

191—22.1(515C) Definitions.

22.1(1) “*Financial guaranty insurance*” means a surety bond, insurance policy or, when issued by an insurer, an indemnity contract and any guaranty similar to a surety bond, insurance policy, or insurer-issued indemnity contract, under which loss is payable upon proof of occurrence of financial loss to an insured claimant, obligee, or indemnitee as a result of any of the following events:

a. Failure of an obligor on a debt instrument or other monetary obligation (including common or preferred stock guaranteed under a surety bond, insurance policy, or indemnity contract) to pay when due principal, interest, premium, dividend, or purchase price of or on the debt instrument or monetary obligation, when the failure is the result of a financial default or insolvency, regardless of whether the obligation is incurred directly or as guarantor by or on behalf of another obligor that has also defaulted.

b. A change in the level of interest rates, whether short- or long-term, or the differential in interest rates between various markets or products.

c. A change in the rate of exchange of currency.

d. Inconvertibility of one currency into another for any reason, or inability to withdraw funds held in a foreign country resulting from restrictions imposed by a governmental authority.

e. A change in the value of a specific asset or commodity, financial or commodity index, or price levels in general.

f. Another event which the commissioner determines is substantially similar to any of those in paragraphs “*a*” through “*e*.”

22.1(2) “*Financial guaranty insurance*” does not include:

a. Insurance of a loss resulting from an event described in subrule 22.1(1), if the loss is payable only upon the occurrence of any of the following, as specified in a surety bond, insurance policy, or indemnity contract:

(1) A fortuitous physical event.

(2) A failure of or deficiency in the operation of equipment.

(3) An inability to extract or recover a natural resource.

b. An individual or schedule public official bond.

c. A contract bond, including bid, payment, or maintenance bond, or a performance bond if the bond is guarantying the execution of any contract other than a contract of indebtedness or other monetary obligation.

d. A court bond required in connection with judicial, probate, bankruptcy, or equity proceedings, including a waiver, probate, open estate, and life tenant bond.

e. A bond running to the federal, state, county, or municipal government, or other political subdivision, as a condition precedent to granting of a license to engage in a particular business or of a permit to exercise a particular privilege.

f. A loss security bond or utility payment indemnity bond running to a governmental unit, railroad, or charitable organization.

g. A lease, purchase and sale, or concessionaire surety bond.

h. Credit unemployment insurance, meaning insurance on a debtor in connection with a specific loan or other credit transaction, to provide payments to a creditor in the event of unemployment of a debtor, for the installments or other periodic payments becoming due while a debtor is unemployed.

i. Credit insurance, meaning insurance indemnifying manufacturers, merchants, or educational institutions extending credit against loss or damage resulting from nonpayment of debts owed to them for goods or services provided in the normal course of their business.

j. Guaranteed investment contracts issued by life insurance companies which provide that the life insurer itself will make specified payments in exchange for specific premiums or contributions.

k. Residual value insurance.

l. Mortgage guaranty insurance authorized by Iowa Code chapter 515C.

m. An indemnity contract or similar guaranty in which an insurer guaranties its obligations or indebtedness or the obligations or indebtedness of a subsidiary of which it owns more than 50 percent, other than a financial guaranty insurance corporation.

n. Any other form of insurance covering risks which the commissioner determines to be substantially similar to any of the forms in this subrule.

22.1(3) “*Industrial development bond*” means a security or other instrument under which a payment obligation is created, issued by or on behalf of a governmental unit to finance a project serving a private industrial, commercial, or manufacturing purpose and not payable or guaranteed by a governmental unit.

22.1(4) “*Investment grade*” means having a rating of not less than Baa3 by Moody’s Investors Service or BBB- by Standard and Poor’s Corporation, or a comparable rating by any nationally recognized rating service, or a rating of not less than 2 by the National Association of Insurance Commissioners, or, if not rated, having characteristics substantially comparable to obligations rated.

22.1(5) “*Municipal obligation bond*” means a security, or other instrument, including a state lease but not a lease of any other governmental entity, under which a payment obligation is created, issued by or on behalf of a governmental unit to finance a project serving a substantial public purpose, and which is one or more of the following:

a. Payable from tax revenues, but not tax allocations, within the jurisdiction of the governmental unit.

b. Payable or guaranteed by the United States or any agency, department, or instrumentality of the United States, or by a state housing agency.

c. Payable from rates or charges, but not tolls, levied or collected in respect of a nonnuclear utility project, public transportation facility other than an airport facility, or public higher education facility.

d. With respect to a lease obligation, payable from future appropriations.

22.1(6) “*Special revenue bond*” means a security, or other instrument under which a payment obligation is created, issued by or on behalf of a governmental unit to finance a project serving a substantial purpose and not payable from the sources enumerated in subrule 22.1(5) in connection with the payment of a municipal obligation bond.

22.1(7) “*Security*” or “*secured*” means any or all of the following:

a. A deposit equal to at least the full amount of the principal of the insured obligation.

b. Collateral at least equal to the full amount of the principal of the insured obligation, or the scheduled cash flow from which is equal to or greater than the scheduled debt service on the insured obligation and is due prior to the date when the scheduled debt service is payable.

c. Property, provided the corporation has possession of evidence of the right, title or authority to claim or foreclose on the property or otherwise dispose of such property for value, the scheduled cash flow from which, or market value of which, is at least equal to the scheduled debt service on the insured obligation and is due prior to the date when the scheduled debt service is payable.