

191—31.4(508) Separate account or accounts and investments. Any domestic life insurance company issuing variable contracts shall establish one or more separate or segregated accounts as provided in Iowa Code section 508.32 to invest and reinvest all or any of the amounts received in connection with such variable contracts subject to the following limitations.

31.4(1) Except as hereinafter provided, amounts allocated to any separate or segregated account and accumulation thereon may be invested and reinvested without regard to any requirements or limitations prescribed by the laws of this state governing the investments of life insurance companies; provided, that to the extent that the company's reserve liability with regard to benefits guaranteed as to dollar amount and duration and funds guaranteed as to principal amount or stated rate of interest is maintained in any separate or segregated account, a portion of the assets of such separate or segregated account at least equal to such reserve liability shall be, except as the commissioner may otherwise approve, invested in accordance with laws of this state governing the investments of life insurance companies. The investments in such separate or segregated account or accounts shall not be taken into account in applying the investment limitations applicable to the investments of the company.

31.4(2) With respect to 75 percent of the market value of the total assets in a separate or segregated account, no such company shall purchase or otherwise acquire the securities of any issuer, other than securities issued or guaranteed as to principal and interest by the United States, if immediately after such purchase or acquisition the market value of such investment, together with prior investments of such separate or segregated account in such security taken at market, would exceed 5 percent of the market value of the assets of said separate or segregated account; provided, however, that the commissioner may waive such limitation if in the commissioner's opinion such waiver will not render the operation of such separate or segregated account hazardous to the public or the policyholders in this state.

31.4(3) The separate or segregated account shall not invest in the voting securities of a single issuer in an amount in excess of 10 percent of the total issued and outstanding voting securities of such issuer. The foregoing shall not apply with respect to securities held in separate or segregated accounts, the voting rights in which are exercisable only in accordance with instructions from persons having interests in such accounts.

31.4(4) The limitations in 31.4(2) and 31.4(3) shall not apply to the investments of a separate or segregated account in the securities of an investment company registered under the investment company Act of 1940, provided the investments of such investment companies comply in substance with 31.4(2) and 31.4(3) hereof.

31.4(5) Unless otherwise approved by the commissioner, assets allocated to a separate or segregated account shall be valued at their market value on the date of valuation or, if there is no readily available market, then as provided under the terms of the contract or the rules or other written agreement applicable to such separate or segregated account; provided, that the portion of the assets of such separate or segregated account equal to the company's reserve liability with regard to the benefits and funds referred to in 31.4(1), if any, shall be valued in accordance with the rules otherwise applicable to the company's assets.

31.4(6) The provisions of Iowa Code section 508.8 and any regulations applicable to the officers and directors of insurance companies with respect to conflicts of interest shall also apply to members of any separate or segregated account's committee, board or other similar body. No officer or director of such company nor any member of the committee, board or body of a separate or segregated account shall receive directly or indirectly any commission or any other compensation with respect to the purchase or sale of assets of such separate or segregated account.

31.4(7) All contracts on a variable basis shall state that the portion of the assets of any such separate or segregated accounts equal to the reserves and other contract liabilities with respect to such account shall not be chargeable with liabilities arising out of any other business the company may conduct.

31.4(8) Notwithstanding any other provisions in these rules, a company may:

a. With respect to any separate or segregated account registered with the Securities and Exchange Commission as a unit investment trust exercise voting rights in connection with any securities of a regulated investment company registered under the Investment Company Act of 1940 and held in such

separate or segregated account in accordance with instructions from persons having interests in such accounts ratably as determined by the company, or

b. With respect to any separate or segregated account registered with the Securities and Exchange Commission as a management investment company, establish for such account a committee, board or other body, the members of which may or may not be otherwise affiliated with such company and may be elected to such membership by the vote of persons having interests in such account ratably as determined by the company. Such committee, board or other body may have the power, exercisable alone or in conjunction with others, to manage such account or accounts and the investment of its assets.

A company, committee, board or other body may make such other provisions in respect to any such separate or segregated account as may be deemed appropriate to facilitate compliance with requirements of any federal or state law now or hereafter in effect; provided that the commissioner approves such provisions as not hazardous to the public or the company's policyholders in this state.

31.4(9) No sale, exchange or other transfer of assets may be made by a company between any of its separate or segregated accounts or between any other investment account and one or more of its separate or segregated accounts unless, in case of a transfer into a separate or segregated account, the transfer is made solely to establish the account or to support the operation of the contracts with respect to the account to which the transfer is made and unless the transfer, whether into or from an account or accounts, is made by a transfer of cash or by a transfer of securities having a valuation which could be readily determined in the market place, and further provided that the transfer of securities must have been approved by the commissioner. The commissioner may authorize other transfers among such accounts if, in the commissioner's opinion, such transfers would not be inequitable.

31.4(10) The company shall maintain in each such separate or segregated account assets with a value at least equal to the reserves and other contract liabilities with respect to such accounts, except as may otherwise be approved by the commissioner.

This rule is intended to implement Iowa Code sections 505.8 and 508.32.