who, when purchasing a life insurance policy, makes a donation to the charitable organization or makes the charitable organization the beneficiary of all or a part of the proceeds of the policy or joins with a charitable organization in applying for an insurance policy which when issued will insure that person's life and name the organization as owner or beneficiary of all or any portion of the benefits of the life insurance policy.

[92 Acts, ch 1162, §16](#)

Referred to in [§508E.13](#)

#### **511.40 Employer — insurable interest in employees.**

1. As used in [this section](#), “employees” includes officers, managers, and directors of an

employer, and the shareholders, partners, members, proprietors, or other owners of the employer.

2. An employer and a trust established by the employer for the benefit of the employer or for the benefit of the employer's active or retired employees has an insurable interest in each of the lives of the employer's active or retired employees and may insure their lives on an individual or group basis.

3. The amount of coverage on the lives of nonmanagement or nonkey employees shall be reasonably related to the benefit provided to the employees.

4. On and after July 1, 2003, an employer or trust shall obtain the written consent of each employee being insured by an employer and trust pursuant to [this section](#) before insuring the employee's life. The consent shall include an acknowledgment by the employee that the employer or trust may maintain the life insurance after the employee is no longer employed by the employer. An employer shall not retaliate in any manner against an employee who refuses to consent.

5. *a.* The gross amount of premiums received by a life insurance company or association for an employer-owned life insurance contract which has not been allocated to another state shall be allocated to this state for purposes of [section 432.1, subsection 1](#), if either of the following is applicable:

(1) The contract is issued or delivered in this state.

(2) The company or association is domiciled in this state.

*b.* To the extent that premiums are allocated to this state pursuant to paragraph "a", the provisions of [section 505.14](#) are not applicable to those premiums.

*c.* As used in [this subsection](#), "*employer-owned life insurance contract*" means a policy which provides coverage on a life for which the employer has an insurable interest under [this section](#) or a similar provision of the laws of another state and the policy is owned by either the employer or a trust established by the employer for the benefit of the employer or the employer's active or retired employees.

[2003 Acts, ch 91, §22; 2013 Acts, ch 124, §15](#)

Referred to in [§508E.13](#)