

## CHAPTER 506

## DOMESTIC INSURANCE COMPANIES

Referred to in §87.4, 296.7, 331.301, 364.4, 505.28, 505.29, 669.14, 670.7

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**506.1 Rules — limitations.**

The commissioner of insurance shall promulgate such reasonable rules and regulations as the commissioner deems necessary to assure the proper operation of newly organized insurance companies but in no event shall the commissioner:

1. Require that more than twenty percent of the original capital and surplus of a stock corporation subject to the provisions of [this chapter](#) be invested by the organizers; or
2. Restrict the alienation of securities issued to organizers for a period of more than:
  - a. Five years, or
  - b. Until the operation of the insurance company produces earned surplus for two successive years.

[C66, 71, 73, 75, 77, 79, 81, §506.1]

**506.2 Sale of securities restricted.**

Neither the securities in a domestic insurance company, nor securities in a holding company, one of the purposes of which is to organize, purchase, or otherwise acquire control of a domestic insurance company, nor membership in an association in process of organization shall be sold or solicited until such company or association, and the promoters thereof, shall have first complied with all of the statutory provisions regulating the organization of such companies and associations, and also have secured from the commissioner of insurance a certificate indicating full compliance with the provisions of [this chapter](#).

[S13, §1683-r3; C24, 27, 31, 35, 39, §8616; C46, 50, 54, 58, 62, §506.1; C66, 71, 73, 75, 77, 79, 81, §506.2]

[88 Acts, ch 112, §501](#)

**506.3 Certificate of compliance.**

Before the commissioner of insurance shall issue such certificate of compliance, the commissioner shall first be satisfied with the general plan of such organization and the character of the advertising to be used; the commissioner shall also see that all rules and regulations promulgated under [this chapter](#) have been complied with and fix the time within which such organization shall be completed; the commissioner shall also prescribe the method of keeping books and accounts of insurance companies and those of fiscal agents of corporations subject to the provisions of [this chapter](#).

[S13, §1683-r3; C24, 27, 31, 35, 39, §8617; C46, 50, 54, 58, 62, §506.2; C66, 71, 73, 75, 77, 79, 81, §506.3]

**506.4 Maximum promotion expense allowed.**

The maximum promotion expense which may be incurred shall in no case exceed fifteen percent of the sale price of said stock, and no portion of such amount shall be used in the payment of salaries for officers and directors before the issuance, by the commissioner of insurance, of authority to transact an insurance business. Any amount paid to the company for stock above the par value of the stock shall constitute a contributed surplus but no

dividends shall be paid by the company except from the earned profits arising from their business, which shall not include contributed capital or contributed surplus.

[C24, 27, 31, 35, 39, §8618; C46, 50, 54, 58, 62, §506.3; C66, 71, 73, 75, 77, 79, 81, §506.4]  
Referred to in [§506.6](#), [515.10](#)

#### **506.5 Regulation by commissioner.**

The commissioner of insurance shall have power to regulate all other matters in connection with the organization of such domestic corporations, and the sale of stock or the issuing of certificates by all insurance corporations within the state, to the end that fraud may be prevented in the organization of such companies and the sale of their stocks and securities.

[S13, §1683-r3; C24, 27, 31, 35, 39, §8619; C46, 50, 54, 58, 62, §506.4; C66, 71, 73, 75, 77, 79, 81, §506.5]

Referred to in [§515.10](#)

#### **506.6 Promoters restricted.**

No company shall enter into any contract with any promoter, officer, director, or agent of the company or any other person to pay the person's expenses or to pay the person any commission or any compensation for the person's services in promoting or organizing such company, or in selling its stock in excess of the amount authorized in [section 506.4](#); nor shall it contract with any such person to pay the person any part of the premiums arising from the insurance it has written or may write as compensation, directly or indirectly, for aiding in the promotion or for aiding or effecting any consolidation of such company with any other company, without the approval of the commissioner of insurance.

[C24, 27, 31, 35, 39, §8620; C46, 50, 54, 58, 62, §506.5; C66, 71, 73, 75, 77, 79, 81, §506.6]  
Referred to in [§515.10](#)

#### **506.7 Penalty.** Repealed by [2004 Acts, ch 1110, §71](#).

#### **506.8 Liability to stockholders.**

Any person, association, or corporation who sells or aids in selling or causes to be sold any stock, certificate of membership, or evidence of interest in any such corporation or association, in violation of law, shall be personally liable to any person to whom the person, association or certificate of membership or evidence of interest, in an amount equal to the price paid therefor by such person with legal interest, and suit to recover the same may be brought by such purchasers, jointly or severally, in any court of competent jurisdiction.

[C24, 27, 31, 35, 39, §8622; C46, 50, 54, 58, 62, §506.7; C66, 71, 73, 75, 77, 79, 81, §506.8]

#### **506.9 Judicial review.**

Judicial review of the acts of commissioner of insurance may be sought in accordance with the terms of the Iowa administrative procedure Act, [chapter 17A](#).

[C24, 27, 31, 35, 39, §8623; C46, 50, 54, 58, 62, §506.8; C66, 71, 73, 75, 77, 79, 81, §506.9]  
[2003 Acts, ch 44, §114](#)

#### **506.10 Sale of stock as inducement to insurance.**

1. No insurance company shall issue in this state, or permit its agents, officers, or employees to issue in this state its own stock, agency company stock or other stock or securities, or any special or advisory board or other contract of any kind promising returns and profits as an inducement to insurance.

2. No insurance company shall be authorized to do business in this state which issues or permits its agents, officers, or employees to issue in this state or in any other state or territory, agency company stock or other stock or securities, or any special advisory board or other contract of any kind promising returns and profits as an inducement to insurance.

3. No corporation or stock company, acting as an agent of an insurance company, or any of its agents, officers, or employees, shall be permitted to agree to sell, offer to sell, or give or offer to give, directly or indirectly, in any manner whatsoever, any share of stock, securities, bonds, or agreement of any form or nature, promising returns and profits as an inducement to insurance, or in connection therewith.

4. Nothing contained in [this section](#) shall impair or affect in any manner any such contracts issued or made as an inducement to insurance prior to April 16, 1921, or prevent the payment of the dividends or returns therein stipulated to be paid.

5. It shall be the duty of the commissioner upon being satisfied that any insurance company, or any agent thereof, has violated any of the provisions of [this section](#), to revoke the certificate of authority of the company or agent so offending.

[C24, 27, 31, 35, 39, §8624; C46, 50, 54, 58, 62, §506.9; C66, 71, 73, 75, 77, 79, 81, §506.10]  
[2018 Acts, ch 1041, §127; 2019 Acts, ch 59, §178](#)

**506.11 Securities law applicable.**

Nothing contained in [this chapter](#) shall be construed to exempt any corporation from the requirements of [chapter 502](#).

[C66, 71, 73, 75, 77, 79, 81, §506.11]

**506.12 Principal executive office.**

An insurance company incorporated under the laws of this state for the purpose of engaging in the business of insurance shall maintain a principal executive office in this state unless otherwise allowed by the commissioner of insurance. The location of the principal executive office in this state of an insurance company incorporated under [chapter 490](#) shall be identified in the insurance company's articles of incorporation.

[92 Acts, ch 1162, §2](#)

**506.13 New officers or directors — biographical affidavit required.**

Within thirty days after a quarterly or annual statement of an insurance company domiciled in this state first names an individual as an officer or director of the company on the jurat page of the quarterly or annual statement, the new officer or director shall file a biographical affidavit with the commissioner. The affidavit shall be prepared on the current template for biographical affidavits prescribed by the national association of insurance commissioners.

[2007 Acts, ch 137, §8](#)

**506.14 Voluntary dissolution of domestic mutual insurance companies.**

1. Any plan for voluntary dissolution of a domestic mutual insurance company licensed to transact the business of insurance under [chapter 508](#), [515](#), [518](#), or [518A](#) shall be presented for approval by the commissioner not less than ninety days in advance of notice of the plan to policyholders.

2. The commissioner shall approve the plan if the commissioner finds that the plan complies with all applicable provisions of law and is fair and equitable to the domestic mutual insurance company and its policyholders.

[2013 Acts, ch 124, §8](#)