# CHAPTER 518A

## STATE MUTUAL INSURANCE ASSOCIATIONS


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**518A.1 Organization — purpose and powers.**

1. Any number of persons may, by incorporating under chapter 491, enter into contracts with each other for the following kinds of insurance from loss or damage by:

*a.* Any peril or perils resulting in physical loss of or damage to property.

*b.* Theft of personal property.

*c.* Injury, sickness, or death of animals and the furnishing of veterinary service.

*d.* Any vehicle, excluding automobile or aircraft, including loss and expense resulting from the ownership, maintenance, or use thereof, but shall not include insurance against bodily injury to the person.

2. For the purpose of this protection these contracts of insurance shall be subject only to such provisions as are contained in this chapter and shall consist of:

*a.* An application on blanks furnished by the association and signed by the insured or the insured's representative, which may contain in addition to other provisions: the value of the property, the proper description thereof, the amount of other insurance and the encumbrance thereon, and agreement to be governed by the articles of incorporation and bylaws in force at the time the policy is issued, a representation that the foregoing statements are true as far as the same are known to the insured or material to the risk, and that the insurance shall take effect when approved by the secretary.

*b.* A policy issued by the association in accordance with its rules, and approved by the commissioner of insurance.

3. Such associations may insure risks of their members or may reinsure risks of other associations or companies.

4. The words *"persons"* and *"members"* as used in this chapter shall be construed to mean trustees, administrators, and all other individuals, public or private corporations or associations.

5. Insurance on the property of one or more minors may be granted on application of an adult parent, friend, or guardian who consents to become a member as representing such minor.

[C73, §1160; C97, §1759; S13, §1759-a; C24, 27, 31, 35, 39, §**9029;** C46, 50, 54, 58, 62, §518.1; C66, 71, 73, 75, 77, 79, 81, §518A.1]

88 Acts, ch 1112, §510; 2007 Acts, ch 137, §18

**518A.1A Plan of organization.**

An entity seeking to organize as or convert to a state mutual insurance association shall submit a plan of organization to the commissioner for approval.

99 Acts, ch 165, §18

**518A.2 State mutual insurance associations.**

Any association incorporated under the laws of this state for the purpose of furnishing insurance as provided for in this chapter is authorized to do business in the county in which its principal place of business is located, the counties contiguous thereto, and the next tier of contiguous counties and in other states where they are legalized and authorized to do business. Each association seeking to modify its authorized writing territory shall file with the commissioner a plan for controlled expansion demonstrating that provisions have been made adequately to service and protect policyholders. The expansion plan shall not be modified without the prior written approval of the commissioner, which approval shall not be unreasonably withheld. The words "mutual" and "association" shall be incorporated in and become a part of their name.

[C97, §1760; S13, §1759-b; C24, 27, 31, 35, 39, §**9030;** C46, 50, 54, 58, 62, §518.2; C66, 71, 73, 75, 77, 79, 81, §518A.2]

2002 Acts, ch 1111, §28

**518A.3 Meetings.**

Unless the time and place of holding the annual meeting of the members of any association transacting business under the provisions of this chapter are plainly stated in their articles of incorporation or bylaws, twenty days' notice of the time and place of holding of said meetings shall be given to all members of the association. Annual meetings may adjourn from time to time.

[S13, §1759-o; C24, 27, 31, 35, 39, §**9031;** C46, 50, 54, 58, 62, §518.3; C66, 71, 73, 75, 77, 79, 81, §518A.3]

**518A.4 Amendments to articles.** Repealed by 2009 Acts, ch 145, §54. See §518A.57.

**518A.5 Articles and bylaws part of policy.**

When such articles of incorporation and bylaws are printed on the policy they become a part thereof and are binding upon the association and the insured alike.

[C24, 27, 31, 35, 39, §**9033;** C46, 50, 54, 58, 62, §518.5; C66, 71, 73, 75, 77, 79, 81, §518A.5]

**518A.6 Officers — election.**

Officers or directors shall be elected in the manner and for the length of time prescribed in the articles of incorporation or bylaws. The same person shall not simultaneously hold the offices of president and secretary. A director shall be a member of the association.

[C24, 27, 31, 35, 39, §**9034;** C46, 50, 54, 58, 62, §518.6; C66, 71, 73, 75, 77, 79, 81, §518A.6]

97 Acts, ch 186, §23; 2000 Acts, ch 1023, §40

**518A.6A Bylaws.**

The directors of the association may enact the bylaws and regulations not inconsistent with law as they consider necessary for the regulation and conduct of the business. A change in

the bylaws shall not limit coverage under existing policies of insurance. An association shall file with the commissioner bylaws and amendments to bylaws within thirty days of adoption.
2000 Acts, ch 1023, §41

**518A.7 Policies — issuance — conditions.** Repealed by 2009 Acts, ch 145, §54.

**518A.8 Articles — approval — bylaws.**
The articles of incorporation, and any subsequent amendments, to the articles of an organization shall be filed with and approved by the commissioner of insurance before filing with the secretary of state. The organization shall file with the commissioner bylaws and subsequent amendments to the bylaws within thirty days of adoption of the bylaws or amendments.
[C97, §1761; S13, §1759-c; C24, 27, 31, 35, 39, §**9036;** C46, 50, 54, 58, 62, §518.8; C66, 71, 73, 75, 77, 79, 81, §518A.8]
99 Acts, ch 165, §19; 2009 Acts, ch 145, §38

**518A.9 Premium charges.**
An association, by action of its board of directors, may establish premium charges for the purpose of payment of losses and expenses and for the establishment or maintenance of a reserve fund.
[C97, §1765; S13, §1759-h; C24, 27, 31, 35, 39, §**9037;** C46, 50, 54, 58, 62, §518.9; C66, 71, 73, 75, 77, 79, 81, §518A.9]
2000 Acts, ch 1023, §43; 2009 Acts, ch 145, §39

**518A.9A Assessments prohibited.**
An association doing business under this chapter shall not levy an assessment on any member of the association.
2000 Acts, ch 1023, §44

**518A.10** Repealed by 99 Acts, ch 165, §23.

**518A.11** Repealed by 2000 Acts, ch 1023, §59.

**518A.12 Investments.**
1. *General considerations.* The following considerations apply in the interpretation of this section:
*a.* This section applies to the investments of state mutual insurance associations.
*b.* (1) The purpose of this section is to protect and further the interests of policyholders, claimants, creditors, and the public by providing standards for the development and administration of programs for the investment of the assets of associations organized under this chapter. These standards, and the investment programs developed by companies, shall take into account the safety of the association's principal, investment yield and growth, stability in the value of the investment, and liquidity necessary to meet the association's expected business needs, and investment diversification.
(2) All investments made pursuant to this section shall have investment qualities and characteristics such that the speculative elements of the investments are not predominant.
*c.* Financial terms relating to state mutual insurance associations have the meanings assigned to them under statutory accounting methods. Financial terms relating to companies other than state mutual insurance associations have the meanings assigned to them under generally accepted accounting principles.
*d.* Investments shall be valued in accordance with the valuation procedures established by the national association of insurance commissioners, unless the commissioner requires or finds another method of valuation reasonable under the circumstances.
*e.* If an investment qualifies under more than one subsection, an association may elect to hold the investment under the subsection of its choice. This section does not prevent an

association from electing to hold an investment under a subsection different from the one under which it previously held the investment.

2. *Definitions.* For purposes of this section:

*a.* *"Admitted assets"*, for purposes of computing percentage limitations on particular types of investments, means the assets which are authorized to be shown on the national association of insurance commissioner's annual statement blank as admitted assets as of the December 31 immediately preceding the date the association acquires the investment.

*b.* *"Clearing corporation"* means as defined in section 554.8102.

*c.* *"Custodian bank"* means as defined in section 515.35.

*d.* *"Issuer"* means as defined in section 554.8201.

*e.* *"Member bank"* means a national bank, state bank, or trust company which is a member of the United States federal reserve system.

*f.* *"National securities exchange"* means an exchange registered under section 6 of the federal Securities Exchange Act of 1934 or an exchange regulated under the laws of Canada.

*g.* *"Obligations"* includes bonds, notes, debentures, transportation equipment certificates, domestic repurchase agreements, and obligations for the payment of money not in default as to payments of principal and interest on the date of investment, which constitute general obligations of the issuer or payable only out of certain revenues or certain funds pledged or otherwise dedicated for payment of principal and interest on the obligations. A lease is an obligation if the lease is assigned to the insurer and is nonterminable by the lessee upon foreclosure of any lien upon the leased property, and if rental payments are sufficient to amortize the investment over the primary lease term.

*h.* *"Surplus"*, for purposes of computing percentage limitations on particular types of investments, means the surplus that is authorized to be shown on the commissioner's annual statement blank as surplus as of the December 31 immediately preceding the date the association acquires the investment.

3. *Investments in name of association or nominee and prohibitions.*

*a.* An association's investments shall be held in its own name or the name of its nominee, except as follows:

(1) Investments may be held in the name of a clearing corporation or of a custodian bank or in the name of the nominee of either on the following conditions:

(a) The clearing corporation, custodian bank, or nominee must be legally authorized to hold the particular investment for the account of others.

(b) When the investment is evidenced by a certificate and held in the name of a custodian bank or the nominee of a custodian bank, a written agreement shall provide that certificates so deposited shall at all times be kept separate and apart from other deposits with the depository, so that at all times they may be identified as belonging solely to the association making the deposit.

(c) If a clearing corporation is to act as depository, the investment may be merged or held in bulk in the name of the clearing corporation or its nominee with other investments deposited with the clearing corporation by any other person, if a written agreement between the clearing corporation and the association provides that adequate evidence of the deposit is to be obtained and retained by the association or a custodian bank.

(2) An association may participate through a member bank in the United States federal reserve book entry system, and the records of the member bank shall at all times show that the investments are held for the association or for specific accounts of the association.

(3) An investment may consist of an individual interest in a pool of obligations or a fractional interest in a single obligation if the certificate of participation or interest or the confirmation of participation or interest in the investment is issued in the name of the association, the name of the custodian bank, or the nominee of either, and, if the interest as evidenced by the certificate or confirmation is, if held by a custodian bank, kept separate and apart from the investments of others so that at all times the participation may be identified as belonging solely to the association making the investment.

(4) Transfers of ownership of investments held as described in paragraph *"a"*, subparagraph (1), subparagraph division (c), and subparagraphs (2) and (3), may be evidenced by bookkeeping entry on the books of the issuer of the investment, its transfer

or recording agent, or the clearing corporation without physical delivery of a certificate evidencing the association's investment.

*b.* Except as provided in paragraph "*a*", subparagraph (4), if an investment is not evidenced by a certificate, adequate evidence of the association's investment shall be obtained from the issuer or its transfer or recording agent and retained by the association, a custodian bank, or clearing corporation. Adequate evidence, for purposes of this paragraph, means a written receipt or other verification issued by the depository or issuer or a custodian bank which shows that the investment is held for the association.

4. *Investments.* Except as otherwise permitted by this section, an association organized under this chapter shall only invest in the following:

*a. United States government obligations.* 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, including 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 obligations described in this paragraph, and which are included in the national association of insurance commissioners' securities valuation office's United States direct obligation – full faith and credit list.

*b. Certain development bank obligations.* Obligations issued or guaranteed by the international bank for reconstruction and development, the Asian development bank, the inter-American development bank, the export-import bank, the world bank, or any United States government-sponsored organization of which the United States is a member, if the principal and interest is payable in United States dollars. An association shall not invest more than five percent of its total admitted assets in the obligations of any one of these banks or organizations, and shall not invest more than a total of ten percent of its total admitted assets in the obligations authorized by this paragraph.

*c. State obligations.* Obligations issued or guaranteed by a state, a political subdivision of a state, or an instrumentality of a state.

*d. Canadian government obligations.* Obligations issued or guaranteed by Canada, by an agency or province of Canada, by a political subdivision of such province, or by an instrumentality of any of those provinces or political subdivisions.

*e. Corporate and business trust obligations.* Obligations issued, assumed, or guaranteed by a corporation or business trust organized under the laws of the United States or a state, or the laws of Canada or a province of Canada, provided that an association shall not invest more than five percent of its admitted assets in the obligations of any one corporation or business trust. Investments shall be made only in investment grade bonds.

*f. Stocks.* Common stocks, common stock equivalents, mutual fund shares, securities convertible into common stocks or common stock equivalents, or preferred stocks issued or guaranteed by a corporation incorporated under the laws of the United States or a state, or the laws of Canada or a province of Canada, or limited partnerships publicly traded on a nationally established stock exchange in the United States. Aggregate investments in nondividend paying stocks shall not exceed five percent of surplus.

(1) Stocks purchased under this lettered paragraph shall not exceed fifty percent of surplus.

(2) With the approval of the commissioner, an association may invest in common stocks, preferred stocks, or other securities of one or more subsidiaries provided that both of the following occur:

(a) After such investments the association's surplus as regards policyholders will be reasonable in relation to the association's outstanding liabilities and adequate to its financial needs.

(b) The association owns one hundred percent of the stock of the subsidiary.

(3) An association shall not invest more than ten percent of its surplus in the stocks of any one corporation.

*g. Home office real estate.* With the prior approval of the commissioner, funds may be invested in home office real estate for the association or a subsidiary, at the direction

of the board of directors. The association or subsidiary shall obtain the approval of the commissioner prior to the sale or disposition of home office real estate owned by the association or subsidiary. Effective as to home office real estate acquired on or after July 1, 2009, an association shall not invest more than twenty percent of its total admitted assets in such real estate. With the prior approval of the commissioner, an association may exceed the real estate investment limitation to effectuate a merger with, or the acquisition of, another association.

[C24, 27, 31, 35, 39, §**9040;** C46, 50, 54, 58, 62, §518.12; C66, 71, 73, 75, 77, 79, 81, §518A.12]

95 Acts, ch 185, §33; 96 Acts, ch 1138, §4, 84; 2000 Acts, ch 1023, §45; 2005 Acts, ch 70, §46; 2006 Acts, ch 1010, §142; 2007 Acts, ch 137, §19; 2009 Acts, ch 41, §263; 2009 Acts, ch 145, §40 – 42; 2010 Acts, ch 1061, §68; 2013 Acts, ch 124, §24; 2014 Acts, ch 1092, §187

Subsection 4, paragraph a amended

**518A.13** Repealed by 99 Acts, ch 165, §23.

**518A.14 and 518A.15** Repealed by 2000 Acts, ch 1023, §59.

**518A.16** Repealed by 65 Acts, ch 401, §26.

**518A.17** Repealed by 99 Acts, ch 165, §23.

**518A.18 Annual report — penalties.**

1. An association doing business under this chapter, on or before March 1 of each year, shall prepare under oath and file with the commissioner of insurance an accurate and complete statement of the condition of the association as of the last day of the preceding calendar year. The statement shall conform to the annual statement blank prepared pursuant to instructions prescribed by the commissioner. All financial information reflected in the annual report shall be kept and prepared pursuant to accounting practices and procedures prescribed by the commissioner. Statements filed with the commissioner pursuant to this section shall be tabulated and published by the commissioner of insurance in the annual report of insurance.

2. An association that fails to timely file the statement required under subsection 1 is in violation of this section and shall pay an administrative penalty of five hundred dollars for each violation to the treasurer of state for deposit as provided in section 505.7.

3. The commissioner may give notice to an association that the association has not timely filed the statement required under subsection 1 and is in violation of this section. If the association fails to file the required statement and comply with this section within ten days of the date of the notice, the association shall pay an additional administrative penalty of one hundred dollars for each day that each failure continues to the treasurer of state for deposit as provided in section 505.7.

4. The association's right to transact new business in this state shall immediately cease until the association has fully complied with this chapter.

[C73, §1160; C97, §1762, 1763; S13, §1759-d, -e; C24, 27, 31, 35, 39, §**9044;** C46, 50, 54, 58, 62, §518.18; C66, 71, 73, 75, 77, 79, 81, §518A.18]

85 Acts, ch 228, §8; 2000 Acts, ch 1023, §46; 2006 Acts, ch 1117, §92; 2009 Acts, ch 181, §84

**518A.19 Proof of loss.**

A proof of loss shall contain such information as is required by the policy provisions of the association, which information shall be signed and sworn to by the insured.

[C24, 27, 31, 35, 39, §**9045;** C46, 50, 54, 58, 62, §518.19; C66, 71, 73, 75, 77, 79, 81, §518A.19]

2009 Acts, ch 145, §43

**518A.20 Five-day limit.**
In case of damage or loss to livestock by fire or lightning or loss or damage to automobiles or aircraft by theft or fire, notice of such loss must be given the association by mailing written notice within five days from the time such loss or damage occurred.
[C24, 27, 31, 35, 39, §**9046;** C46, 50, 54, 58, 62, §518.20; C66, 71, 73, 75, 77, 79, 81, §518A.20]

**518A.21 Ten-day limit.**
In case of loss to growing crops by hail, notice of such loss must be given the association by mailing a certified mail letter within ten days from the time such loss or damage occurred.
[C24, 27, 31, 35, 39, §**9047;** C46, 50, 54, 58, 62, §518.21; C66, 71, 73, 75, 77, 79, 81, §518A.21]

**518A.22 Limitation of action.**
A suit or action on a policy for the recovery of any claim shall not be sustainable in any court of law or equity unless all requirements of the policy have been complied with, and unless commenced within twelve months next after the inception of the loss.
[C24, 27, 31, 35, 39, §**9048;** C46, 50, 54, 58, 62, §518.22; C66, 71, 73, 75, 77, 79, 81, §518A.22]
2009 Acts, ch 145, §44

**518A.23 Presumption as to value.** Repealed by 2009 Acts, ch 145, §54.

**518A.24 Value of building — liability.**
The association issuing such policy may show the actual value of said property at date of policy, and any depreciation in the value thereof before the loss occurred; but the said association shall be liable for the actual value of the property insured at the date of the loss, unless such value exceeds the amount of insurance stated in the policy.
[C24, 27, 31, 35, 39, §**9050;** C46, 50, 54, 58, 62, §518.24; C66, 71, 73, 75, 77, 79, 81, §518A.24]

**518A.25 Value of personal property — value of crops.**
In any action on a policy to recover loss or damage on personal property, the association shall not be liable in excess of the amount of damage or loss at the time the loss or damage occurs; provided that the value of growing crops may be stated in the policy or contract.
[C24, 27, 31, 35, 39, §**9051;** C46, 50, 54, 58, 62, §518.25; C66, 71, 73, 75, 77, 79, 81, §518A.25]

**518A.26 Arbitration.**
No recovery on a policy or contract of insurance shall be defeated for failure of the insured to comply, after a loss occurs, with any arbitration or appraisement stipulation as to fixing the value of property. No arbitration shall take place except substantially where the property was situated at the time of loss. Contracts of insurance to indemnify against loss by hail to growing crops which stipulate for arbitration shall provide that the decision of the majority of the arbitrators shall be final only as to the arbitration.
[C31, 35, §9051-c1; C39, §**9051.1;** C46, 50, 54, 58, 62, §518.26; C66, 71, 73, 75, 77, 79, 81, §518A.26]

**518A.27 Reinsurance — quo warranto.**
The commissioner of insurance may address inquiries to any association in relation to its doings and condition and any association so addressed shall promptly reply thereto in writing. If the commissioner of insurance is then satisfied that the association has failed to comply with any provisions of this law, or is exceeding its powers, or is not carrying out its contracts in good faith; or is transacting business fraudulently or soliciting insurance in territories where it is not legally admitted to do business, or is in such condition as to render the further transaction of business by it hazardous to the public or its policyholders, the business under the commissioner's supervision and with the consent of the association may be reinsured in some mutual association, or the commissioner may present the facts relating thereto to the

attorney general and if the circumstances warrant the attorney general may commence an action in quo warranto in a court of competent jurisdiction.

[C97, §1766; S13, §1759-g; C24, 27, 31, 35, 39, §**9052;** C46, 50, 54, 58, 62, §518.27; C66, 71, 73, 75, 77, 79, 81, §518A.27]

**518A.28** Repealed by 99 Acts, ch 165, §23.

**518A.29 Cancellation or nonrenewal by association — notice.**

1. *Cancellation by insured.* A policy shall be canceled at any time at the request of the insured.

2. *Cancellation by association.*

*a.* Except as provided in paragraph *"b"*, notice of cancellation is not effective unless mailed or delivered by the association to the named insured at least thirty days before the effective date of cancellation.

*b.* Notice of cancellation resulting from nonpayment of a premium or installment provided for in the policy, or provided for in a note or contract for the payment of such premium or installment, is not effective unless mailed or delivered by the association to the named insured at least ten days prior to the date of cancellation.

*c.* If a notice of cancellation under paragraph *"a"* or *"b"* fails to include the reason for such cancellation, the association, upon receipt of a timely request by the named insured, shall provide the reason for the cancellation in writing.

3. *Nonrenewal by association.* A notice of intention not to renew is not effective unless mailed or delivered by the insurer to the named insured at least thirty days prior to the expiration date of the policy. If the reason does not accompany the notice of nonrenewal, the association, upon receipt of a timely request by the named insured, shall provide in writing the reason for the nonrenewal.

4. *Notice.* Service of notice under subsection 2 or 3 may be delivered in person or mailed to the insured at the insured's post office address as given in or upon the policy, or to such other address as the insured shall have given to the association in writing. A post office department certificate of mailing shall be deemed proof of receipt of such mailing. If in either case the cash payments exceed the amount properly chargeable, the excess shall be refunded to the insured.

[S13, §1759-m; C24, 27, 31, 35, 39, §**9054;** C46, 50, 54, 58, 62, §518.29; C66, 71, 73, 75, 77, 79, 81, §518A.29]

2000 Acts, ch 1023, §47; 2001 Acts, ch 69, §36; 2003 Acts, ch 91, §48; 2009 Acts, ch 145, §45

**518A.30 through 518A.32** Repealed by 2000 Acts, ch 1023, §59. See §518A.29.

**518A.33 and 518A.34** Repealed by 95 Acts, ch 185, §47.

**518A.35 Annual tax.**

1. A state mutual insurance association doing business under this chapter shall on or before the first day of March, each year, pay to the director of revenue, or a depository designated by the director, a sum equivalent to the applicable percent of the gross receipts from premiums and fees for business done within the state, including all insurance upon property situated in the state without including or deducting any amounts received or paid for reinsurance. However, a company reinsuring windstorm or hail risks written by county mutual insurance associations is required to pay the applicable percent tax on the gross amount of reinsurance premiums written upon such risks, but after deducting the amount returned upon canceled policies and rejected applications covering property situated within the state, and dividends returned to policyholders on property situated within the state. For purposes of this section, *"applicable percent"* means the same as specified in section 432.1, subsection 4.

2. Except as provided in subsection 3, the premium tax shall be paid on or before March 1 of the year following the calendar year for which the tax is due. The commissioner of

insurance may suspend the certificate of authority of a state mutual insurance association that fails to pay its premium tax on or before the due date.

3. *a.* Each state mutual insurance association transacting business in this state whose Iowa premium tax liability for the preceding calendar year was one thousand dollars or more shall remit on or before June 1, on a prepayment basis, an amount equal to one-half of the premium tax liability for the preceding calendar year.

*b.* In addition to the prepayment amount in paragraph *"a"*, each association shall remit on or before August 15, on a prepayment basis, an additional amount equal to the following percent of the premium tax liability for the preceding calendar year as follows:

(1) For prepayment in the 2003 and 2004 calendar years, eleven percent.

(2) For prepayment in the 2005 calendar year, twenty-six percent.

(3) For prepayment in the 2006 and subsequent calendar years, fifty percent.

*c.* The sums prepaid by a state mutual insurance association under this subsection shall be allowed as credits against its premium tax liability for the calendar year during which the payments are made. If a prepayment made under this subsection exceeds the annual premium tax liability, the excess shall be allowed as a credit against subsequent prepayment or tax liabilities. The commissioner of insurance may suspend the certificate of authority of an association that fails to make a prepayment on or before the due date.

[C24, 27, 31, 35, 39, §**9060;** C46, 50, 54, 58, 62, §518.35; C66, 71, 73, 75, 77, 79, 81, §518A.35]

2000 Acts, ch 1023, §48; 2001 Acts, ch 24, §57; 2002 Acts, ch 1050, §46; 2003 Acts, ch 145, §286; 2003 Acts, ch 179, §137, 159; 2004 Acts, ch 1175, §340, 348; 2006 Acts, ch 1117, §93

**518A.36** Reserved.

**518A.37 Surplus.**

An association organized under this chapter before July 1, 2009, shall at all times maintain a surplus of not less than one hundred thousand dollars, or one-tenth of one percent of the gross risk in force, whichever is greater. An association organized under this chapter on or after July 1, 2009, shall at all times maintain a surplus of not less than two hundred thousand dollars or one-tenth of one percent of the gross risk in force, whichever is greater.

90 Acts, ch 1234, §71; 99 Acts, ch 165, §20; 2002 Acts, ch 1111, §29; 2009 Acts, ch 145, §46

**518A.38** Repealed by 76 Acts, ch 1056, §45.

**518A.39 "Debt" defined.**

In ascertaining such corporate indebtedness, a debt shall be deemed to exist, on account of its liabilities on the policy certificates or contracts of insurance issued by it equal to the amount of surplus or other funds accumulated by such corporation for the purpose of fulfilling its policy contracts of insurance and which can be used for no other purpose.

[C24, 27, 31, 35, 39, §**9064;** C46, 50, 54, 58, 62, §518.39; C66, 71, 73, 75, 77, 79, 81, §518A.39]

**518A.40 Annual fees — renewals — penalties.**

1. Such associations shall pay the same fees for annual reports and annual certificates of authority as are required to be paid by domestic companies organized and doing business under chapter 515, which certificates shall expire June 1 of the year following the date of issue.

2. A certificate of authority of an association formed under this chapter shall be renewed annually so long as the organization transacts its business in accordance with all legal requirements. Such an association shall submit annually, on or before March 1, a completed application for renewal of its certificate of authority.

3. The commissioner shall refuse to renew the certificate of authority of a state mutual insurance association that fails to comply with the provisions of this chapter and the association's right to transact new business in this state shall immediately cease until the association has so complied.

4. An association that fails to timely file the application for renewal required under

subsection 2 is in violation of this section and shall pay an administrative penalty of five hundred dollars to the treasurer of state for deposit as provided in section 505.7.

[C73, §1160; C97, §1764; S13, §1759-f; C24, 27, 31, 35, 39, §**9065;** C46, 50, 54, 58, 62, §518.40; C66, 71, 73, 75, 77, 79, 81, §518A.40]

2006 Acts, ch 1117, §94; 2009 Acts, ch 145, §47; 2009 Acts, ch 181, §85

**518A.41 Insurance producers to be licensed.**

A person or corporation shall not solicit an application for insurance for any association in this state without having procured from the commissioner of insurance a license authorizing the person or corporation to act as an insurance producer.

[C24, 27, 31, 35, 39, §**9066;** C46, 50, 54, 58, 62, §518.41; C66, 71, 73, 75, 77, 79, 81, §518A.41]

2002 Acts, ch 1119, §73; 2004 Acts, ch 1110, §58

**518A.42 Limitation on termination of independent insurance producers.**

A state mutual insurance association authorized to do business in this state shall not terminate a contract of an insurance producer who is an independent contractor but who is not an exclusive insurance producer as defined in section 522B.1 without at least one hundred eighty days' notice, except for loss of license, fraud, nonpayment of association premiums that are due and not in dispute by the producer, or the withdrawal of operations in the state by the association.

2002 Acts, ch 1111, §30

**518A.43 Cancellation of license.** Repealed by 2003 Acts, ch 91, §51.

**518A.44 Reinsurance.**

A state mutual insurance association may reinsure a part or all of its coverages written pursuant to this chapter with an association operating under this chapter, or with any other association or company licensed in this state and authorized to write the kinds of insurance enumerated in section 518A.1.

Reinsurance sufficient to protect the financial stability of the state mutual insurance association is required. In general, reinsurance coverage obtained by an association shall not expose the association to losses from coverages written pursuant to this chapter of more than fifteen percent from surplus in any calendar year. The commissioner of insurance may require additional reinsurance if necessary to protect the policyholders of the association.

95 Acts, ch 185, §35; 99 Acts, ch 165, §21; 2000 Acts, ch 1023, §49; 2002 Acts, ch 1111, §31

**518A.45 through 518A.50** Reserved.

**518A.51 Loans to officers prohibited.**

Assets or other funds shall not be loaned directly or indirectly to an officer, director, or employee of the association, or directly or indirectly to a relative of an officer, director, or employee of the association.

95 Acts, ch 185, §36

**518A.52 Form — approval.**

The form of all policies, applications, agreements, and endorsements modifying the provisions of policies, and all permits and riders used in this state, issued or proposed to be issued by a state mutual insurance association doing business in this state under this chapter, shall first be examined and approved by the commissioner of insurance.

95 Acts, ch 185, §37; 2000 Acts, ch 1023, §50

**518A.53 Failure to file copy.**

Upon the failure of a state mutual insurance association to file a copy of its forms of policies or contracts pursuant to section 518A.52, the commissioner of insurance may suspend its

authority to transact business within the state until such forms of policies or contracts have been filed and approved.

95 Acts, ch 185, §38; 2000 Acts, ch 1023, §51

**518A.54 Disapproval of filings.**

If the commissioner finds that a filing does not meet the requirements of this chapter, written notice of disapproval shall be sent to the state mutual insurance association specifying in what respect the filing fails to meet the requirements of this chapter and stating that the filing is not effective. If a filing is disapproved by the commissioner, the association may request a hearing on the disapproval within thirty days. The association bears the burden of proving compliance with the standards established by this chapter.

If, at any time after a form has been approved, the commissioner finds that the form no longer meets the requirements of this chapter, the commissioner may order the discontinuance of the use of the form. The order of discontinuance shall be in writing and may be issued only after a hearing with at least ten days' prior notice to all state mutual insurance associations affected by the order. The order shall state the grounds upon which the order is based and when the order of discontinuance is effective.

95 Acts, ch 185, §39; 2000 Acts, ch 1023, §52

**518A.55 Certificate suspension.**

The commissioner of insurance may suspend a state mutual insurance association's certificate of authority to do business if the association neglects or fails to comply with this chapter.

95 Acts, ch 185, §40; 2000 Acts, ch 1023, §53

**518A.56 Rulemaking authority.**

The commissioner may adopt rules, pursuant to chapter 17A, as necessary for the administration of this chapter.

2009 Acts, ch 145, §48

**518A.57 Powers of members.**

Members of the association shall have the power to make or amend articles of incorporation at any membership meeting, provided that notice of such proposed addition or amendment has been mailed to each member of the association at least ten days in advance of the meeting in which such proposed action is to be considered, and provided that no such addition or amendment shall become effective until approved by the commissioner of insurance and recorded in the office of the secretary of state.

2009 Acts, ch 145, §49