CHAPTER 520

RECIPROCAL OR INTERINSURANCE CONTRACTS

Referred to in §87.4, §296.7, §331.301, §364.4, §423.3, §505.28, §505.29, §507.1, §508C.3, §509.5, §514A.1, §515B.1, §515B.2, §515B.9, §521.1, §521A.1, §521A.2, §521E.1, §521F.2, §522B.1, §533C.103, §537.7103, §669.14, §670.7

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520.1 Authorization.

Individuals, partnerships, and corporations, and cities, counties, townships, school districts and any other units of local government of this state, hereby designated subscribers, are hereby authorized to exchange reciprocal or interinsurance contracts with each other, and with individuals, partnerships, and corporations of other states, territories, districts, and countries, providing insurance among themselves from any loss which may be insured against under the law, except life insurance.

[C24, 27, 31, 35, 39, §**9083;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.1]

520.2 Execution of contract.

Such contracts may be executed by an attorney, agent, or other representative herein designated attorney, duly authorized and acting for such subscribers under powers of attorney, and such attorney may be a corporation. Such attorney shall have the power and authority to execute any and all instruments, papers, and documents incident to and a part of the business of the reciprocal or interinsurance exchange, including deeds for the conveyance of real estate, and acquisition and sale of securities. Such attorney shall have the power and authority to do all things necessary and incident to the management and operation of such business. The certificate of the commissioner of insurance certifying the name of the attorney for any reciprocal or interinsurance exchange shall be sufficient proof of the authority of any such attorney.

[C24, 27, 31, 35, 39, §**9084;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.2]

Referred to in §520.14

520.3 Office of attorney — foreign office.

The principal office of such attorney shall be maintained at such place as is designated by the subscribers in the power of attorney; provided that, where the principal office of such attorney is located in another state, the commissioner of insurance shall not issue a certificate of authority, or license, as provided in this chapter unless such attorney shall hold a license or certificate of authority from the insurance department of such other state.

[C24, 27, 31, 35, 39, §**9085;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.3]

Referred to in §520.14

520.4 Preliminary declaration.

Such subscribers so contracting among themselves, shall, through their attorney, file with the commissioner of insurance a declaration verified by the oath of such attorney, or, where

such attorney is a corporation, by the oath of the duly authorized officers thereof, setting forth:

1. The name of the attorney and the name or designation under which such contracts are issued, which name or designation shall not be so similar to any name or designation adopted by any attorney or by any insurance organization in the United States prior to the adoption of such name or designation by the attorney, as to confuse or deceive.
2. The location of the principal office.
3. The kind or kinds of insurance to be effected.
4. A copy of each form of policy, contract, or agreement under or by which insurance is to be effected.
5. A copy of the form of power of attorney under which such insurance is to be effected.
6. That applications have been made for indemnity or insurance upon at least one hundred separate risks aggregating not less than one and one-half million dollars represented by executed contracts or bona fide applications to become concurrently effective; or in case of employers liability or workers' compensation insurance, covering a total payroll of not less than two and one-half million dollars.
7. That there is in the possession of such attorney and available for the payment of losses, assets amounting to not less than three hundred thousand dollars.
8. A financial statement under oath in form prescribed for the annual statement.
9. The instrument authorizing service of process as provided for in this chapter.
10. Certificate showing deposit of funds.

[C24, 27, 31, 35, 39, §**9086;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.4]
Referred to in **§85.65A**, **§520.5**, **§520.9**, **§520.14**, **§520.18**

520.5 Actions — venue — commissioner as process agent.

Concurrently with the filing of the declaration provided for by the terms of section 520.4, the attorney shall file with the commissioner of insurance, an instrument in writing executed by the attorney for said subscribers, conditioned that, upon the issuance of certificate of authority provided for in this chapter, action may be brought in the county in which the property or person insured thereunder is located, and that service of process shall be had upon the commissioner of insurance or upon the attorney in fact in all suits in this state, whether arising out of such policies, contracts, agreements or otherwise, which service shall be valid and binding upon all subscribers exchanging at any time reciprocal or interinsurance contracts through such attorney. All suits of every kind and description brought against such reciprocal exchange or the subscribers thereto on account of their connection therewith, must be brought against the attorney in fact therefor or the exchange as such, and shall not be brought against any of the subscribers thereto individually on account of their connection with or membership in such reciprocal exchange, and must be brought in the manner and method above provided.

[C24, 27, 31, 35, 39, §**9087;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.5]
Referred to in **§520.14**

520.6 Manner of service.

Three copies of such process shall be served and the commissioner of insurance shall file one copy, forward one copy to said attorney, and return one copy with the commissioner's admission of service.

[C24, 27, 31, 35, 39, §**9088;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.6]
Referred to in **§520.14**

520.7 Judgment — satisfaction.

A judgment rendered in any such case where service of process has been so had upon the commissioner of insurance, shall be valid and binding against any and all such subscribers as their interests appear and such judgment may be satisfied out of the funds in the possession of the attorney belonging to such subscribers.

[C24, 27, 31, 35, 39, §**9089;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.7]
Referred to in **§520.14**

520.8 Reports — limitations on risks.

There shall be filed with the commissioner of insurance by such attorney whenever the commissioner of insurance shall so require, a statement under oath of such attorney showing the maximum amount of indemnity upon a single risk, and, except as to workers' compensation insurance, no subscriber shall assume on any single risk an amount greater than ten percent of the net worth of such subscriber.

[C24, 27, 31, 35, 39, §**9090;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.8]

Referred to in **§520.14**

520.9 Standard of solvency.

1. There shall at all times be maintained as assets a sum in cash, or in securities of the kind designated by the laws of the state where the principal office is located for the investment of funds of insurance companies, equal to one hundred percent of the net unearned premiums or deposits collected and credited to the account of subscribers, or assets equal to fifty percent of the net annual deposits collected and credited to the account of subscribers on policies having one year or less to run and pro rata on those for longer periods; in addition to which there shall be maintained in cash, or in such securities, assets sufficient to discharge all liabilities on all outstanding losses arising under policies issued, the same to be calculated in accordance with the laws of the state relating to similar reserves for companies insuring similar risks; provided that where the assets on hand available for the payment of losses other than determined losses, do not equal five million dollars, all liability for each determined loss or claim deferred for more than one year, shall be provided for by a special deposit in a trust company or bank having fiduciary powers of the state in which the principal office is located, to be used in payment of compensation benefits for disability; such deposit to be a trust fund and applicable only to the purposes stated, or such liability may be reinsured in authorized companies with a surplus of at least five million dollars. For the purpose of such reserves, net deposits shall be construed to mean the advance payments of subscribers after deducting the amount specifically provided in the subscribers' agreements for expenses. If at any time the assets so held in cash or such securities shall be less than required above, or less than five million dollars, the subscribers or their attorney for them shall make up the deficiency within thirty days after notice from the commissioner of insurance to do so. In computing the assets required by this section, the amount specified in section 520.4, subsection 7, shall be included.

2. Notwithstanding subsection 1, a person issuing reciprocal contracts and authorized to transact business under this chapter shall comply with the minimum surplus requirements of this section or chapter 521E, whichever is greater.

[C24, 27, 31, 35, 39, §**9091;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.9]

88 Acts, ch 1111, §16; 96 Acts, ch 1046, §8; 2007 Acts, ch 137, §20

Referred to in **§85.65A**, **§520.9A**, **§520.14**

520.9A Solvency standard — transition.

Notwithstanding section 520.9, a reciprocal or interinsurance insurer authorized to transact business in this state prior to July 1, 1988, may continue in operation provided that the insurer contributes an additional ten percent of the previous year ending capital and surplus to capital and surplus each year. If an insurer fails to contribute the additional ten percent, the commissioner of insurance may revoke the insurer's authorization to do business in this state. The insurance commissioner may waive this requirement for just cause shown.

88 Acts, ch 1111, §17

Referred to in **§520.14**

520.10 Annual report — examination — penalties.

1. Such attorney shall, within the time limited for filing the annual statement by insurance companies transacting the same kind of business, make a report, under oath, to the commissioner of insurance for each calendar year, showing the financial condition of affairs at the office where such contracts are issued and shall, at any and all times, furnish such additional information and reports as may be required; provided, however, that the attorney

shall not be required to furnish the names and addresses of any subscribers except in case of an unpaid final judgment. The business affairs, records, and assets of any such organization shall be subject to examination by the commissioner of insurance at any reasonable time, and such examination shall be at the expense of the organization examined.

2. A certificate of authority of a reciprocal or interinsurance insurer authorized under this chapter shall be renewed annually in accordance with section 520.12 so long as the insurer transacts its business in accordance with all legal requirements.

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

4. A reciprocal or interinsurance insurer that fails to timely file the report required under subsection 1 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.

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

[C24, 27, 31, 35, 39, §**9092;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.10]
2006 Acts, ch 1117, §96; 2009 Acts, ch 181, §86
Referred to in **§520.14**

520.11 Implied powers of corporations.

Any corporation now or hereafter organized under the laws of this state shall, in addition to the rights, powers, and franchises specified in its articles of incorporation, have full power and authority to exchange insurance contracts of the kind and character herein mentioned. The right to exchange such contracts is hereby declared to be incidental to the purposes for which such corporations are organized and as fully granted as the rights and powers expressly conferred.

[C24, 27, 31, 35, 39, §**9093;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.11]
Referred to in **§520.14**

520.12 Certificate of authority — renewal — penalties.

1. Upon compliance with the requirements of this chapter, the commissioner of insurance shall issue a certificate of authority or a license to the attorney, authorizing the attorney to make such contracts of insurance, which license shall specify the kind or kinds of insurance and shall contain the name of the attorney, the location of the principal office and the name or designation under which such contracts of insurance are issued. The certificate of authority shall expire on the first day of June next succeeding its issue, and shall be renewed annually as long as the company transacts business in accordance with the requirements of law. A copy of the certificate, when certified by the commissioner of insurance, shall be admissible in evidence for or against a company with the same effect as the original.

2. A reciprocal or interinsurance insurer shall submit annually, on or before March 1, a completed application for renewal of the insurer's certificate of authority. An insurer that fails to timely file an application for renewal shall pay an administrative fee of five hundred dollars to the treasurer of state for deposit as provided in section 505.7.

[C24, 27, 31, 35, 39, §**9094;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.12]
88 Acts, ch 1112, §110; 2006 Acts, ch 1117, §97; 2009 Acts, ch 181, §87
Referred to in **§520.10**, **§520.14**

520.13 Fidelity or surety bonds executed.

Fidelity or surety bonds executed by a reciprocal or interinsurance exchange pursuant to authority given by the commissioner of insurance shall be received and accepted as company or corporate bonds, provided, however, that such reciprocal companies before

being permitted to qualify for writing fidelity or surety bonds shall be required to maintain a surplus of three hundred thousand dollars.

[C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.13]

Referred to in **§520.14**

520.14 Violations — exceptions.

It shall be unlawful for an attorney to exchange contracts of insurance of the kind and character specified in this chapter, or for an attorney or representative of the attorney to solicit or negotiate any applications for the same without the attorney having first complied with the provisions of sections 520.2 through 520.13. For the purpose of organization and upon issuance of permit by the commissioner of insurance, powers of attorney and applications for such contracts may be solicited without compliance with the provisions of this chapter, but an attorney, agent, or other person shall not make any such contracts of indemnity until all of the provisions of this chapter shall have been complied with.

[C24, 27, 31, 35, 39, §**9095;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.14]

2004 Acts, ch 1110, §59; 2009 Acts, ch 133, §169

520.15 Refusal or revocation of certificate.

In addition to the foregoing penalties and where not otherwise provided, the penalty for failure or refusal to comply with any of the terms and provisions of this chapter, upon the part of the attorney, shall be the refusal, suspension, or revocation of certificate of authority or license by the commissioner of insurance and the public announcement of the commissioner's act, after due notice and opportunity for hearing has been given such attorney so that the attorney may appear and show cause why such action should not be taken.

[C24, 27, 31, 35, 39, §**9096;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.15]

520.16 Bonds.

Where the principal office of the attorney in fact is located in this state the attorney shall give a fidelity bond to the subscribers thereof, personal or surety, in such sum as the commissioner of insurance shall deem sufficient, no less, however, than ten thousand dollars, which bond shall be approved by and deposited with the commissioner of insurance.

[C24, 27, 31, 35, 39, §**9097;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.16]

520.17 Additional security — refusal.

Should the commissioner of insurance consider the surety on said bond, or the amount thereof, insufficient, the commissioner may require additional security or an increase in the amount of the bond. If such additional security or increase be not furnished within thirty days after notice to furnish the same, the commissioner of insurance may revoke the certificate of authority.

[C24, 27, 31, 35, 39, §**9098;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.17]

520.18 Foreign attorney — bonds.

Where the principal office of the attorney is located in another state, there shall be filed with the commissioner of insurance, in connection with the declaration, provided for by section 520.4, certified copies of all such bonds given by such attorney as security for the funds of subscribers.

[C24, 27, 31, 35, 39, §**9099;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.18]

520.19 Annual tax — fees.

In lieu of all other taxes, licenses, charges, and fees whatsoever, such attorney shall annually pay to the commissioner the same fees as are paid by mutual companies transacting the same kind of business, and an annual tax based upon the applicable percentage stated in section 432.1, subsection 4, calculated upon the gross premiums or deposits collected from subscribers in this state during the preceding calendar year, after deducting therefrom returns, or cancellations, and all amounts returned to subscribers or credited to

their accounts as savings, and the amount returned upon canceled policies and rejected applications covering property situated or on business done within this state.

[C24, 27, 31, 35, 39, §**9100;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.19]
88 Acts, ch 1112, §305; 2005 Acts, ch 70, §47

520.20 Form of policy — construction.

The attorney may insert in any form of policy prescribed by the laws of this state any provisions or conditions required by the plan of reciprocal or interinsurance, provided the same shall not be inconsistent with or in conflict with any law of this state. Such policy, in lieu of conforming to the language and form prescribed by such law, shall be held to conform thereto in substance if such policy includes a provision or endorsement reciting that the policy shall be construed as if in the language and form prescribed by such law. Any such policy or endorsement shall first be filed with and approved by the commissioner of insurance.

[C24, 27, 31, 35, 39, §**9101;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.20]

520.21 Reinsurance.

Such attorney shall not effect any reinsurance on risks in this state unless the insurance carrier granting such reinsurance shall be licensed in this state.

[C24, 27, 31, 35, 39, §**9102;** C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.21]
Referred to in **§521.13**

520.22 Repealed by 88 Acts, ch 1111, §18.

520.23 Deposit of securities by reciprocal or interinsurance exchanges.

If the commissioner of insurance or chief insurance officer of any other state or territory of the United States, claiming to proceed under existing or future laws of any such state or territory, shall require reciprocal or interinsurance exchanges of this state or the agents thereof to make any deposit of securities in such other state or territory for the protection of policyholders or otherwise or to make payment of taxes, fines, penalties, certificates of authority, license fees or otherwise or subject them to any restrictions, obligations, conditions, or penalties, greater than are required or imposed by the laws of the state of Iowa relating to reciprocal or interinsurance exchanges, from such exchanges of such other states or territories by the then existing laws of this state, then and in every such case all such reciprocal or interinsurance exchanges of such other states or territories shall be and they are hereby required to make like deposits for like purposes with the insurance division of this state and to pay to the commissioner of insurance taxes, fines, penalties, certificates of authority, license fees and otherwise in an amount equal to the amount of such charges and payments, and shall be subjected to the same restrictions, obligations, conditions, or penalties imposed by the commissioner of insurance or chief insurance officer of such other states under and by virtue of law, upon reciprocal or interinsurance exchanges of this state and the agents thereof.

[C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §520.23]