

**EIGHTY-FIFTH GENERAL ASSEMBLY
2014 REGULAR SESSION
DAILY
HOUSE CLIP SHEET**

MARCH 11, 2014

HOUSE FILE 2390

H-8101

1 Amend House File 2390 as follows:

2 1. Page 1, line 15, by striking ~~<five ten>~~ and
3 inserting ~~<five>~~

4 2. Page 1, lines 23 and 24, by striking
5 ~~<ninety five ninety>~~ and inserting ~~<ninety-five>~~

By WINCKLER of Scott
DOLECHECK of Ringgold
L. MILLER of Scott

H-8101 FILED MARCH 10, 2014

HOUSE FILE 2385

H-8102

1 Amend House File 2385 as follows:

2 1. Page 1, line 4, before ~~<felony>~~ by inserting
3 ~~<serious misdemeanor, aggravated misdemeanor, or>~~

4 2. Page 1, line 6, before ~~<felony>~~ by inserting
5 ~~<serious misdemeanor, aggravated misdemeanor, or>~~

6 3. Page 1, line 9, before ~~<felony>~~ by inserting
7 ~~<serious misdemeanor, aggravated misdemeanor, or>~~

8 4. Page 2, line 19, before ~~<adopts>~~ by inserting
9 ~~<proposes or>~~

10 5. Page 3, by striking lines 14 through 28.

11 6. Page 3, line 31, by striking ~~<a crime an~~
12 ~~aggravated misdemeanor>~~ and inserting ~~<a crime serious~~
13 ~~misdemeanor, aggravated misdemeanor,>~~

14 7. Page 3, line 33, by striking ~~<an aggravated~~
15 ~~misdemeanor>~~ and inserting ~~<a serious misdemeanor,~~
16 ~~aggravated misdemeanor,>~~

17 8. Page 4, by striking lines 28 and 29 and
18 inserting:

19 ~~<e. Conviction of any crime a serious misdemeanor,~~
20 ~~aggravated misdemeanor, or felony related to the~~
21 ~~practice of mortuary science or>~~

22 9. Page 4, lines 31 and 32, by striking ~~<a crime an~~
23 ~~aggravated misdemeanor>~~ and inserting ~~<a crime serious~~
24 ~~misdemeanor, aggravated misdemeanor,>~~

25 10. Page 5, by striking lines 17 through 20.

26 11. Page 5, by striking lines 33 and 34 and
27 inserting:

28 ~~<f. Conviction of a criminal offense serious~~
29 ~~misdemeanor, aggravated misdemeanor, a felony involving~~
30 ~~dishonesty or a false statement>~~

31 12. Page 6, by striking lines 3 through 16.

32 13. By renumbering as necessary.

By PETTENGILL of Benton

H-8102 FILED MARCH 10, 2014

HOUSE FILE 2416

H-8103

1 Amend House File 2416 as follows:

2 1. By striking everything after the enacting clause
3 and inserting:

4 <Section 1. NEW SECTION. 512.1 Conversion from a
5 mutual company to stock company allowed.

6 A mutual insurance company may convert to a stock
7 company pursuant to a plan of conversion established
8 and approved in the manner provided by this chapter.

9 Sec. 2. NEW SECTION. 512.2 Short title.

10 This chapter shall be known and may be cited as the
11 "Iowa Insurance Company Mutual-to-Stock Conversion Act".

12 Sec. 3. NEW SECTION. 512.3 Definitions.

13 As used in this chapter:

14 1. "Capital stock" means common or preferred stock
15 or any hybrid security or other equity security issued
16 by a converted stock company or other company or entity
17 pursuant to the exercise of subscription rights granted
18 pursuant to section 512.6, subsection 1, paragraph "c".

19 2. "Commissioner" means the commissioner of
20 insurance appointed pursuant to section 505.2.

21 3. "Converted stock company" means a stock company
22 that converted from a mutual company to a stock company
23 under this chapter or any successor to the stock
24 company.

25 4. "Division" means the insurance division of the
26 department of commerce.

27 5. "Domestic mutual company" means a mutual
28 insurance company domiciled in this state and organized
29 under chapter 508 or 515.

30 6. "Eligible member" means a member of a mutual
31 company whose policy is in force on the date the mutual
32 company's governing body adopts a plan of conversion or
33 such earlier date as the mutual company may establish
34 with the consent of the commissioner. A person insured
35 under a group policy is not an eligible member. A
36 person whose policy becomes effective after the
37 governing body adopts the plan but before the plan's
38 effective date is not an eligible member but shall have
39 those rights established under section 512.10.

40 7. "Foreign mutual company" means a mutual insurance
41 company domiciled in a jurisdiction other than this
42 state and organized in a similar manner to a domestic
43 mutual company organized under chapter 508 or 515.

44 8. "Governing body" means the board of directors of
45 a mutual company, a mutual holding company, or a stock
46 company.

47 9. "Mutual company" means a mutual insurance
48 company that is seeking to convert to a stock company
49 under this chapter including a domestic mutual company
50 and a foreign mutual company that has applied to

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1 redomesticate to this state with an intent to file an
2 application to convert from a mutual company to a stock
3 company under this chapter.

4 10. a. "Mutual holding company" means any of the
5 following whose articles of incorporation include the
6 provisions set out in paragraph "b":

7 (1) A nonstock corporation resulting from a
8 reorganization of a mutual company under this chapter.

9 (2) A nonstock corporation resulting from a
10 reorganization of a mutual company under the laws of
11 any other jurisdiction that subsequently redomesticates
12 in this state.

13 (3) A nonstock corporation incorporated in
14 this state surviving or resulting from a merger or
15 consolidation with a nonstock corporation that resulted
16 from a reorganization of a mutual company under the
17 laws of any other jurisdiction.

18 b. The articles of incorporation of a mutual
19 holding company shall include provisions setting forth
20 all of the following:

21 (1) That the mutual holding company is a mutual
22 holding company as defined in this chapter.

23 (2) That the mutual holding company shall hold not
24 less than a majority of the shares of voting stock
25 of a converted stock company or intermediate holding
26 company, which in turn holds, directly or indirectly,
27 all of the voting stock of the converted stock company.

28 (3) That the mutual holding company is not
29 authorized to issue any capital stock except pursuant
30 to a conversion in accordance with the provisions of
31 this chapter.

32 (4) That the mutual holding company's members shall
33 have the rights specified in this chapter and in its
34 articles of incorporation and bylaws.

35 (5) That the mutual holding company's assets shall
36 be subject to inclusion in the estate of the converted
37 company in any rehabilitation or insolvency proceedings
38 initiated by the commissioner.

39 11. "Participating policy" means a policy of a
40 mutual company that grants a member the right to
41 receive dividends if, as, and when declared by the
42 mutual company.

43 12. "Person" means an individual, a corporation,
44 a limited liability company, a partnership, an
45 association, a joint stock company, a trust, an
46 unincorporated organization, a similar entity, or a
47 combination of the foregoing acting in concert.

48 13. "Plan of conversion" or "plan" means a plan
49 adopted by a mutual company's governing body to convert
50 the mutual company into a stock company under this

1 chapter.

2 14. "Policy" means an insurance policy, including
3 an annuity contract.

4 15. "Standby investor" means a person that has
5 agreed in writing to purchase all or a portion of
6 the capital stock to be sold in a mutual-to-stock
7 conversion that is not subscribed by eligible members.

8 16. "Stock company" means a stock insurance
9 company that meets all of the current requirements for
10 admission to do business as a domestic company in this
11 state under chapter 508 or 515.

12 17. "Subscription right" means the nontransferable
13 right to purchase, for a period of not less than
14 twenty or more than thirty-five days, the stock of the
15 converted stock company, its proposed stock holding
16 company, or an unaffiliated stock company, or other
17 corporation or entity that will acquire the converted
18 stock company through the purchase of all the stock of
19 the converted stock company.

20 18. "Voting member" means a member who is an
21 eligible member and is also a member of the mutual
22 company as of a date not more than ninety days prior
23 to the date of the meeting at which the plan shall be
24 voted upon by members.

25 Sec. 4. NEW SECTION. 512.4 Adoption of plan of
26 conversion.

27 1. A plan of conversion shall not become effective
28 unless the mutual company seeking to convert to a stock
29 company shall have adopted, by the affirmative vote
30 of not less than two-thirds of its governing body and
31 otherwise in accordance with law, a plan consistent
32 with the requirements of sections 512.6 and 512.7
33 or section 512.8. At any time before approval of a
34 plan by the commissioner, the mutual company, by the
35 affirmative vote of not less than a majority of its
36 governing body, may amend or withdraw the plan.

37 2. Before a mutual company's eligible members may
38 vote on approval of a plan, a mutual company whose
39 governing body has adopted a plan shall file all of
40 the following documents with the commissioner within
41 ninety days after adoption of the plan together with
42 the specified application fee:

43 a. The plan, including the independent evaluation
44 required by section 512.6, subsection 4.

45 b. The form of notice required by subsection 7.

46 c. The form of proxy to be solicited from eligible
47 members pursuant to subsection 8.

48 d. The form of notice required by section 512.10 to
49 persons whose policies are issued after adoption of the
50 plan but before its effective date.

1 e. The proposed amended and restated articles
2 of incorporation and bylaws of the converted stock
3 company.

4 f. The acquisition of control statement.

5 g. An application fee equal to the greater of ten
6 thousand dollars or an amount equal to one-tenth of one
7 percent of the estimated pro forma market value of the
8 converted stock company as determined in accordance
9 with section 512.6, subsection 4. If such value is
10 expressed as a range of values, the application fee
11 shall be based upon the midpoint of the range. For
12 good cause shown, the commissioner may waive the
13 application fee in whole or in part, or permit a
14 portion of the application fee to be deferred until
15 completion of the conversion.

16 h. Such other information as the commissioner may
17 request.

18 3. Upon filing of the foregoing documents with
19 the commissioner, the mutual company shall send to
20 eligible members a notice advising eligible members
21 of the adoption and filing of the plan, their ability
22 to provide the commissioner and the mutual company
23 with comments on the plan within thirty days of the
24 date of such notice, and procedures for providing such
25 comments.

26 4. The commissioner shall immediately give written
27 notice to the mutual company of any decision and, in
28 the event of disapproval, a statement in detail of
29 the reasons for the decision. The commissioner shall
30 approve the plan if the commissioner finds all of the
31 following:

32 a. The plan complies with this chapter.

33 b. The plan is fair and equitable to the mutual
34 insurer and its members.

35 c. The converted stock company will have the amount
36 of capital and surplus deemed by the commissioner to be
37 reasonably necessary for its future solvency.

38 d. The plan's method of allocating subscription
39 rights is fair and equitable.

40 5. The commissioner may retain, at the mutual
41 company's expense, any qualified expert not otherwise
42 a part of the commissioner's staff, including counsel
43 and financial advisors, to assist in reviewing the plan
44 and the independent evaluations required under section
45 512.6, subsection 4.

46 6. The commissioner may order, at the mutual
47 company's expense, a hearing on whether the terms of
48 the plan comply with this chapter after giving written
49 notice by mail or publication to the mutual company and
50 other interested persons, all of whom have the right

1 to appear at the hearing.

2 7. All voting members shall be sent notice of the
3 members' meeting to vote on the plan. The notice shall
4 fairly describe the proposed plan, shall inform the
5 voting member of the voting member's right to vote upon
6 the plan, and shall be sent to each voting member's
7 last known address, as shown on the mutual company's
8 records. If the meeting to vote upon the plan is held
9 during the mutual company's annual meeting of members,
10 only a combined notice of the meeting is required.

11 8. The plan shall be voted upon by voting members
12 and shall be adopted upon receiving the affirmative
13 vote of at least two-thirds of the votes cast at the
14 meeting. Voting members entitled to vote upon the
15 proposed plan may vote in person or by proxy. The
16 number of votes each voting member may cast shall be
17 determined by the mutual company's bylaws. If the
18 bylaws are silent, each voting member may cast one
19 vote.

20 9. The amended and restated articles of
21 incorporation of the converted stock company shall
22 be considered at the meeting of the voting members
23 called for the purpose of adopting the plan and shall
24 require for adoption the affirmative vote of at least
25 two-thirds of the votes cast at the meeting.

26 10. Within thirty days after the voting members
27 have approved the plan in accordance with the
28 requirements of this section, the converted stock
29 company shall file all of the following documents with
30 the commissioner:

31 a. The minutes of the meeting of the voting members
32 at which the plan was approved which shall include the
33 record of total votes cast and votes cast in favor of
34 the plan.

35 b. The amended and restated articles of
36 incorporation and bylaws of the converted stock
37 company.

38 Sec. 5. NEW SECTION. 512.5 Redomestication and
39 conversion.

40 A foreign mutual company or foreign mutual
41 holding company that has filed an application for
42 redomestication may file an application for conversion
43 under this chapter promptly after completion of the
44 redomestication or promptly after approval of the
45 redomestication by the members of the foreign mutual
46 company or foreign mutual holding company if such a
47 member vote is required under the laws of the state
48 of domicile of the foreign mutual company or foreign
49 mutual holding company.

50 Sec. 6. NEW SECTION. 512.6 Required provisions of

1 plan of conversion.

2 1. All of the following provisions shall be
3 included in a plan of conversion:

4 a. The reasons for the proposed conversion.

5 b. The effect of conversion on existing policies,
6 including all of the following:

7 (1) A provision that all policies in force on the
8 effective date of conversion continue to remain in
9 force under the terms of the policies, except that the
10 following rights, to the extent the rights existed
11 in the mutual company, shall be extinguished on the
12 effective date of the conversion:

13 (a) Any voting rights of the policyholders provided
14 under the policies.

15 (b) Except as provided under subparagraph (2), any
16 right to share in the surplus of the mutual company,
17 unless such right is expressly provided for under the
18 provisions of the existing policy.

19 (c) Any assessment provisions provided for under
20 certain types of policies.

21 (2) Except as provided in subparagraph (3), a
22 provision that policyholders of participating policies
23 in effect on the date of conversion continue to
24 have a right to receive dividends as provided in the
25 participating policies, if any.

26 (3) Except for the mutual company's life policies,
27 participating guaranteed renewable accident and health
28 policies, and participating guaranteed renewable
29 noncancelable accident and health policies, a provision
30 that upon the renewal date of a participating policy,
31 the converted stock company may issue the member a
32 nonparticipating policy eliminating the rights of the
33 members to receive dividends as a substitute for the
34 participating policy. This subparagraph shall not be
35 construed to permit the substitution, during the term
36 of a policy, of a nonexperience-rated policy for an
37 experience-rated policy.

38 c. The grant of subscription rights to eligible
39 members, including both of the following:

40 (1) (a) A provision that each eligible member
41 is to receive, without payment, nontransferable
42 subscription rights to purchase the capital stock of
43 the converted stock company and that, in the aggregate,
44 all eligible members shall have the right, prior to
45 the right of any other party, to purchase one hundred
46 percent of the capital stock of the converted stock
47 company, exclusive of any shares of capital stock
48 required to be sold or distributed to the holders of
49 surplus notes, if any, and capital stock purchased by
50 the company's tax-qualified employee stock benefit plan

1 that is in excess of the total price of the capital
2 stock established under subsection 4, as permitted by
3 section 512.7, subsection 1. As an alternative to
4 subscription rights in the converted stock company,
5 the plan may provide that each eligible member is to
6 receive, without payment, nontransferable subscription
7 rights to purchase a portion of the capital stock of
8 one of the following:

9 (i) A corporation or entity organized for the
10 purpose of purchasing and holding all the stock of the
11 converted stock company.

12 (ii) A stock company owned by the mutual company
13 into which the mutual company will be merged.

14 (iii) An unaffiliated stock company or other
15 corporation or entity that will purchase all the stock
16 of the converted stock company.

17 (b) For purposes of any plan, the following
18 transfers of subscription rights shall not be deemed an
19 unpermitted transfer under this chapter:

20 (i) Transfer of subscription rights from an
21 individual to such individual and such individual's
22 spouse or children or to a trust or other estate or
23 wealth planning entity established for the benefit
24 of such individual, or such individual's spouse or
25 children.

26 (ii) Transfer of subscription rights from an
27 individual to such individual's individual or joint
28 individual retirement account, or other tax-qualified
29 retirement plan.

30 (iii) Transfer of subscription rights from an
31 entity to the shareholders, partners, or members of
32 such entity.

33 (iv) Transfer of subscription rights from the
34 member to the mutual company, its proposed holding
35 company, or an unaffiliated stock company or other
36 corporation or entity that will purchase all the
37 stock of the converted stock company as provided in
38 subparagraph division (a), subparagraph subdivision
39 (iii).

40 (2) A provision that the subscription rights shall
41 be allocated in whole shares among the eligible members
42 using a fair and equitable formula. The formula need
43 not allocate subscription rights to eligible members
44 on a pro rata basis based on premium payments or
45 contributions to surplus, but may take into account how
46 the different types of policies of the eligible members
47 contributed to the surplus of the mutual company
48 or any other factors that may be fair or equitable.
49 Allocation of subscription rights on a per capita
50 basis shall be entitled to a presumption that such

1 method is fair, subject to rebuttal of fairness by a
2 preponderance of evidence. In accordance with section
3 512.4, subsection 5, the commissioner may retain an
4 independent consultant to assist in the determination
5 that the allocation of subscription rights is fair and
6 equitable.

7 2. The plan shall provide a fair and equitable
8 means for allocating shares of capital stock in the
9 event of an oversubscription to shares by eligible
10 members exercising subscription rights received under
11 subsection 1, paragraph "c".

12 3. The plan shall provide that any shares of
13 capital stock not subscribed to by eligible members
14 exercising subscription rights received under
15 subsection 1, paragraph "c", shall be sold in a public
16 offering or to another corporation or entity that is
17 participating in the plan, as provided in subsection
18 1, paragraph "c", subparagraph (1). If the number
19 of shares of capital stock not subscribed by eligible
20 members is so small in number or other factors exist
21 that do not warrant the time or expense of a public
22 offering, or warrant the participation of standby
23 investors to facilitate completion of the conversion,
24 the plan may provide for sale of the unsubscribed
25 shares through a private placement or other alternative
26 method approved by the commissioner that is fair and
27 equitable to eligible members.

28 4. The plan shall provide for the preparation of
29 a valuation by a qualified independent expert that
30 establishes all of the following:

31 a. The dollar amount of the capital stock for
32 which subscription rights must be granted pursuant to
33 subsection 1, paragraph "c", which shall be equal to
34 the estimated pro forma market value of the converted
35 stock company. The qualified independent expert may do
36 all of the following:

37 (1) To the extent feasible, determine the pro forma
38 market value by reference to a peer group of stock
39 companies and the application of generally accepted
40 valuation techniques.

41 (2) State the pro forma market value of the
42 converted stock company as a range of value.

43 (3) Establish the value as the value that is
44 estimated to be necessary to attract full subscription
45 for the shares.

46 b. The dollar value of a subscription right based
47 upon the application of the Black-Scholes option
48 pricing model or another generally accepted option
49 pricing model. In connection with the determination of
50 stock price volatility or other valuation inputs used

1 in option pricing models, the qualified independent
2 expert may assume that the attributes of the converted
3 stock company will be substantially similar to the
4 attributes of the stock of the peer companies used
5 to determine the estimated pro forma market value of
6 the converted stock company. Solely for purposes of
7 determining the value of a subscription right, the term
8 of a subscription right shall be deemed to be a minimum
9 of ninety days.

10 5. The plan shall provide that each eligible member
11 shall be given the right to require the mutual company
12 to redeem such subscription rights, in lieu of the
13 exercise of subscription rights allocated to such
14 eligible member, at a price equal to the number of
15 such subscription rights allocated to such eligible
16 member multiplied by the dollar value of a subscription
17 right as determined by the qualified independent
18 expert pursuant to subsection 4, paragraph "b". The
19 obligation of the mutual company to redeem such
20 subscription rights shall arise only upon the effective
21 date of the plan as provided in section 512.9. The
22 redemption price payable to each eligible member shall
23 be paid to such eligible member within thirty days
24 of the effective date of the plan. Alternatively,
25 the converted stock company may, but shall not be
26 required to, offer each eligible member the option
27 of receiving the redemption amount in cash or having
28 such redemption amount credited against future premium
29 payments. An eligible member that does not exercise
30 such eligible member's subscription rights and also
31 fails to affirmatively request redemption of such
32 subscription rights before the expiration of the
33 subscription offering, nevertheless shall be deemed to
34 have requested redemption of such eligible member's
35 subscription rights and shall receive the redemption
36 amount in cash in the manner otherwise provided in this
37 subsection.

38 6. The plan shall set the purchase price per share
39 of capital stock equal to any reasonable amount.
40 However, the minimum subscription amount required of
41 any eligible member cannot exceed five hundred dollars,
42 but the plan may provide that the minimum number of
43 shares any person may purchase pursuant to the plan is
44 twenty-five shares. The purchase price per share at
45 which capital stock is offered to persons who are not
46 eligible members may be greater than but not less than
47 the purchase price per share at which capital stock is
48 offered to eligible members.

49 7. The plan shall provide that any person or group
50 of persons acting in concert shall not acquire, in

1 the public offering or pursuant to the exercise of
2 subscription rights, more than five percent of the
3 capital stock of the converted stock company or the
4 stock of another corporation that is participating
5 in the plan, as provided in subsection 1, paragraph
6 "c", subparagraph (1), subparagraph division (a),
7 subparagraph subdivision (i), (ii), or (iii), except
8 with the approval of the commissioner. This limitation
9 does not apply to any entity that is to purchase one
10 hundred percent of the capital stock of the converted
11 stock company as part of the plan approved by the
12 commissioner or to any person that acts as a standby
13 investor of the capital stock of the converted stock
14 company for an amount equal to ten percent or more
15 of the capital stock of the converted stock company,
16 provided that in each case such purchase by a standby
17 investor of ten percent or more of the capital stock
18 of the converted stock company is approved by the
19 commissioner in accordance with the law of this state
20 following the filing of an acquisition of control
21 statement.

22 8. The number of the common shares which any
23 person, together with any affiliates or group of
24 persons acting in concert, may subscribe for or
25 purchase in the converted stock company shall be
26 limited to not more than five percent of the common
27 shares. For this purpose, neither the members of the
28 governing body of the converted stock company nor of
29 its parent corporation, if any, shall be deemed to be
30 affiliates or a group of persons acting in concert
31 solely by reason of being members of the governing
32 body. This provision does not prohibit the directors
33 and officers from doing any of the following:

34 a. Making block purchases of one percent or more
35 of the outstanding common stock other than through a
36 broker-dealer if approved in writing by the division.

37 b. Exercising subscription rights received under
38 the plan.

39 c. Participating in a stock benefit plan permitted
40 by section 512.7, subsection 1, or approved by
41 shareholders pursuant to section 512.12, subsection 2.

42 9. The plan shall provide that, unless the common
43 shares have a public market when issued, officers and
44 directors of the converted stock company and their
45 affiliates shall not, for at least ninety days after
46 the date of conversion, purchase common shares of the
47 issuer, except in negotiated transactions involving
48 more than ten percent of the outstanding common shares,
49 and shall not sell stock purchased pursuant to this
50 section within one year after the effective date of

1 the conversion, except that this section shall not be
2 deemed to restrict a transfer of stock by such director
3 or officer if the stock is the stock of a corporation
4 that is participating in the plan as provided in
5 subsection 1, paragraph "c", subparagraph (1),
6 subparagraph division (a), subparagraph subdivision
7 (iii), and has a class of stock registered under
8 the Securities Exchange Act of 1934, as amended, 15
9 U.S.C. {78a et seq., or if the transfer is to the
10 spouse or minor children of such director or officer,
11 or to a trust or other estate or wealth planning
12 entity established for the benefit of such director
13 or officer, or the spouse or minor children of such
14 director or officer.

15 10. The plan shall provide that the rights of
16 a holder of a surplus note to participate in the
17 conversion, if any, shall be governed by the terms of
18 the surplus note.

19 11. The plan shall provide that, without the
20 prior approval of the commissioner, a converted stock
21 company, or any corporation participating in the
22 conversion plan pursuant to subsection 1, paragraph
23 "c", subparagraph (1), subparagraph division (a),
24 subparagraph subdivision (i) or (ii), shall not, for a
25 period of five years from the date of the completion
26 of the conversion, repurchase any of its capital stock
27 from any person, except that this restriction shall not
28 apply to either of the following:

29 a. A repurchase on a pro rata basis pursuant to
30 an offer made to all shareholders of the converted
31 stock company, or any corporation participating in the
32 conversion plan pursuant to subsection 1, paragraph
33 "c", subparagraph (1), subparagraph division (a),
34 subparagraph subdivision (i) or (ii).

35 b. A purchase in the open market by a
36 tax-qualified, or nontax-qualified employee stock
37 benefit plan in an amount reasonable and appropriate
38 to fund the plan.

39 Sec. 7. NEW SECTION. 512.7 Optional provisions of
40 plan of conversion.

41 1. With the prior approval of the commissioner, the
42 plan may allocate to a tax-qualified employee benefit
43 plan nontransferable subscription rights to purchase up
44 to ten percent of the capital stock of the converted
45 stock company or the stock of another corporation that
46 is participating in the plan, as provided in section
47 512.6, subsection 1, paragraph "c", subparagraph (1),
48 subparagraph division (a), subparagraph subdivision
49 (iii). A tax-qualified employee benefit plan is
50 entitled to exercise subscription rights granted under

1 this subsection regardless of the total number of
2 shares purchased by other persons.

3 2. With the prior approval of the commissioner,
4 the plan may provide that the other classes of
5 subscribers approved by the commissioner shall receive
6 nontransferable subscription rights to purchase
7 capital stock of the converted stock company or the
8 stock of another corporation that is participating in
9 the conversion plan, as provided in section 512.6,
10 subsection 1, paragraph "c", subparagraph (1),
11 subparagraph division (a), subparagraph subdivision
12 (iii). Other classes of subscribers that may be
13 approved by the commissioner include, without
14 limitation, any of the following:

15 a. Members of the mutual company that became
16 members after the date fixed for establishing eligible
17 members.

18 b. The shareholders of another corporation that
19 is participating in the plan, as provided in section
20 512.6, subsection 1, paragraph "c", subparagraph (1),
21 subparagraph division (a), subparagraph subdivision
22 (iii).

23 c. The shareholders of another corporation that is
24 a party to an acquisition, merger, consolidation, or
25 other similar transaction with the mutual company.

26 Sec. 8. NEW SECTION. 512.8 Alternative plan of
27 conversion.

28 1. The governing body may adopt a plan of
29 conversion that does not rely in whole or in part upon
30 issuing nontransferable subscription rights to members
31 to purchase stock of the converted stock company if the
32 commissioner finds that the plan does not prejudice
33 the interests of the members, is fair and equitable,
34 and is not inconsistent with the purpose of this
35 chapter. Subject to a finding of the commissioner
36 that an alternative plan is fair and equitable and is
37 not inconsistent with the purpose of this chapter, an
38 alternative plan may do any of the following:

39 a. Include the merger of a domestic mutual company
40 into a domestic or foreign stock company.

41 b. Provide for issuing transferable or redeemable
42 subscription rights.

43 c. Provide for issuing stock, cash, policyholder
44 credits, or other consideration, or any combination
45 of the foregoing, to members instead of subscription
46 rights.

47 d. Provide for partial conversion of the mutual
48 company and formation of a mutual holding company
49 pursuant to section 521A.14.

50 e. Set forth another plan containing any other

1 provisions approved by the commissioner.

2 2. The commissioner may approve a partial
3 conversion pursuant to this chapter and formation of a
4 mutual holding company pursuant to section 521A.14.

5 Sec. 9. NEW SECTION. 512.9 Effective date of plan
6 of conversion.

7 A plan of conversion is effective when the
8 commissioner has approved the plan, the voting members
9 have approved the plan and adopted the amended and
10 restated articles of incorporation of the converted
11 stock company, and the amended and restated articles of
12 incorporation are filed in the office of the secretary
13 of state of this state. The secretary of state shall
14 accept for filing a verified copy of the amended and
15 restated articles of incorporation of the converted
16 stock company.

17 Sec. 10. NEW SECTION. 512.10 Rights of members
18 whose policies are issued after adoption of plan of
19 conversion and before effective date.

20 1. All members whose policies are issued after the
21 proposed plan of conversion has been adopted by the
22 governing body and before the effective date of the
23 plan shall be sent a written notice regarding the plan
24 upon issuance of such policy.

25 2. A member of a life or health insurance company
26 entitled to be sent the notice described in subsection
27 1 is entitled to rescind the member's policy and
28 receive a full refund of any amounts paid for the
29 policy or contract within ten days after such member
30 has received the notice. Except as provided in
31 subsection 3, each member of a property or casualty
32 insurance company entitled to receive the notice
33 provided for in subsection 1 shall be advised of the
34 member's right of cancellation and to a pro rata refund
35 of unearned premiums.

36 3. A member of a life or health insurance company,
37 or property or casualty insurance company, who has made
38 or filed a claim under such member's insurance policy
39 shall not be entitled to any right to receive any
40 refund under subsection 2. A person who has exercised
41 the rights provided by subsection 2 shall not be
42 entitled to make or file any claim under such person's
43 insurance policy.

44 Sec. 11. NEW SECTION. 512.11 Corporate existence.

45 1. On the effective date of the conversion, the
46 corporate existence of the mutual company continues in
47 the converted stock company. The commissioner shall
48 issue a new certificate of authority to the converted
49 stock company effective on the date specified in the
50 plan. The converted stock company is a continuation

1 of the mutual insurance company and the conversion
2 does not annul or modify any of the mutual insurance
3 company's existing suits, contracts, or liabilities
4 except as provided in the approved conversion plan.
5 All rights, franchises, and interests of the mutual
6 insurance company in and to property, assets, and other
7 interests shall be transferred to and shall vest in the
8 converted stock company and the converted stock company
9 shall assume all obligations and liabilities of the
10 mutual insurance company. The converted stock company
11 shall exercise all rights and powers and perform
12 all duties conferred or imposed by law on insurance
13 companies writing the classes of insurance written
14 by the converted stock company, and shall retain the
15 rights and contracts existing before conversion,
16 subject to provisions of the plan.

17 2. Unless otherwise specified in the plan of
18 conversion, the persons who are directors and officers
19 of the mutual company or the mutual holding company on
20 the effective date of the conversion shall serve as
21 directors and officers of the converted stock company
22 until new directors and officers of the converted
23 stock company are elected pursuant to the amended and
24 restated articles of incorporation and bylaws of the
25 converted stock company.

26 Sec. 12. NEW SECTION. 512.12 Conflict of interest.

27 1. A director, officer, agent, or employee of the
28 mutual company shall not receive any fee, commission,
29 or other valuable consideration, other than such
30 person's usual regular salary or compensation, for
31 aiding, promoting, or assisting in a conversion
32 under this chapter, except as provided for in the
33 plan approved by the commissioner. This provision
34 does not prohibit the payment of reasonable fees and
35 compensation to attorneys, accountants, financial
36 advisors, and actuaries for services performed in the
37 independent practice of their professions, even if the
38 attorney, accountant, financial advisor, or actuary is
39 also a director or officer of the mutual company.

40 2. For a period of the later of five years after
41 the effective date of the conversion, or five years
42 following the date of distribution of consideration to
43 the members in exchange for their membership interests,
44 a converted stock company shall not implement any
45 nontax-qualified stock benefit plan unless the plan is
46 approved by a majority of votes cast at a duly-convened
47 meeting of shareholders held not less than six months
48 after the effective date of the conversion.

49 3. All the costs and expenses connected with a
50 plan of conversion shall be paid for or reimbursed

1 by the mutual company or the converted stock company.
2 However, if the plan provides for participation by
3 another corporation or stock company in the plan
4 pursuant to section 512.6, subsection 1, paragraph
5 "c", subparagraph (1), subparagraph division (a), the
6 corporation or stock company may pay for or reimburse
7 all or a portion of the costs and expenses connected
8 with the plan.

9 Sec. 13. NEW SECTION. 512.13 Failure to give
10 notice.

11 If the mutual company complies substantially and
12 in good faith with the notice requirements of this
13 chapter, the mutual company's failure to send a member
14 the required notice does not impair the validity of any
15 action taken under this chapter.

16 Sec. 14. NEW SECTION. 512.14 Limitation on
17 actions.

18 Any action challenging the validity of or arising
19 out of acts taken or proposed to be taken under this
20 chapter shall be commenced not later than thirty days
21 following the date of approval by the commissioner,
22 unless an application for rehearing is filed pursuant
23 to section 17A.16, subsection 2. If an application
24 for rehearing is filed, then such action must be filed
25 within thirty days after that application is denied or
26 deemed denied or, if the application is granted, within
27 thirty days after the issuance of the commissioner's
28 final decision on rehearing. The converted stock
29 company or any defendant may petition the court
30 in such action to give security for the reasonable
31 attorney fees which may be incurred by any party to the
32 action. The amount of the security may be increased
33 or decreased in the discretion of the court having
34 jurisdiction if a showing is made that the security
35 provided is or may become inadequate or excessive.

36 Sec. 15. NEW SECTION. 512.15 Rules.

37 The commissioner shall adopt rules pursuant to
38 chapter 17A to carry out the provisions of this
39 chapter.

40 Sec. 16. NEW SECTION. 512.16 Laws applicable to
41 converted stock company.

42 1. A mutual company shall not be permitted to
43 convert under this chapter if, as a direct result
44 of the conversion, a person or any affiliate of the
45 person acquires control of the converted stock company,
46 unless the person and the person's affiliates comply
47 with the provisions of this state's laws regarding the
48 acquisition of control of an insurance company.

49 2. Except as otherwise specified in this chapter,
50 a stock company converted under this chapter shall

1 have and may exercise all the rights and privileges
2 and shall be subject to all of the requirements and
3 regulations imposed on stock companies under this
4 chapter and any other laws of this state relating to
5 the regulation and supervision of insurance companies,
6 but the stock company shall not exercise any rights or
7 privileges which other stock companies cannot exercise.

8 Sec. 17. NEW SECTION. 512.17 Commencement of
9 business as a stock company.

10 A mutual company shall not have the power to engage
11 in the business of insurance as a stock company until
12 it complies with all provisions of this chapter.

13 Sec. 18. NEW SECTION. 512.18 Amendment of
14 policies.

15 A mutual company, by endorsement or rider approved
16 by the commissioner and sent to a member, may
17 simultaneously with or at any time after the adoption
18 of a plan of conversion amend any outstanding insurance
19 policy for the purpose of extinguishing the right
20 of the member to share in the surplus of the mutual
21 company. However, this amendment shall be null and
22 void if the plan of conversion is not submitted to the
23 commissioner or, if submitted, is disapproved by the
24 commissioner or, if approved by the commissioner, is
25 not approved by the eligible members on or before the
26 first anniversary of its approval by the commissioner.

27 Sec. 19. NEW SECTION. 512.19 Prohibition on
28 acquisitions of control.

29 Except as otherwise specifically provided in section
30 512.6, from the date a plan of conversion is adopted
31 by the governing body of a mutual company until five
32 years after the effective date of the plan, a person
33 shall not directly or indirectly offer to acquire, make
34 any announcement to acquire or acquire in any manner,
35 including making a filing with the division for such
36 acquisition under a statute or rule of this state, the
37 beneficial ownership of ten percent or more of a class
38 of a voting security of the converted stock company
39 or of a person which controls the voting securities
40 of the converted stock company, unless the converted
41 stock company or a person who controls the voting
42 securities of the converted stock company consents to
43 such acquisition and such acquisition is otherwise
44 approved by the commissioner.>

By PETTENGILL of Benton

HOUSE FILE 2439

H-8100

1 Amend the amendment, H-8094, to House File 2439 as
2 follows:

3 1. Page 1, by striking lines 2 through 4 and
4 inserting:

5 <___. Page 3, by striking lines 28 through 33 and
6 inserting:

7 <c. The Iowa core>>

8 2. By renumbering as necessary.

By SALMON of Black Hawk

H-8100 FILED MARCH 10, 2014

SENATE FILE 2201

H-8104

1 Amend Senate File 2201, as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. Page 1, lines 34 and 35, by striking <but whose>
4 and inserting <whether or not the>

By DAWSON of Woodbury

H-8104 FILED MARCH 10, 2014



SF 2319 – Dyslexia and Students in Schools (LSB 5570SV)
Analyst: John Parker (Phone: (515) 725-2249) (john.parker@legis.iowa.gov)
Fiscal Note Version – As amended and passed by the Senate

Description

Senate File 2319 requires the Iowa Reading Research Center (IRRC) to collaborate and coordinate with the Area Education Agencies (AEAs) to develop and offer school districts no-cost professional development services. The professional development services are to enhance the skills of elementary teachers in the use of evidence-based strategies to improve the literacy skills of all students.

Currently, school districts are required to assist students assessed as exhibiting a substantial deficiency in reading the skills to read at grade level. **SF 2319** requires the assistance to include but not be limited to strategies that formally address dyslexia. Dyslexia is defined in this Bill.

This Bill changes the name of the Iowa Reading Research Center to the Iowa Reading Resource Center.

Background

The Iowa Reading Research Center was established during the 2012 Legislative Session. The Center received a General Fund appropriation of \$2.7 million for FY 2013 and \$1.3 million for FY 2014. School districts received a General Fund appropriation of \$8.0 million for FY 2014 to assist students identified as having a substantial deficiency in reading with intensive instructional supports and services.

Assumptions

The following assumptions were used to determine the development costs, delivery costs, and providing substitute teachers for full-time teachers participating in development services relating to early literacy:

Overall Assumptions

- The DE indicates two grade levels (chosen from kindergarten through 3rd grade) of professional development will be developed and delivered in each of the next two years.
- Approximately 5,802 teachers (includes public and nonpublic teachers) will participate in the professional development training in the first and second years. The teacher count is the average FTE positions dedicated to two grade levels in grades K-3.
- If all elementary teachers (K-5) participate in the professional development training over the next two years a total of 17,018 will complete the training with half (8,509) completing the training each year. This analysis is included in the summary of impacts section.

Development Costs

- Contracting with two national experts for 60 days will cost \$1,500 per day per expert.
- Travel expenses for the two national experts for two on-location trips will cost \$2,000 per trip.
- Printing 300 pages of training materials for the teachers will cost \$0.15 per page.

Delivery Costs

- Professional development will require five days of training.
- A total of 39 training sessions will be required if the sessions are limited to 150 teachers in each session assuming two grade levels from K-3 participate in the training over the next two years. A total of 57 training sessions would be required assuming all elementary teachers (K-5) participate in the training over two years.
- Renting space to deliver the professional development training will cost \$800 per day.
- Meals for the participants will cost \$4,000 per day.
- Materials and handouts for participants will cost \$1,000 per day.
- Travel for the participants and trainers will cost \$3,700 per day.
- Trainers delivering the professional development will cost \$2,500 per day.

Substitute Teacher Replacement

- Professional development training will take place during the school year and will require substitute teachers for teachers participating in the training.
- Substitute teachers will be required for five days at an average cost of \$110 per day.
- School districts will be required to pay for the substitute teachers using current revenue sources.

Fiscal Impact

Training limited to two grade levels from K-3 teachers

The following impacts are to the General Fund for FY 2015 assuming 5,802 teachers complete the training:

FY 2015 Development Costs	
Contracting with two experts - cost per day	\$ 3,000
Number of days	60
Travel expenses	4,000
Subtotal: \$	184,000
Printing 300 pages for 5,802 teachers	261,090
Total Costs for the IRRC to Develop Content and Materials	\$ 445,090
Delivery Costs	
	<u>Cost Per Day</u>
Rental Space	\$ 800
Meals for participants	4,000
Materials and handouts	1,000
Travel expenses for the participants and trainers	3,700
Trainer's cost to deliver the training	2,500
Total for one day of training: \$	12,000
Total cost for five days of training: \$	60,000
Total cost to offer 39 training sessions to cover all teachers:	\$ 2,340,000
Total General Fund impact of Development and Delivery:	\$ 2,785,090

The impact to the General Fund in FY 2016 will only include delivery cost for 5,802 teachers and will be similar to the FY 2015 estimate of \$2.3 million.

School districts will be required to pay for substitute teachers when full-time teachers are participating in the professional development. The impact to school districts providing substitute teachers for five days is estimated to cost \$3.2 million statewide for FY 2015 and FY 2016.

Training for half of all FTE positions in K-5 over the next two years

The following impacts are to the General Fund for FY 2015 assuming 8,509 or half of the total FTE positions in K-5 complete the training:

FY 2015 Development Costs	
Contracting with two experts - cost per day	\$ 3,000
Number of days	60
Travel expenses	4,000
Subtotal:	<u>\$ 184,000</u>
Printing 300 pages for 8,509 teachers	382,905
Total Costs for the IRRC to Develop Content and Materials	<u>\$ 566,905</u>
Delivery Costs	
	<u>Cost Per Day</u>
Rental Space	\$ 800
Meals for participants	4,000
Materials and handouts	1,000
Travel expenses for the participants and trainers	3,700
Trainer's cost to deliver the training	2,500
Total for one day of training:	<u>\$ 12,000</u>
Total cost for five days of training:	<u>\$ 60,000</u>
Total cost to offer 57 training sessions to cover all teachers:	\$ 3,420,000
Total General Fund impact of Development and Delivery:	<u>\$ 3,986,905</u>

The impact to the General Fund in FY 2016 will only include delivery cost for the remaining 8,509 teachers in grades K-5 and will be similar to the FY 2015 estimate of \$3.4 million.

School districts will be required to pay for substitute teachers when full-time teachers are participating in the professional development. The impact to school districts providing substitute teachers for five days is estimated to cost \$4.7 million statewide for FY 2015 and FY 2016.

Sources

Department of Education
Iowa Reading Research Center

/s/ Holly M. Lyons

March 10, 2014

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.



HF 2438 – Revenue Department Technical Bill (LSB 5311HV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New

Description

House File 2438 includes provisions to codify existing practices regarding the administration of State taxes. This Bill has six Divisions:

- Division I - Gives the Director of the Department of Revenue the power and duty to ensure that the total amount of money transferred to local governments or other entities regarding local option urban renewal projects, flood mitigation projects, and Iowa reinvestment projects does not exceed the amount of applicable taxes collected during the same fiscal year within the geographic boundaries of the projects.
- Division I - Allows the Property Assessment Appeals Board to accept electronic submission immediately by striking language referencing the beginning date for that authority as January 1, 2014.
- Division II - Changes terminology as to how separate tax forms are to be included with an income tax return.
- Division III - Removes alcoholic beverage control bonds from the list of exempt bonds from individual income tax. The authority to issue and claim the tax exemption for such bonds was repealed in 2011.
- Division III - Reorganizes the requirements for making and filing an individual income tax return to update references to [Iowa Code section 422.5](#), subsection 3B, which provides for filing thresholds for taxpayers 65 years of age or older, and to make other nonsubstantive changes. The division applies retroactively to January 1, 2014, for tax years beginning on or after that date.
- Division IV - Amends the sales and use tax exemption for sales to community health centers and migrant health centers to reflect the current name of those centers under federal law.
- Division V - Relates to hotel and motel tax by reorganizing and renumbering the Code section relating to the administration of the tax. Additional language is added to differentiate between the information that applies to general administration and the information that applies to administration of the Reinvestment District program.
- Division VI - Amends the definition of equipment taxes in [Iowa Code chapter 423D](#) by striking language that exempts from the equipment tax the sales price from transactions subject to State sales tax under [Iowa Code section 423.3](#). This change maintains the 5% equipment tax levied by the State on the equipment purchases. This change takes effect upon enactment and applies retroactively to July 1, 2008, for all sales and use taxes on equipment remitted on or after that date.

Background

There is currently a significant question as to whether the existing 5.0% equipment tax is enforceable. However, the invalidity of the tax has not been established by a court, and the Department has not provided an official statement that the tax is not enforceable. Therefore, the tax is at this time considered legitimate.

Should the Department of Revenue or a court declare the equipment tax invalid, the State will be required to refund back taxes, with interest, to any effected taxpayer who applies for a refund. Refunds would be allowed for taxes paid during the period from June 2011 through June 2014. Future tax payments from the equipment tax would also cease. The Department of Revenue estimates that should the tax be determined to have been improperly applied, and Division VI is not enacted, net General Fund revenue will be reduced by the amounts in **Table 1**.

	Increased Tax Refunds	Reduced Tax Receipts	Combined Revenue Impact
FY 2015	\$ -14.1	\$ -7.3	\$ -21.4
FY 2016	-7.0	-7.6	-14.6
FY 2017	-3.5	-7.8	-11.3
FY 2018	0.0	-8.0	-8.0

Fiscal Impact

Divisions I through V do not have identifiable fiscal impacts.

Enactment of Division VI relating to the 5.0% equipment tax will have a positive fiscal impact on the State General Fund if it is determined that the existing code is not being properly applied. However, that determination by the Department or by a court has not been made. Therefore, the change in Division VI only has a potential fiscal impact at this time.

Sources

Department of Revenue

/s/ Holly M. Lyons

March 10, 2014

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.



HF 2435 – Internal Revenue Code Update (LSB 5297HV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New

Description

House File 2435 is the annual Internal Revenue Code Update Bill. The Bill updates Iowa Code references to reflect any federal income tax revisions enacted by Congress after January 1, 2013.

The Bill also repeals the Iowa generation-skipping tax and the Iowa estate tax.

The Bill is effective upon enactment and applies retroactive to January 1, 2013.

Background

Congress has not enacted any tax changes since January 1, 2013, so the date changes in the Bill have no impact on Iowa taxes.

The Iowa estate tax and the Iowa generation-skipping tax are both estate taxes that have been made inoperative by federal estate tax changes. The two Iowa taxes no longer apply and do not generate revenue. Iowa's existing inheritance tax would still be in place.

Fiscal Impact

Congress has enacted no income tax revisions since January 1, 2013, and the two existing Iowa taxes repealed in the Bill do not produce any tax revenue. Therefore, this Bill has no fiscal impact.

Sources

Department of Revenue

March 10, 2014

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
