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.

1. *Definitions.* As used in this section unless the context otherwise requires:

a. "Accounting practices and procedures manual" means the most recent edition of the national association of insurance commissioner's accounting practices and procedures manual.

b. "Admitted assets" means the assets permitted to be reported as admitted assets on an insurer's most recent statutory financial statement required to be filed with the commissioner. *"Admitted assets"* shall include reinsurance funds withheld. *"Admitted assets"* shall not include assets held in nonguaranteed separate accounts.

c. "Affiliate of" means the same as defined in section 521A.1.

d. "Business entity" means a sole proprietorship, corporation, limited liability company, association, partnership, joint stock company, joint venture, mutual fund, trust, joint tenancy or other similar form of business organization, whether organized for profit or not for profit.

e. "Capital and surplus" means the sum of capital and surplus of an insurer that is required to be shown on an insurer's most recent statutory financial statement required to be filed with the commissioner.

f. "Collateral loan" means an unconditional obligation for the payment of money that is secured by the pledge of any assets or investments permitted under this section. A collateral loan cannot be a mortgage loan, credit instrument, or other debt security as defined in this subsection.

g. "Commissioner" means the commissioner of insurance.

h. "Credit instrument" means an investment that is qualified as a bond under the accounting practices and procedures manual, such as evidence of indebtedness of a governmental unit or the instrumentality of the governmental unit, or of a private business entity. *"Credit instrument"* includes asset-backed securities, bank loans, and SVO-listed funds that have an SVO designation, and that qualify as a bond under the manual.

i. "Equity interest" means any of the following:

(1) A common stock.

(2) A trust certificate.

(3) An equity investment in an investment company other than an SVO-listed fixed income or preferred stock fund.

(4) An investment in a common trust fund with a bank that is regulated by a federal or state agency as trustee.

(5) An ownership interest in minerals, oil, or gas, the rights to which have been separated from the underlying fee interest in the real estate where the minerals, oil, or gas are located.

(6) An instrument that is mandatorily, or at the option of the issuer, convertible to equity.

(7) A limited partnership interest or a general partnership interest as authorized under subsection 4.

(8) An ownership interest in a limited liability company.

(9) A warrant or other right to acquire an ownership interest that is created by the person that either owns or will issue the ownership interest to be acquired.

(10) An investment categorized as an equity interest under subsection 5.

j. "Foreign investment" means an investment in a foreign jurisdiction, or an investment in

an entity, real estate, or asset domiciled in a foreign jurisdiction. *"Foreign investment"* shall not include any of the following:

(1) An asset for which the issuing person or guarantor is the United States or Canada, or is domiciled in the United States or Canada.

(2) An asset for which the issuing person is domiciled in a foreign jurisdiction that has a sovereign debt rating of SVO 1, and the issuing person is a fund or other investment vehicle that invests, directly or indirectly, substantially all of its assets in investments which are not foreign investments. If an insurer invests in an asset under this subparagraph, the commissioner may require the insurer to disclose to the commissioner the investments held by the fund or other investment vehicle.

k. *"Hedging transaction"* means a derivative transaction entered into and maintained by an insurer to reduce any of the following:

(1) The risk of a change in the value, yield, price, cash flow, or quantity of assets or liabilities which the insurer has acquired or incurred, or anticipates acquiring or incurring.

(2) Currency exchange rate risk or the degree of exposure as to assets or liabilities that the insurer has acquired or incurred, or anticipates acquiring or incurring.

l. *"Income generation transaction"* means a derivative transaction that involves writing a covered call option, covered put option, covered cap, or covered floor, and that is intended to generate income or enhance return.

m. *"Insurer"* means a company organized as a life insurance company under chapter 508.

n. *"Investment company"* means an investment company as defined in section 3(a) of the federal Investment Company Act of 1940, as amended, and as codified at 15 U.S.C. §80a-3 et seq., and a person described in section 3(c) of the federal Investment Company Act.

o. *"Investment subsidiary"* means a subsidiary of an insurer that is engaged or organized to engage exclusively in the ownership and management of assets authorized as investments for the insurer.

p. *"Lower grade investment"* means a credit instrument that is designated 4, 5, or 6 by the SVO.

q. *"Medium grade investment"* means a credit instrument that is designated 3 by the SVO.

r. *"Mortgage loan"* means an obligation secured by a mortgage, deed of trust, trust deed, or other consensual lien on real estate. *"Mortgage loan"* includes a leasehold estate in real property if fifty years or more of the term, including renewals, is unexpired.

s. *"NAIC"* means the national association of insurance commissioners.

t. *"Nonguaranteed separate account"* means a separate account for which the insurer's general account bears no risk related to performance of the separate account assets.

u. *"Other debt security"* means an investment in the form of a debt security that does not qualify as a bond, however, the investment does qualify as an admissible asset under the accounting practices and procedures manual.

v. *"Person"* means an individual, a business entity, a multilateral development bank, or a governmental or quasi-governmental body such as a political subdivision or a government-sponsored enterprise.

w. *"Real estate"* means any of the following:

(1) Real property.

(2) Interests in real property such as leaseholds, and minerals, oil, and gas that have not been separated from the underlying fee interest.

(3) Improvements and fixtures located on or in the real property.

(4) The buyer's equity in a contract providing for a sale of real estate.

(5) An investment categorized as real estate under subsection 5.

x. *"Replication transaction"* means a derivative transaction entered into in conjunction with other investments in order to reproduce the investment characteristics of otherwise permissible investments. *"Replication transaction"* does not include a derivative transaction that is entered into as a hedging transaction.

y. *"Securities valuation office"* or *"SVO"* means the securities valuation office of the NAIC, or a successor entity.

z. *"Short-term investment"* means a highly liquid investment or security that has a

remaining term of maturity between ninety days and three hundred sixty-five days, and that is qualified as a short-term investment under the accounting practices and procedures manual.

2. *Prudence evaluation criteria.*

a. For all investments under this section, an insurer shall perform the insurer's duties in good faith and with the degree of care that persons of reasonable prudence in a similar position exercise in a similar circumstance. The following factors shall be evaluated by the insurer and considered along with the insurer's business to determine if an investment portfolio or an investment policy is prudent:

(1) General economic conditions.

(2) The expected tax consequences of an investment decision or strategy.

(3) The fairness and reasonableness of the terms of an investment in relation to the investment's risk and reward characteristics.

(4) The effect of an investment on the characteristics of the insurer's investment portfolio as a whole.

(5) The extent of the diversification of the insurer's investments among all of the following:

(a) Individual investments.

(b) Classes of investments.

(c) Industry concentrations.

(d) Issuers.

(e) Geographic areas.

(6) The economic substance of investments in affiliates.

(7) The investment exposure to each of the following risks, consistent with the insurer's acceptable risk level identified under subsection 3:

(a) Liquidity.

(b) Credit and default.

(c) Market.

(d) Interest rate, including duration and convexity.

(e) Currency.

(8) The amount of the insurer's assets, premium writings and insurance in force, level of capitalization, and other appropriate characteristics.

(9) The amount and adequacy of the insurer's reported liabilities.

(10) The relationship, and the risk of adverse changes, of the expected cash flows of the insurer's assets and liabilities.

(11) The relationship, and the risk of adverse changes, of the valuation of the insurer's assets and liabilities.

(12) The insurer's level of expertise with various types of investments.

(13) The ability of the insurer to model the underlying risks of an investment, with the modeling commensurate with the complexity of the investment.

(14) The overall maturity of the insurer's enterprise risk management and investment risk management frameworks.

(15) The adequacy of the insurer's capital and surplus to secure the liabilities of the insurer in consideration of the risk and potential magnitude of adverse experience or economic conditions.

(16) The professional standards required by the insurer for the individuals who make day-to-day investment decisions on behalf of the insurer.

(17) Any other factors relevant to whether an investment is prudent.

b. The commissioner shall consider each of the factors in paragraph "*a*", subparagraphs (1) through (17), prior to making a determination that an insurer's investment portfolio or investment policy is not prudent.

3. *Insurer investment policies.* In acquiring, investing, exchanging, holding, selling, and managing investments, an insurer shall establish and follow one or more written investment policies that shall be annually reviewed and approved by the insurer's board of directors or the board of directors' designee. The content and format of an insurer's investment policies are at the insurer's discretion; however, the investment policies must include written

guidelines and controls appropriate to the insurer's business. An insurer shall consider all of the following:

a. Permissible asset types, including maximum or minimum internal limits regarding the composition of classes of investments.

b. Periodic evaluation of the investment portfolio as to the portfolio's risk and reward characteristics.

c. The relationship of investments to the insurer's insurance products and liabilities.

d. The manner in which the insurer intends to implement subsection 2.

e. The appropriate level of risk, based on quantitative measures, given the level of capitalization and expertise available to the insurer.

4. *Prohibited investments.* An insurer shall not, directly or indirectly, do any of the following:

a. Except as provided in subsection 5, invest in an obligation or security, or make a guarantee for the benefit of or in favor of an officer or director of the insurer.

b. Except as provided in chapter 521A or subsection 5, invest in an obligation or security of, make a guarantee for the benefit of or in favor of, or make other investments in, a business entity in which ten percent or more of the voting securities or equity interests are owned directly or indirectly by or for the benefit of one or more officers or directors of the insurer.

c. Engage on the insurer's own behalf, or through one or more affiliates, in a transaction or series of transactions intended to evade the prohibited investments under this subsection.

d. Act or invest as a general partner, with the following exceptions:

(1) If all other partners in the partnership are subsidiaries of the insurer.

(2) For the purpose of any of the following:

(a) Meeting cash calls committed to by the partnership prior to July 1, 2023.

(b) Completing specific projects or activities of the partnership in which the insurer was a general partner before July 1, 2023, and that had been undertaken before July 1, 2023.

(c) Making capital improvements to property owned by the partnership before July 1, 2023, if the insurer was a general partner before July 1, 2023.

e. Notwithstanding paragraphs "*c*" and "*d*", a subsidiary or an affiliate of an insurer shall not be prohibited from acting or investing as a general partner.

f. (1) Invest in or lend the insurer's funds upon the security of shares of the insurer's own stock, except that an insurer may acquire shares of its own stock for any of the following purposes:

(a) Conversion of a stock insurer into a mutual or reciprocal insurer, or a mutual or reciprocal insurer into a stock insurer.

(b) Issuance to the insurer's officers, employees, or agents in connection with a plan for converting a publicly held insurer into a privately held insurer, as approved by the commissioner under section 508B.7, or in connection with other stock option and employee benefit plans.

(c) In accordance with any other plan approved by the commissioner.

(2) Stocks acquired by an insurer under subparagraph (1) shall not be admitted assets of the insurer.

5. *Valuation and categorization of investments.*

a. Unless otherwise specified in this section, the valuation and categorization of, or the amount of, an insurer's investment acquired or held under subsections 6 through 20, shall be the classification and value at which the assets of an insurer are required to be reported for statutory accounting purposes, as determined in accordance with the accounting and valuation standards of the NAIC including all of the following:

(1) The most recently published purposes and procedures manual of the NAIC investment analysis office, or any successor purposes and procedures adopted by the NAIC investment analysis office.

(2) The most recently published valuation of securities manual, or any successor valuation of securities procedures adopted by the NAIC.

(3) The most recently published accounting practices and procedures manual, or any successor accounting practices and procedures adopted by the NAIC.

(4) The most recently published annual statement instructions, or any successor annual statement instructions adopted by the NAIC.

(5) Any successor valuation procedures adopted by the NAIC.

b. Upon approval of the commissioner, an insurer's investment in the equity interests of a business entity whose primary purpose is to directly or indirectly invest in and maintain assets and investments on behalf of the insurer and the insurer's affiliates, or on behalf of the insurer or the insurer's affiliates, may be deemed to be the insurer itself investing in such assets and investments of the business entity based on the insurer's pro rata equity interest in the business entity.

6. *General five-percent diversification.*

a. Except as otherwise specified in this section, an insurer shall not directly or indirectly acquire an investment under this section if, as a result of and after giving effect to the investment, the insurer will hold more than five percent of the insurer's admitted assets in investments of all kinds issued, assumed, accepted, insured, or guaranteed by a single person.

b. Notwithstanding paragraph "*a*", an insurer shall not acquire an asset-backed security if, as a result of and after giving effect to the investment, the aggregate amount of asset-backed securities secured by or evidencing an interest in a single asset or single pool of assets held by a trust or other business entity then held by the insurer will exceed five percent of the insurer's admitted assets.

c. Notwithstanding paragraph "*a*", an insurer shall not acquire a mortgage loan under subsection 12 if, as a result of and after giving effect to the investment, the aggregate amount of mortgage loans covering any one secured location will exceed five percent of the insurer's admitted assets.

7. *Medium and lower grade investments.*

a. An insurer shall not acquire an investment under this section, including counterparty exposure net of collateral held, if, as a result of and after giving effect to the investment any of the following apply:

(1) The aggregate amount of medium and lower grade investments then held by the insurer will exceed twenty percent of the insurer's admitted assets.

(2) The aggregate amount of lower grade investments then held by the insurer will exceed ten percent of the insurer's admitted assets.

(3) The aggregate amount of investments designated 5 or 6 by the SVO then held by the insurer will exceed three percent of the insurer's admitted assets.

(4) The aggregate amount of investments designated 6 by the SVO then held by the insurer will exceed one percent of the insurer's admitted assets.

b. An insurer shall not acquire an investment under this section, including counterparty exposure net of collateral held, if, as a result of and after giving effect to the investment all of the following apply:

(1) The aggregate amount of medium and lower grade investments issued, assumed, guaranteed, accepted, or insured by any one person or, as to asset-backed securities secured by or evidencing an interest in a single asset or pool of assets, then held by the insurer will exceed one percent of the insurer's admitted assets.

(2) The aggregate amount of lower grade investments issued, assumed, guaranteed, accepted, or insured by any one person or, as to asset-backed securities secured by or evidencing an interest in a single asset or pool of assets, then held by the insurer will exceed one-half of one percent of the insurer's admitted assets.

c. If an insurer attains or exceeds the limit of any one designation category under this subsection, the insurer shall not be precluded from acquiring investments in other designation categories, subject to the specific and multi-category limits applicable to each of those investments.

8. *Cash or cash equivalents.* An insurer may acquire, without limitation, cash and cash equivalents as such terms are defined in the accounting practices and procedures manual.

9. *Credit instruments and short-term investments.* An insurer may acquire the following credit instruments and short-term investments subject to all of the following:

a. The following credit instruments acquired under this subsection shall be subject to subsection 6 and subsection 7, but shall not be subject to subsection 6, paragraph "*a*":

(1) Credit instruments issued, assumed, guaranteed, or insured by the United States or Canada.

(2) Credit instruments issued, assumed, guaranteed, or insured by a government-sponsored enterprise of the United States or Canada, if the credit instruments are assumed, guaranteed, or insured by the United States or Canada, or are otherwise backed or supported by the full faith and credit of the United States or Canada.

(3) Credit instruments, excluding asset-backed securities that are any of the following:

(a) Issued, assumed, guaranteed, or insured by a government-sponsored enterprise of a government other than the United States or Canada.

(b) Issued, assumed, guaranteed, or insured by a state, if the instruments are general obligations of the state.

b. Short-term investments acquired under this subsection shall be subject to subsection 6.

c. All other credit instruments acquired under this subsection shall be subject to subsections 6 and 7.

d. Foreign investments acquired under this subsection shall be subject to subsection 15.

10. *Equity interests.* An insurer may acquire equity interests subject to all of the following:

a. (1) An insurer shall not acquire an investment under this subsection, if, as a result of and after giving effect to the investment, the aggregate amount of investments then held by the insurer will exceed ten percent of the insurer's admitted assets.

(2) Notwithstanding subparagraph (1), an insurer that files an annual statement pursuant to section 508.11 and completes the NAIC's health statement test shall not acquire an investment under this subsection, if, as a result of and after giving effect to the investment, the aggregate amount of investments then held by the insurer will exceed twenty-five percent of the insurer's admitted assets.

b. Foreign investments acquired under this subsection shall be subject to subsection 15.

c. Equity interests in subsidiary corporations, as authorized by section 508.33, shall be eligible investments if the total investment does not exceed five percent of the insurer's admitted assets. Upon application to and approval of the commissioner, an insurer may acquire additional equity interests in direct or indirect subsidiary insurance companies that are domiciled in the United States, not to exceed an additional two percent of the insurer's admitted assets.

d. In addition to the investments authorized in paragraphs "*a*", "*b*", and "*c*", an insurer may acquire equity interests in subsidiary entities as permitted by, and as subject to the limitations of, section 521A.2.

11. *Tangible personal property.*

a. An insurer may acquire obligations secured by tangible personal property that is under contract of sale or lease for which contractual payments may reasonably be expected to return the principal of, and provide earnings on, the investment within the anticipated useful life of the tangible personal property.

b. An insurer shall not acquire an obligation under paragraph "*a*", if, as a result of and after giving effect to the investment, the aggregate amount of investments then held by the insurer under this subsection will exceed either of the following:

(1) Two percent of the insurer's admitted assets.

(2) One-half of one percent of the insurer's admitted assets as to any single item of tangible personal property.

12. *Mortgage loans.*

a. An insurer may acquire obligations secured by a mortgage or deed of trust that is a first or second lien upon otherwise unencumbered real estate, or upon leasehold estates in real property if fifty years or more of the term including renewals is unexpired, or other similar instruments, including mezzanine loans, either directly or through a business entity where the business entity's sole purpose is to hold mortgages that qualify for investment under this subsection, provided all of the following apply:

(1) The amount loaned by the insurer, together with any amount secured by an equal or prior security interest, whether of the insurer or another party, does not exceed ninety percent of the appraised value of the real estate and improvements at the time the insurer makes the

investment, as evidenced by a current qualified external appraisal or an internal appraisal conducted using standards comparable to an external appraisal.

(2) The amount of an obligation required to be included in the calculation of the loan-to-value ratio may be reduced to the extent the obligation is insured or guaranteed by an agency of the United States government.

(3) A mezzanine loan acquired under this subsection shall not exceed four percent of an insurer's admitted assets.

b. This subsection shall not be construed to prevent any amount invested under this subsection that exceeds ninety percent of the appraised value of the real estate from being an authorized asset under subsection 10, paragraph *"a"*, or subsection 20, subject to the limitations of subsection 10, paragraph *"a"*, and subsection 20.

13. *Real estate.*

a. An insurer may acquire real estate either directly or through certificates evidencing participation with other investors.

b. An insurer may acquire real estate required for the insurer's home offices, or to be otherwise occupied by the insurer or the insurer's employees in transacting the insurer's business, and the insurer may lease any unused space to other occupants. The value of an insurer's investments under this paragraph shall not exceed ten percent of the insurer's admitted assets.

c. Excluding investments under paragraph *"b"*, an insurer's investments under this subsection shall not exceed fifteen percent of the insurer's admitted assets.

d. An insurer's aggregate investments under this subsection and subsection 12 shall not exceed forty-five percent of the insurer's admitted assets.

14. *Securities lending, repurchase, reverse repurchase, and dollar roll transactions.* An insurer may enter into securities lending, repurchase, reverse repurchase, and dollar roll transactions with business entities, provided that the insurer's board of directors, or the board of directors' designee, adopts a written plan that is consistent with the insurer's investment policies under subsection 3, and that specifies guidelines and objectives including all of the following:

a. A description of how any cash received will either be invested or used for the insurer's general corporate purposes.

b. Operational procedures to manage interest rate risk, counterparty default risk, the conditions under which proceeds from repurchase transactions may be used in the ordinary course of business, and the use of acceptable collateral in a manner that reflects the liquidity needs of the transaction.

c. The extent to which the insurer may engage in transactions under this subsection.

15. *Foreign investments.* An insurer may acquire foreign investments, or engage in investment practices with persons or business entities of or in foreign jurisdictions of substantially the same types as those investments that an insurer is permitted to acquire under this subsection, if, as a result and after giving effect to the investment the following apply:

a. The aggregate amount of foreign investments then held by the insurer under this subsection does not exceed twenty percent of the insurer's admitted assets.

b. The aggregate amount of foreign investments under this subsection then held by the insurer in a single foreign jurisdiction that has a sovereign debt rating of SVO 1 does not exceed ten percent of the insurer's admitted assets, or does not exceed three percent of the insurer's admitted assets as to any other foreign jurisdiction.

c. Investments acquired under this subsection shall be aggregated with investments of the same type made in a similar manner under any other subsection of this section for purposes of determining compliance with any limitations contained in any other subsection of this section.

d. This subsection shall not authorize investments issued, assumed, or guaranteed by a foreign government which has engaged in a consistent pattern of gross violations of human rights.

16. *Derivative transactions.* An insurer may engage in derivative transactions if the insurer complies with all of the following conditions:

a. The insurer shall include all counterparty exposure amounts, net of collateral held, in determining compliance with the limitations of subsections 6 and 7.

b. The insurer shall have sufficient experience with derivatives such that the insurer's performance and procedures reflect all of the following:

(1) That the insurer has a successful history of adequately identifying, measuring, monitoring, and limiting exposures associated with derivative transactions.

(2) That the insurer has adequate corporate controls over the activities in subparagraph (1).

(3) That the insurer has sufficient staff who are knowledgeable, competent, and skilled in the use of the sophisticated financial instruments necessary to execute subparagraph (1).

c. Prior to engaging in a derivative transaction under this subsection, the insurer shall develop guidelines and internal control procedures pursuant to rules promulgated by the commissioner.

d. An insurer may use derivative instruments to engage in any of the following:

(1) Hedging transactions, provided that the insurer shall be able to demonstrate the intended hedging characteristics and the ongoing effectiveness of the derivative transaction or combination of transactions through cash flow testing or other appropriate analysis.

(2) Income generation transactions, provided that the transaction is one of the following:

(a) A sale of a call option on assets, if during the entire period the option is outstanding, the insurer holds, or has a currently exercisable right to acquire, the underlying assets.

(b) A sale of a put option on assets, if during the entire period the option is outstanding, the insurer holds sufficient short-term liquidity to purchase the underlying assets on exercise of the option, the insurer has the ability to hold the underlying assets in the insurer's portfolio, and the total market value of the put options sold by the insurer does not exceed two percent of the insurer's admitted assets.

(c) A sale of a covered cap or floor, if the insurer holds in the insurer's portfolio the investments generating the cash flow necessary to make the required payments under the cap or floor during the complete term that cap or floor is outstanding.

(3) Replication transactions, provided that all of the following apply:

(a) The insurer is otherwise authorized to invest in the asset being replicated.

(b) The asset being replicated is subject to this section as if the transaction constitutes a direct investment by the insurer in the replicated asset.

(c) The transaction is filed timely with the SVO as a replicated synthetic asset transaction.

17. *Policy loans.* An insurer may make a loan on any of the insurer's policies in an amount not to exceed the reserve that the insurer is required to maintain on the policy on which a loan is made.

18. *Preferred stock.* An insurer may acquire preferred stock, if, as a result of and after giving effect to the investment, the aggregate amount of preferred stock held by the insurer does not exceed twenty-five percent of the insurer's admitted assets, and the aggregate amount of preferred stocks held by the insurer that are not designated P1 or P2 by the SVO does not exceed ten percent of the insurer's admitted assets.

19. *Collateral loans and other debt securities secured by collateral.* An insurer may acquire collateral loans or other debt securities secured by collateral consisting of any assets or investments permitted under this section, provided that the amount of the loan is not in excess of ninety percent of the value of the collateral at the time of acquisition. For the purpose of determining compliance with the quantitative limits in this section, the collateral pledged to the insurer shall be aggregated with the insurer's direct investments.

20. *Additional authorized investments.* An insurer may acquire investments not otherwise authorized under this section, or that exceed the limitation of this section in an amount in the aggregate not exceeding ten percent of the insurer's admitted assets.

a. Investments authorized under this subsection shall not include investments prohibited under subsection 4.

b. An insurer shall not make investments under this subsection if the insurer fails to maintain at least company action level risk-based capital as defined by the NAIC.

c. This subsection shall not be construed to permit any asset not allowed as an admitted

asset under the requirements of the accounting practices and procedures manual to be considered an admitted asset under this section.

21. *Application of limitations.* An investment qualified, in whole or in part, for acquisition or holding as an admitted asset may be qualified or requalified, in whole or in part, by the insurer at either the time of acquisition or a later date under any subsection of this section if the relevant conditions contained in the applicable subsection are satisfied at the time of the insurer's qualification or requalification.

22. *Rules.* The commissioner may adopt rules pursuant to chapter 17A to administer this section.

23. *Enforcement.* Investments not conforming to this section shall not be admitted assets. The commissioner may take any enforcement action under the commissioner's authority to enforce compliance with this section.

[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; 2022 Acts, ch 1020, §1, 2; 2022 Acts, ch 1050, §1; 2023 Acts, ch 36, §5; 2023 Acts, ch 66, §155, 159, 161; 2024 Acts, ch 1042, §2 – 9

Referred to in §508.33A, 508C.8, 511.9, 514B.15, 521A.2

511.8A Agricultural land.

Agricultural land, as defined in section 9H.1, acquired as a result of foreclosure or in settlement or in satisfaction of any indebtedness 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; 2023 Acts, ch 36, §6

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

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