

191—32.4(508) Requirements upon custodians. The custodian shall be a bank or trust company having its principal place of business in the United States, selected by the company to act as the custodian under an agreement authorized by Iowa Code section 511.8, subsection 21, and shall possess the following qualifications:

32.4(1) The custodian shall be audited annually by independent public accountants whose audit report, together with the related financial statements, and opinion on internal controls shall be made available to the company and the commissioner.

32.4(2) The laws governing the custodian shall recognize that the custodied securities remain the specific property of the company, and are not subject to the claim of any third parties arising out of the third party's claim against the custodian.

32.4(3) The custodian shall maintain blanket bond coverage relating to its custodial functions with limits satisfactory to the commissioner.

32.4(4) The custodian's capital and surplus funds shall at all times equal or exceed \$25 million and the custodian shall at all times have assets in excess of \$500 million, unless the commissioner finds that a particular custodian with less than that amount of funds or assets would possess the requisite stability and soundness to perform the custodial functions without detriment to a company's policyholders.

This rule is intended to implement Iowa Code section 511.8, subsection 21, paragraph "b."