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AN ACT

RELATING TO THE REGULATION OF VARIOUS INDUSTRIES BY THE INSURANCE DIVISION, INCLUDING MODIFICATIONS RELATED TO THE INTERSTATE INSURANCE PRODUCT REGULATION COMPACT; INVESTIGATIONS AND PENALTIES; PROCEDURES AND CONTEMPT ORDERS; INSURANCE COMPANY INVESTMENTS; INSURANCE PRODUCER LICENSING; INDIVIDUAL HEALTH INSURANCE PROGRAMS; COVERAGE OBLIGATIONS OF THE IOWA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION; REFUNDS OF UNEARNED PREMIUM; COVERAGE OF FEDERAL TRADE ADJUSTMENT ACT RECIPIENTS; PENALTIES AND DISCIPLINE APPLICABLE TO HOLDERS OF ESTABLISHMENT AND SALES PERMITS FOR CEMETERY AND FUNERAL MERCHANDISE AND SERVICES; AND PROVIDING AND APPLYING PENALTIES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 272C.1, subsection 6, paragraph z, Code 2003, is amended by striking the paragraph.

Sec. 2. Section 272C.3, subsection 2, paragraph a, Code Supplement 2003, is amended to read as follows:

a. Revoke a license, or suspend a license either until further order of the board or for a specified period, upon any of the grounds specified in section 147.55, 148.6, 148B.7, 152.10, 153.34, 154A.24, 169.13, 455B.219, 542.10, 542B.21, 543B.29, 544A.13, 544B.15, or 602.3203 or chapter 151, ~~or 155, 507B, or 522B,~~ as applicable, or upon any other grounds specifically provided for in this chapter for revocation of the license of a licensee subject to the jurisdiction of that board, or upon failure of the licensee to comply with a decision of the board imposing licensee discipline;

Sec. 3. Section 272C.4, subsection 6, Code 2003, is amended to read as follows:

6. Define by rule acts or omissions ~~which that~~ are grounds for revocation or suspension of a license under section 147.55, 148.6, 148B.7, 152.10, 153.34, 154A.24, 169.13, 455B.219, 542.10, 542B.21, 543B.29, 544A.13, 544B.15, or 602.3203 or chapter 151, ~~or 155, 507B or 522B,~~ as applicable, and to define by rule acts or omissions ~~which that~~ constitute negligence, careless acts, or omissions within the meaning of section 272C.3, subsection 2, paragraph "b", which licensees are required to report to the board pursuant to section 272C.9, subsection 2;

Sec. 4. Section 432.5, Code Supplement 2003, is amended to read as follows:

432.5 RISK RETENTION GROUPS.

A risk retention group organized and operating pursuant to Pub. L. No. 99=563, also known as the risk retention amendments of 1986, shall pay as taxes to the director of revenue an amount equal to ~~two percent the applicable percent,~~ as provided in section 432.1, subsection 4, of the gross amount of the premiums received during the previous calendar year for risks placed in this state. A resident or nonresident ~~agent producer~~ shall report and pay the taxes on the premiums for risks that the ~~agent producer~~ has placed in this state with or on behalf of a risk retention group. The failure of a risk retention group to pay the tax imposed in this section shall result in the risk retention group being considered an unauthorized insurer under chapter 507A.

Sec. 5. NEW SECTION. 505.7A CIVIL PENALTIES.

Unless specifically provided for in this subtitle, penalties imposed under this subtitle by order of the commissioner of insurance after hearing shall not exceed one thousand dollars for each act or violation of this subtitle, up to an aggregate of ten thousand dollars, unless the person knew or reasonably should have known the person was in violation of this subtitle, in which case the penalty shall not exceed five thousand dollars for each act or violation, up to an aggregate of fifty thousand dollars in any one six-month period.

Sec. 6. Section 505A.1, article III, subsections 1 and 2, Code Supplement 2003, are amended to read as follows:

1. The compacting states hereby create and establish ~~an~~ entity a joint public agency known as the interstate insurance

3 6 product regulation commission. Pursuant to article IV, the
3 7 commission has the power to develop uniform standards for
3 8 product lines, receive and provide prompt review of products
3 9 filed therewith, and give approval to those product filings
3 10 satisfying applicable uniform standards, provided it is not
3 11 intended for the commission to be the exclusive entity for
3 12 receipt and review of insurance product filings. Nothing
3 13 herein shall prohibit any insurer from filing its product in
3 14 any state wherein the insurer is licensed to conduct the
3 15 business of insurance, and any such filing shall be subject to
3 16 the laws of the state where filed.

3 17 2. The commission is a body corporate ~~comprising each and~~
3 18 ~~politic, and an instrumentality of the~~ compacting state.

3 19 Sec. 7. Section 505A.1, article III, subsection 3, Code
3 20 Supplement 2003, is amended by striking the subsection.

3 21 Sec. 8. Section 505A.1, article V, subsection 1, paragraph
3 22 c, subparagraphs (3) and (4), Code Supplement 2003, are
3 23 amended to read as follows:

3 24 (3) Providing reasonable standards and procedures:

3 25 (a) For the establishment and meetings of other
3 26 committees.

3 27 (b) Governing any general or specific delegation of any
3 28 authority or function of the commission.

3 29 (4) Providing reasonable procedures for calling and
3 30 conducting meetings of the commission, ~~and that consists of a~~
3 31 ~~majority of commission members ensuring reasonable advance~~
3 32 ~~notice of each such meeting, and providing for the right of~~
3 33 ~~citizens to attend each such meeting with enumerated~~
3 34 ~~exceptions designed to protect the public's interest, the~~
3 35 ~~privacy of individuals, and insurers' proprietary information,~~

4 1 ~~including trade secrets. The commission may meet in camera~~
4 2 ~~only after a majority of the entire membership votes to close~~
4 3 ~~a meeting en toto or in part. As soon as practicable, the~~
4 4 ~~commission shall make public:~~

4 5 (a) ~~A copy of the vote to close the meeting, revealing the~~
4 6 ~~vote of each member, with no proxy votes allowed.~~

4 7 (b) ~~Votes taken during such meeting.~~

4 8 Sec. 9. Section 505A.1, article V, subsection 1, paragraph
4 9 c, Code Supplement 2003, is amended by adding the following
4 10 new subparagraph:

4 11 NEW SUBPARAGRAPH. (8) Promulgating a code of ethics to
4 12 address permissible and prohibited activities of commission
4 13 members and employees.

4 14 Sec. 10. Section 505A.1, article V, subsection 1, Code
4 15 Supplement 2003, is amended by adding the following new
4 16 paragraph:

4 17 NEW PARAGRAPH. d. The commission shall publish its bylaws
4 18 in a convenient form and file a copy of the bylaws, along with
4 19 any amendments, with the appropriate agency or officer in each
4 20 of the compacting states.

4 21 Sec. 11. Section 505A.1, article VII, subsection 2, Code
4 22 Supplement 2003, is amended to read as follows:

4 23 2. RULEMAKING PROCEDURE. Rules and operating procedures
4 24 shall be made pursuant to a rulemaking process that conforms
4 25 to the model state administrative procedure act of 1981 as
4 26 amended, as may be appropriate to the operations of the
4 27 commission. Before the commission adopts a uniform standard,
4 28 the commission shall give written notice to the relevant state
4 29 legislative committee or committees in each compacting state
4 30 responsible for insurance issues of its intention to adopt the
4 31 uniform standard. The commission, in adopting a uniform
4 32 standard, shall consider fully all submitted materials and
4 33 issue a concise explanation of its decision.

4 34 Sec. 12. Section 505A.1, article VIII, subsection 1, Code
4 35 Supplement 2003, is amended to read as follows:

5 1 1. The commission shall promulgate rules ~~to establish~~
5 2 ~~establishing conditions and procedures under which the~~

5 3 ~~commission shall make its information and official records~~
5 4 ~~available to the public for inspection or copying for public~~
5 5 ~~inspection and copying of its information and official~~
5 6 ~~records, except such information and records involving the~~
5 7 ~~privacy of individuals and insurers' trade secrets. The~~

5 8 commission may promulgate additional rules under which it may
5 9 make available to federal and state agencies, including law
5 10 enforcement agencies, records, and information otherwise
5 11 exempt from disclosure, and may enter into agreements with
5 12 such agencies to receive or exchange information or records
5 13 subject to nondisclosure and confidentiality provisions.

5 14 Sec. 13. Section 505A.1, article VIII, subsection 4,
5 15 paragraphs a and b, Code Supplement 2003, are amended to read
5 16 as follows:

5 17 a. With respect to the commissioner's market regulation of
5 18 a product or advertisement that is approved or certified to
5 19 the commission, ~~no activity of an insurer the content of the~~
5 20 ~~product or advertisement shall not constitute a violation of~~
5 21 the provisions, standards, or requirements of this compact
5 22 except upon a final order of the commission, issued at the
5 23 request of a commissioner after prior notice to the insurer
5 24 and an opportunity for hearing before the commission.

5 25 b. Before a commissioner may bring an action for violation
5 26 of any provision, standard, or requirement of this compact
5 27 relating to the ~~use content~~ of an advertisement not approved
5 28 or certified to the commission, the commission, or an
5 29 authorized commission officer or employee, must authorize the
5 30 action. However, authorization pursuant to this paragraph
5 31 does not require notice to the insurer, opportunity for
5 32 hearing, or disclosure of requests for authorization or
5 33 records of the commission's action on such requests.

5 34 Sec. 14. Section 505A.1, article XI, subsection 1, Code
5 35 Supplement 2003, is amended to read as follows:

6 1 1. Not later than thirty days after the commission has
6 2 given notice of a disapproved product or advertisement filed
6 3 with the commission, the insurer or third-party filer whose
6 4 filing was disapproved may appeal the determination to a
6 5 review panel appointed by the commission. The commission
6 6 shall adopt rules to establish procedures for appointing such
6 7 review panels and provide for notice and hearing. ~~The~~

~~6 8 decision of the review panel shall be the final action of the~~
~~6 9 commission and not subject to review by any court.~~

~~6 10 Notwithstanding the foregoing, an An allegation that the~~
6 11 commission, in disapproving a product or advertisement filed
6 12 with the commission, acted arbitrarily, capriciously, or in a
6 13 manner that is an abuse of discretion or otherwise not in
6 14 accordance with the law, is subject to judicial review in
6 15 accordance with article III, section 5.

6 16 Sec. 15. Section 505A.1, article XII, subsection 6, Code
6 17 Supplement 2003, is amended to read as follows:

6 18 6. The commission shall keep complete and accurate
6 19 accounts of all its internal receipts, including grants and
6 20 donations, and disbursements of all funds under its control.
6 21 The internal financial accounts of the commission shall be
6 22 subject to the accounting procedures established under its
6 23 bylaws. The financial accounts and reports, including the
6 24 system of internal controls and procedures of the commission,
6 25 shall be audited annually by an independent certified public
6 26 accountant. Upon the determination of the commission, but no
6 27 less frequently than every three years, the review of the
6 28 independent auditor shall include a management and performance
6 29 audit of the commission. The commission shall make an annual
6 30 report to the governor and legislature of the compacting
6 31 states, which shall include a report of the independent audit.
6 32 The commission's internal accounts, ~~any work papers related to~~

~~6 33 any internal audit, and any work papers related to the~~
~~6 34 independent audit, shall not be confidential, provided that~~
6 35 ~~and such materials may be shared with the commissioner of any~~
7 1 ~~compacting state and shall remain confidential pursuant to~~
~~7 2 article VII upon request; provided, however, that any work~~
7 3 ~~papers related to any internal or independent audit and any~~
7 4 ~~information regarding the privacy of the individuals and~~
7 5 ~~insurers' proprietary information, including trade secrets,~~
7 6 ~~shall remain confidential.~~

7 7 Sec. 16. Section 505A.1, article XVI, subsection 1,
7 8 paragraph b, Code Supplement 2003, is amended to read as
7 9 follows:

7 10 b. For any product approved or certified to the
7 11 commission, the rules, uniform standards, and any other
7 12 requirements of the commission shall constitute the exclusive
7 13 provisions applicable to the content, approval, and
7 14 certification of such products. For advertisement that is
7 15 subject to the commission's authority, any rule, uniform
7 16 standard, or other requirement of the commission which governs
7 17 the content of the advertisement shall constitute the
7 18 exclusive provision that a commissioner may apply to the
7 19 content of the advertisement. Notwithstanding the foregoing,
7 20 action taken by the commission shall not abrogate or restrict:

~~7 21 (1) The access of any person, including the attorney~~
~~7 22 general, to state courts.~~

7 23 (2) Remedies available under state law related to breach
7 24 of contract, tort, general consumer protection laws, or
7 25 general consumer protection regulations that apply to the sale
7 26 or advertisement of the product or other laws not specifically
7 27 directed to the content of the product.

7 28 (3) State law relating to the construction of insurance
7 29 contracts.

7 30 (4) The authority of the attorney general of the state,
7 31 including but not limited to maintaining any actions or
7 32 proceedings, as authorized by law.

7 33 Sec. 17. Section 507.14, Code 2003, is amended by adding
7 34 the following new unnumbered paragraph:

7 35 NEW UNNUMBERED PARAGRAPH. Analysis notes, work papers, or
8 1 other documents related to the analysis of an insurer are not
8 2 public records under chapter 22.

8 3 Sec. 18. Section 507.16, Code 2003, is amended to read as
8 4 follows:

8 5 507.16 UNLAWFUL SOLICITATION OF BUSINESS.

8 6 ~~Any It shall be unlawful for any officer, manager, agent,~~

8 7 ~~or representative of any insurance company contemplated by~~

8 8 ~~this chapter, who, with knowledge that its certificate of~~

8 9 ~~authority has been suspended or revoked, or that it is~~

8 10 ~~insolvent, or is doing an unlawful or unauthorized business,~~

8 11 ~~solicits to solicit or receive applications for insurance for~~

8 12 ~~said the company, or receives applications therefor, or does~~

8 13 ~~to do any other act or thing toward receiving or procuring any~~

8 14 ~~new business for said the company, shall be deemed guilty of a~~

8 15 ~~serious misdemeanor, and the.~~ The provisions of sections

8 16 511.16 and 511.17 are hereby extended to all companies

8 17 contemplated by this chapter.

8 18 Sec. 19. Section 507A.10, Code 2003, is amended to read as

8 19 follows:

8 20 507A.10 CEASE AND DESIST ~~ORDER ORDERS~~ == CIVIL PENALTY AND

8 21 ~~CRIMINAL PENALTIES.~~

8 22 1. Upon a determination by the commissioner, after a

8 23 hearing conducted pursuant to chapter 17A, that a person or

8 24 insurer has violated a provision of this chapter, the

8 25 commissioner shall reduce the findings of the hearing to

8 26 writing and deliver a copy of the findings to the person or

8 27 insurer, may issue an order requiring the person or insurer to

8 28 cease and desist from engaging in the conduct resulting in the

8 29 violation, and may assess a civil penalty of not more than

8 30 fifty thousand dollars against the person or insurer.

8 31 2. a. Upon a determination by the commissioner that a

8 32 person or insurer has engaged, is engaging, or is about to

8 33 engage in any act or practice constituting a violation of this

8 34 chapter or a rule adopted or order issued under this chapter,

8 35 the commissioner may issue a summary order, including a brief

9 1 statement of findings of fact, conclusions of law, and policy

9 2 reasons for the decision, and directing the person or insurer

9 3 to cease and desist from engaging in the act or practice or to

9 4 take other affirmative action as is in the judgment of the

9 5 commissioner necessary to comply with the requirements of this

9 6 chapter.

9 7 b. A person to whom a summary order has been issued under

9 8 this subsection may contest the order by filing a request for

9 9 a contested case proceeding and hearing as provided in chapter

9 10 17A and in accordance with rules adopted by the commissioner.

9 11 However, the person shall have at least thirty days from the

9 12 date that the order is issued in order to file the request.

9 13 Section 17A.18A is inapplicable to a summary order issued

9 14 under this subsection. If a hearing is not timely requested,

9 15 the summary order becomes final by operation of law. The

9 16 order shall remain effective from the date of issuance until

9 17 the date the order becomes final by operation of law or is

9 18 overturned by a presiding officer or court following a request

9 19 for hearing.

9 20 c. A person or insurer violating a summary order issued

9 21 under this subsection shall be deemed in contempt of that

9 22 order. The commissioner may petition the district court to

9 23 enforce the order as certified by the commissioner. The

9 24 district court shall find the person in contempt of the order

9 25 if the court finds after hearing that the person or insurer is

9 26 not in compliance with the order. The court may assess a

9 27 civil penalty against the person or insurer and may issue

9 28 further orders as it deems appropriate.

9 29 3. A person acting as an insurance producer, as defined in

9 30 chapter 522B, without proper licensure, or an insurer who

9 31 willfully violates any provision of this chapter, or any rule

9 32 adopted or order issued under this chapter, is guilty of a

9 33 class "D" felony.

9 34 4. A person acting as an insurance producer, as defined in

9 35 chapter 522B, without proper licensure, or an insurer who

10 1 willfully violates any provision of this chapter, or any rule

10 2 adopted or order issued under this chapter, and when such

10 3 violation results in a loss of more than ten thousand dollars,

10 4 is guilty of a class "C" felony.

10 5 5. The commissioner may refer such evidence as is
10 6 available concerning violations of this chapter or of any rule
10 7 adopted or order issued under this chapter, or of the failure
10 8 of a person to comply with the licensing requirements of
10 9 chapter 522B, to the attorney general or the proper county
10 10 attorney who may, with or without such reference, institute
10 11 the appropriate criminal proceedings under this chapter.

10 12 6. This chapter does not limit the power of the state to
10 13 punish any person for any conduct that constitutes a crime
10 14 under any other statute.

10 15 Sec. 20. Section 507B.2, subsection 1, Code 2003, is
10 16 amended to read as follows:

10 17 1. "Person" shall mean any individual, corporation,
10 18 association, partnership, reciprocal exchange, interinsurer,
10 19 fraternal beneficiary association, and any other legal entity
10 20 engaged in the business of insurance, including ~~agents,~~
10 21 ~~brokers~~ insurance producers and adjusters. "Person" shall
10 22 also mean any corporation operating under the provisions of
10 23 chapter 514 and any benevolent association as defined and
10 24 operated under chapter 512A. For purposes of this chapter,
10 25 corporations operating under the provisions of chapter 514 and
10 26 chapter 512A shall be deemed to be engaged in the business of
10 27 insurance.

10 28 Sec. 21. Section 507B.3, Code Supplement 2003, is amended
10 29 by adding the following new subsection:

10 30 NEW SUBSECTION. 3. Information obtained by the
10 31 commissioner in the course of investigating a consumer
10 32 complaint may, in the discretion of the commissioner, be
10 33 provided to the insurance company or insurance producer which
10 34 is the subject of the complaint or to the consumer who filed
10 35 the complaint or the individual insured who is the subject of
11 1 the complaint without waiving the confidentiality afforded by
11 2 this section to the commissioner or other persons.

11 3 Sec. 22. Section 507B.6, subsection 5, Code 2003, is
11 4 amended to read as follows:

11 5 5. Statements of charges, notices, orders, subpoenas, and
11 6 other processes of the commissioner under this chapter may be
11 7 served by anyone ~~duly~~ authorized by the commissioner, either
11 8 in the manner provided by law for service of process in civil
11 9 actions, or by mailing a copy ~~thereof~~ by restricted certified
11 10 mail to the person affected by ~~such the~~ statement, notice,
11 11 order, subpoena, or other process at the person's residence or
11 12 principal office or place of business. The verified return by
11 13 the person ~~so~~ serving ~~such the~~ statement, notice, order,
11 14 subpoena, or other process, setting forth the manner of such
11 15 service, shall be proof of ~~the same service~~, and the return
11 16 receipt for ~~such the~~ statement, notice, order, subpoena, or
11 17 other process, ~~and~~ mailed by restricted certified mail ~~as~~
11 18 ~~aforsaid~~, shall be proof of the service ~~of the same~~.

11 19 Sec. 23. NEW SECTION. 507B.6A SUMMARY CEASE AND DESIST
11 20 ORDERS.

11 21 1. Upon a determination by the commissioner that a person
11 22 or insurer has engaged, is engaging, or is about to engage in
11 23 any act or practice constituting a violation of this chapter
11 24 or a rule adopted or order issued under this chapter, the
11 25 commissioner may issue a summary order, including a brief
11 26 statement of findings of fact, conclusions of law, and policy
11 27 reasons for the decision, and directing the person or insurer
11 28 to cease and desist from engaging in the act or practice or to
11 29 take other affirmative action as is in the judgment of the
11 30 commissioner necessary to comply with the requirements of this
11 31 chapter.

11 32 2. A person who has been issued a summary order under this
11 33 section may contest the order by filing a request for a
11 34 contested case proceeding and hearing as provided in chapter
11 35 17A and in accordance with the rules adopted by the
12 1 commissioner. However, the person shall have at least thirty
12 2 days from the date that the order is issued in order to file
12 3 the request. Section 17A.18A is inapplicable to a summary
12 4 order issued under this section. The order shall remain
12 5 effective from the date of issuance unless overturned by a
12 6 presiding officer or court following a request for hearing.
12 7 If a hearing is not timely requested, the summary order
12 8 becomes final by operation of law.

12 9 3. A person or insurer violating a summary order issued
12 10 under this section shall be deemed in contempt of that order.
12 11 The commissioner may petition the district court to enforce
12 12 the order as certified by the commissioner. The district
12 13 court shall adjudge the person in contempt of the order if the
12 14 court finds after hearing that the person or insurer is not in

12 15 compliance with the order. The court may assess a civil
12 16 penalty against the person or insurer and may issue further
12 17 orders as it deems appropriate.

12 18 Sec. 24. Section 507B.7, Code 2003, is amended to read as
12 19 follows:

12 20 507B.7 CEASE AND DESIST ORDERS AND ~~MODIFICATIONS THEREOF~~
12 21 ~~PENALTIES.~~

12 22 1. If, after ~~such~~ hearing, the commissioner determines
12 23 that ~~the a~~ person ~~charged~~ has engaged in an unfair method of
12 24 competition or an unfair or deceptive act or practice, the
12 25 commissioner shall reduce the findings to writing and shall
12 26 issue and cause to be served upon the person charged with the
12 27 violation a copy of such findings, an order requiring such
12 28 person to cease and desist from engaging in such method of
12 29 competition, act, or practice, and ~~if the act or practice is a~~
~~12 30 violation of section 507B.4, 507B.4A, or 507B.5, the~~
12 31 commissioner may at the commissioner's discretion order any
12 32 one or more of the following:

12 33 a. Payment of a civil penalty of not more than one
12 34 thousand dollars for each act or violation of this subtitle,
12 35 but not to exceed an aggregate of ten thousand dollars, unless
13 1 the person knew or reasonably should have known the person was
13 2 in violation of ~~section 507B.4, 507B.4A, or 507B.5~~ this
~~13 3 subtitle, in which case the penalty shall be not more than~~
13 4 five thousand dollars for each act or violation, but not to
13 5 exceed an aggregate penalty of fifty thousand dollars in any
13 6 one six-month period. If the commissioner finds that a
13 7 violation of ~~section 507B.4, 507B.4A, or 507B.5~~ this subtitle
13 8 was directed, encouraged, condoned, ignored, or ratified by
13 9 the employer of the person or by an insurer, the commissioner
13 10 shall also assess a fine to the employer or insurer.

13 11 b. Suspension or revocation of the license of a person as
13 12 defined in section 507B.2, subsection 1, if the person knew or
13 13 reasonably should have known the person was in violation of
13 14 ~~section 507B.4, 507B.4A, or 507B.5~~ this subtitle.

13 15 c. Payment of interest at the rate of ten percent per
13 16 annum if the commissioner finds that the insurer failed to pay
13 17 interest as required under section 507B.4, subsection 12.

13 18 2. Until the expiration of the time allowed under section
13 19 507B.8 for filing a petition for review if no such petition
13 20 has been duly filed within such time, or, if a petition for
13 21 review has been filed within such time, then until the
13 22 transcript of the record in the proceeding has been filed in
13 23 the district court, as hereinafter provided, the commissioner
13 24 may at any time, upon such notice and in such manner as the
13 25 commissioner may deem proper, modify or set aside in whole or
13 26 in part any order issued by the commissioner under this
13 27 section.

13 28 3. After the expiration of the time allowed for filing
13 29 such a petition for review if no such petition has been duly
13 30 filed within such time, the commissioner may at any time,
13 31 after notice and opportunity for hearing, reopen and alter,
13 32 modify, or set aside, in whole or in part, any order issued by
13 33 the commissioner under this section, whenever in the
13 34 commissioner's opinion conditions of fact or of law have so
13 35 changed as to require such action, or if the public interest
14 1 shall so require.

14 2 4. Any person who violates a cease and desist order of the
14 3 commissioner, and while such order is in effect, may, after
14 4 notice and hearing and upon order of the commissioner, be
14 5 subject at the discretion of the commissioner to any one or
14 6 more of the following:

14 7 a. A monetary penalty of not more than ten thousand
14 8 dollars for each and every act or violation.

14 9 b. Suspension or revocation of such person's license.

14 10 Sec. 25. Section 507C.6, subsection 4, Code 2003, is
14 11 amended by striking the subsection and inserting in lieu
14 12 thereof the following:

14 13 4. It shall be unlawful for a person as defined in
14 14 subsection 1 to fail to cooperate with the commissioner, or to
14 15 obstruct or interfere with the commissioner in the conduct of
14 16 a delinquency proceeding or an investigation preliminary or
14 17 incidental to a delinquency proceeding, or to violate a valid
14 18 order of the commissioner.

14 19 Sec. 26. Section 507C.11, unnumbered paragraph 1, Code
14 20 2003, is amended to read as follows:

14 21 Notwithstanding chapter 22, in all administrative
14 22 proceedings pursuant to sections 507C.9 and 507C.10 all
14 23 orders, records, and documents pertaining to or a part of the
14 24 record of the proceedings are confidential except as is
14 25 necessary to obtain compliance with a proceeding. However,

14 26 the records may be released if either of the following occurs:
14 27 Sec. 27. Section 509.18, Code 2003, is amended to read as
14 28 follows:

14 29 509.18 PROHIBITED DEPOSIT IN FINANCIAL INSTITUTION.

14 30 A company or its agent licensed to sell a policy of credit
14 31 life or credit accident and health insurance or certificate
14 32 under a policy of group credit life or credit accident and
14 33 health insurance shall not deposit or offer to deposit funds
14 34 in a financial institution of this state in exchange for the
14 35 privilege of selling such insurance to or on behalf of the
15 1 financial institution. ~~Any person violating the provisions of
15 2 this section shall be guilty of a simple misdemeanor.~~

15 3 Sec. 28. Section 511.8, subsection 1, Code Supplement
15 4 2003, is amended to read as follows:

15 5 1. UNITED STATES GOVERNMENT OBLIGATIONS.

15 6 a. Bonds or other evidences of indebtedness issued,
15 7 assumed, or guaranteed by the United States of America, or by
15 8 any agency or instrumentality thereof of the United States of
15 9 America.

15 10 b. Bonds or other evidences of indebtedness issued,
15 11 assumed, or guaranteed by the United States of America, or by
15 12 any agency or instrumentality of the United States of America
15 13 include investments in an open-end management investment
15 14 company registered with the federal securities and exchange
15 15 commission under the federal Investment Company Act of 1940,
15 16 15 U.S.C. } 80(a), and operated in accordance with 17 C.F.R. }
15 17 270.2a-7, the portfolio of which is limited to the United
15 18 States government obligations described in paragraph "a", and
15 19 which are included in the national association of insurance
15 20 commissioners' securities valuation office's United States
15 21 direct obligations-full faith and credit exempt list.

15 22 Sec. 29. Section 511.8, subsection 19, unnumbered
15 23 paragraph 1, Code Supplement 2003, is amended to read as
15 24 follows:

15 25 Bonds or other evidences of indebtedness, not to include
15 26 currency, issued, assumed, or guaranteed by a foreign
15 27 government other than Canada, or by a corporation incorporated
15 28 under the laws of a foreign government other than Canada.
15 29 Such governmental obligations must be valid, legally
15 30 authorized and issued, and on the date of acquisition have
15 31 predominantly investment qualities and characteristics as
15 32 provided by rule. Such corporate obligations must meet the
15 33 qualifications established in subsection 5 for bonds and other
15 34 evidences of indebtedness issued, assumed, or guaranteed by a
15 35 corporation incorporated under the laws of the United States
16 1 or Canada. Foreign investments authorized by this subsection
16 2 are not eligible in excess of ~~ten~~ twenty percent of the legal
16 3 reserve of the life insurance company or association.
16 4 Investments in obligations of a foreign government, other than
16 5 Canada and the United Kingdom, are not eligible in excess of
16 6 two percent of the legal reserve in the securities of foreign
16 7 governments of any one foreign nation. Investments in
16 8 obligations of the United Kingdom are not eligible in excess
16 9 of four percent of the legal reserve. Investments in a
16 10 corporation incorporated under the laws of a foreign
16 11 government other than Canada are not eligible in excess of two
16 12 percent of the legal reserve in the securities of any one
16 13 foreign corporation.

16 14 Sec. 30. Section 511.8, subsection 22, paragraph e, Code
16 15 Supplement 2003, is amended to read as follows:

16 16 e. Investments in financial instruments of foreign
16 17 governments or foreign corporate obligations, other than
16 18 Canada, used in hedging transactions are not eligible in
16 19 excess of ~~ten~~ twenty percent of the legal reserve, less any
16 20 foreign investment authorized by subsection 19 owned by the
16 21 company or association and in which its legal reserve is
16 22 invested, except insofar as the financial instruments are
16 23 collateralized by cash or United States government obligations
16 24 as authorized by subsection 1 deposited with a custodian bank
16 25 as defined in subsection 21, and held under a written
16 26 agreement with the custodian bank that complies with
16 27 subsection 21 and provides for the proceeds of the collateral,
16 28 subject to the terms and conditions of the applicable
16 29 collateral or other credit support agreement, to be remitted
16 30 to the legal reserve deposit of the company or association and
16 31 to vest in the state in accordance with section 508.18
16 32 whenever proceedings under that section are instituted.

16 33 Sec. 31. Section 511.8, Code Supplement 2003, is amended
16 34 by adding the following new subsection:

16 35 NEW SUBSECTION. 23. SECURITY LOANS.

17 1 a. A life insurance company or association may loan

17 2 securities held by it in its legal reserve to a broker=dealer
17 3 registered under the Securities Exchange Act of 1934, a
17 4 national bank, or a state bank, foreign bank, or trust company
17 5 that is a member of the United States federal reserve system,
17 6 and the loaned securities shall continue to be eligible for
17 7 inclusion in the legal reserve of the life insurance company
17 8 or association.

17 9 b. The loan shall be fully collateralized by cash, cash
17 10 equivalents, or obligations issued or guaranteed by the United
17 11 States or an agency or instrumentality of the United States.
17 12 The life insurance company or association shall take delivery
17 13 of the collateral either directly or through an authorized
17 14 custodian.

17 15 c. If the loan is collateralized by cash or cash
17 16 equivalents, the cash or cash equivalent collateral may be
17 17 reinvested by the life insurance company or association in
17 18 either individual securities which are eligible for inclusion
17 19 in the legal reserve of the life insurance company or
17 20 association or in repurchase agreements fully collateralized
17 21 by such securities if the life insurance company or
17 22 association takes delivery of the collateral either directly
17 23 or through an authorized custodian or pooled fund comprised of
17 24 individual securities which are eligible for inclusion in the
17 25 legal reserve of the life insurance company or association.
17 26 If such reinvestment is made in individual securities or in
17 27 repurchase agreements, the individual securities or the
17 28 securities which collateralize the repurchase agreements shall
17 29 mature in less than two hundred seventy days. If such
17 30 reinvestment is made in a pooled fund, the average maturity of
17 31 the securities comprising such pooled fund must be less than
17 32 two hundred seventy days. Individual securities and
17 33 securities comprising the pooled fund shall be investment
17 34 grade.

17 35 d. The loan shall be evidenced by a written agreement
18 1 which provides all of the following:

18 2 (1) That the loan will be fully collateralized at all
18 3 times during the term of the loan, and that the collateral
18 4 will be adjusted as necessary each business day during the
18 5 term of the loan to maintain the required collateralization in
18 6 the event of market value changes in the loaned securities or
18 7 collateral.

18 8 (2) If the loan is fully collateralized by cash or cash
18 9 equivalents, the cash or cash equivalent may be reinvested by
18 10 the life insurance company or association as provided in
18 11 paragraph "c".

18 12 (3) That the loan may be terminated by the life insurance
18 13 company or association at any time, and that the borrower
18 14 shall return the loaned stocks or obligations or equivalent
18 15 stocks or obligations within five business days after
18 16 termination.

18 17 (4) That the life insurance company or association has the
18 18 right to retain the collateral or use the collateral to
18 19 purchase investments equivalent to the loaned securities if
18 20 the borrower defaults under the terms of the agreement, and
18 21 that the borrower remains liable for any losses and expenses
18 22 incurred by the life insurance company or association due to
18 23 default that are not covered by the collateral.

18 24 e. Securities loaned pursuant to this subsection are not
18 25 eligible for inclusion in the legal reserve of the life
18 26 insurance company or association in excess of twenty percent
18 27 of the legal reserve.

18 28 Sec. 32. Section 511.16, Code 2003, is amended to read as
18 29 follows:

18 30 511.16 ILLEGAL BUSINESS.

18 31 ~~Any It shall be unlawful for any officer, manager, or agent~~
18 32 ~~of any life insurance company or association who, with~~
18 33 ~~knowledge that it is doing business in an unlawful manner or~~
18 34 ~~is insolvent, solicits to solicit or receive applications for~~
18 35 ~~insurance with said the company or association, or receives~~
19 1 ~~applications therefor, or does to do any other act or thing~~
19 2 ~~towards toward procuring or receiving any new business for~~
19 3 ~~such the company or association, shall be guilty of an~~
19 4 ~~aggravated misdemeanor.~~

19 5 Sec. 33. Section 512A.8, Code 2003, is amended to read as
19 6 follows:

19 7 512A.8 PENALTIES VIOLATION.

19 8 Except as otherwise provided by law, it shall be unlawful
19 9 for any person or corporation to operate a benevolent
19 10 association in this state except as provided for in this
19 11 chapter. ~~Any person violating the provisions of this chapter~~
19 12 ~~shall be guilty of a serious misdemeanor.~~

19 13 Sec. 34. Section 512B.35, Code 2003, is amended to read as
19 14 follows:

19 15 512B.35 ~~PENALTIES FALSE OR FRAUDULENT STATEMENTS.~~

19 16 1. ~~A person who It shall be unlawful for a person~~
19 17 ~~knowingly makes to make~~ a false or fraudulent statement or
19 18 representation in or relating to an application for membership
19 19 or for the purpose of obtaining money from or a benefit in a
19 20 society, ~~is guilty of a fraudulent practice.~~

19 21 2. ~~A person who willfully makes It shall be unlawful for a~~
19 22 ~~person to willfully make~~ a false or fraudulent statement in a
19 23 verified report or declaration under oath required or
19 24 authorized by this chapter, or of a material fact or thing
19 25 contained in a sworn statement concerning the death or
19 26 disability of an insured for the purpose of procuring payment
19 27 of a benefit named in the certificate, ~~is guilty of perjury.~~

19 28 3. ~~A person who solicits It shall be unlawful for a person~~
19 29 ~~to solicit~~ membership for, or in any manner ~~assists to assist~~
19 30 in procuring membership in, a society not licensed to do
19 31 business in this state, ~~is guilty of a serious misdemeanor.~~

19 32 4. ~~A person guilty of a willful violation of, or neglect~~
19 33 ~~or refusal to comply with, a provision of this chapter for~~
19 34 ~~which a penalty is not otherwise prescribed, is guilty of a~~
19 35 ~~simple misdemeanor.~~

20 1 Sec. 35. Section 513C.3, subsection 15, Code Supplement
20 2 2003, is amended by adding the following new unnumbered
20 3 paragraph:

20 4 NEW UNNUMBERED PARAGRAPH. For purposes of this subsection,
20 5 an association policy under chapter 514E is not considered
20 6 "qualifying existing coverage" or "qualifying previous
20 7 coverage".

20 8 Sec. 36. Section 513C.8, Code 2003, is amended to read as
20 9 follows:

20 10 513C.8 HEALTH BENEFIT PLAN STANDARDS.

20 11 ~~The commissioner board of directors of the Iowa~~
20 12 ~~comprehensive health insurance association, with the approval~~
20 13 ~~of the commissioner, shall adopt by rule the form and level of~~
20 14 coverage of the basic health benefit plan and the standard
20 15 health benefit plan for the individual market which shall
20 16 provide benefits substantially similar to ~~those as provided~~
20 17 ~~for under chapter 513B with respect to small group coverage,~~
20 18 ~~but which shall be appropriately adjusted at least every three~~
20 19 ~~years to reflect the current state of the individual market.~~

20 20 Sec. 37. Section 513C.10, subsection 1, paragraph a, Code
20 21 Supplement 2003, is amended to read as follows:

20 22 a. All persons that provide health benefit plans in this
20 23 state including insurers providing accident and sickness
20 24 insurance under chapter 509, 514, or 514A, whether on an
20 25 individual or group basis; fraternal benefit societies
20 26 providing hospital, medical, or nursing benefits under chapter
20 27 512B; and health maintenance organizations, organized delivery
20 28 systems, ~~and all~~ other entities providing health insurance or
20 29 health benefits subject to state insurance regulation, ~~and all~~
20 30 ~~other insurers as designated by the board of directors of the~~
20 31 ~~Iowa comprehensive health insurance association with the~~
20 32 ~~approval of the commissioner shall be members of the~~
20 33 association.

20 34 Sec. 38. Section 513C.10, subsection 4, Code Supplement
20 35 2003, is amended to read as follows:

21 1 4. The board shall develop procedures and assessment
21 2 mechanisms and make assessments and distributions as required
21 3 to equalize the individual carrier and organized delivery
21 4 system gains or losses so that each carrier or organized
21 5 delivery system receives the same ratio of paid claims to
21 6 ninety percent of earned premiums as the aggregate of all
21 7 basic and standard plans insured by all carriers and organized
21 8 delivery systems in the state.

21 9 Sec. 39. NEW SECTION. 514A.3A REFUND OF UNEARNED PREMIUM
21 10 UPON DEATH OF INSURED.

21 11 In the event of the death of the insured of any policy
21 12 covered by this chapter, the insurer, upon receipt of notice
21 13 of the insured's death supported by a certified copy of a
21 14 valid death certificate and a request for a pro rata refund by
21 15 a party entitled to claim such a refund, shall refund the
21 16 unearned premium prorated to the month of the insured's death.
21 17 Refund of the premium and termination of the coverage shall be
21 18 without prejudice to any claim originating prior to the date
21 19 of the insured's death. The commissioner of insurance shall
21 20 adopt by rule the minimum amount required for issuance of a
21 21 refund.

21 22 Sec. 40. Section 514E.1, subsection 2, Code Supplement
21 23 2003, is amended to read as follows:

21 24 2. "Association policy" means an individual or group
21 25 policy issued by the association that provides the coverage
21 26 ~~specified in section 514E.4 as set forth in the benefit plans~~
21 27 ~~adopted by the association's board of directors and approved~~
21 28 ~~by the commissioner.~~

21 29 Sec. 41. Section 514E.1, subsections 7, 8, and 12, Code
21 30 Supplement 2003, are amended by striking the subsections.
21 31 Sec. 42. Section 514E.1, subsection 9, Code Supplement
21 32 2003, is amended by adding the following new paragraph:
21 33 NEW PARAGRAPH. f. Who has been confirmed eligible under
21 34 the federal Trade Adjustment Act of 2002, Pub. L. No. 107=210,
21 35 as a recipient under that Act, by the department of workforce
22 1 development and the federal internal revenue service.

22 2 Sec. 43. Section 514E.1, subsection 13, Code Supplement
22 3 2003, is amended to read as follows:
22 4 13. "Health care services" means services, the coverage of
22 5 which is authorized under chapter 509, chapter 514, chapter
22 6 514A, or chapter 514B as limited by ~~sections 514E.4 and 514E.5~~
22 7 ~~benefit plans established by the association's board of~~
22 8 ~~directors, with the approval of the commissioner and includes~~
22 9 ~~services for the purposes of preventing, alleviating, curing,~~
22 10 ~~or healing human illness, injury or physical disability.~~

22 11 Sec. 44. Section 514E.2, subsection 1, unnumbered
22 12 paragraph 1, Code Supplement 2003, is amended to read as
22 13 follows:
22 14 The Iowa comprehensive health insurance association is
22 15 established as a nonprofit corporation. The association shall
22 16 assure that ~~health insurance, as limited by sections 514E.4~~
22 17 ~~and 514E.5, is benefit plans as authorized in section 514E.1,~~
22 18 ~~subsection 2, for an association policy, are made available to~~
22 19 ~~each eligible Iowa resident and each federally eligible~~
22 20 ~~individual applying to the association for coverage. The~~
22 21 ~~association shall also be responsible for administering the~~
22 22 ~~Iowa individual health benefit reinsurance association~~
22 23 ~~pursuant to all of the terms and conditions contained in~~
22 24 ~~chapter 513C.~~

22 25 Sec. 45. Section 514E.2, subsection 1, paragraph a, Code
22 26 Supplement 2003, is amended to read as follows:
22 27 a. All carriers ~~as defined in section 514E.1, subsection~~
22 28 ~~3, and all organized delivery systems licensed by the director~~
22 29 ~~of public health providing health insurance or health care~~
22 30 ~~services in Iowa and all other insurers designated by the~~
22 31 ~~association's board of directors and approved by the~~
22 32 ~~commissioner shall be members of the association.~~

22 33 Sec. 46. Section 514E.2, subsection 6, Code Supplement
22 34 2003, is amended by striking the subsection and inserting in
22 35 lieu thereof the following:
23 1 6. Rates for coverages issued by the association shall
23 2 reflect rating characteristics used in the individual
23 3 insurance market. The rates for a given classification shall
23 4 not be more than one hundred fifty percent of the average
23 5 premium or payment rate for the classification charged by the
23 6 five carriers with the largest health insurance premium or
23 7 payment volume in the state during the preceding calendar
23 8 year. In determining the average rate of the five largest
23 9 carriers, the rates or payments charged by the carriers shall
23 10 be actuarially adjusted to determine the rate or payment that
23 11 would have been charged for benefits similar to those issued
23 12 by the association.

23 13 Sec. 47. Section 514E.4, Code 2003, is amended by striking
23 14 the section and inserting in lieu thereof the following:
23 15 514E.4 ASSOCIATION POLICY == COVERAGE AND BENEFIT
23 16 REQUIREMENTS == DEDUCTIBLES == COINSURANCE.
23 17 The association policy shall pay for medically necessary
23 18 eligible health care services as established in the benefit
23 19 plans adopted by the association's board of directors and
23 20 approved by the commissioner. The plans shall provide
23 21 benefits, deductibles, and coinsurance that reflect the
23 22 current state of the individual insurance market. The board
23 23 may modify the benefits provided under the plans to reflect
23 24 the current state of the individual insurance market with the
23 25 approval of the commissioner.

23 26 Sec. 48. Section 514E.7, subsection 1, Code 2003, is
23 27 amended by adding the following new unnumbered paragraph:
23 28 NEW UNNUMBERED PARAGRAPH. The association shall rescind
23 29 coverage for an individual who no longer resides in the state.

23 30 Sec. 49. Section 514E.7, subsection 5, Code 2003, is
23 31 amended by adding the following new paragraph:
23 32 NEW PARAGRAPH. f. The individual is eligible for Medicare
23 33 based upon age.

23 34 Sec. 50. Section 514E.8, subsection 1, Code 2003, is

23 35 amended to read as follows:

24 1 1. An association policy shall contain provisions under
24 2 which the association is obligated to renew the ~~contract~~
24 3 ~~coverage for an individual until the day on which the~~
24 4 ~~individual in whose name the contract is issued first becomes~~
24 5 ~~eligible for Medicare coverage, except that in a family policy~~
24 6 ~~covering both husband and wife, the age of the younger spouse~~
24 7 ~~shall be used as the basis for meeting the durational~~
24 8 ~~requirements of this subsection. However, when the individual~~
24 9 ~~in whose name the contract is issued becomes eligible for~~
24 10 ~~Medicare coverage, the person shall be eligible for the~~
24 11 ~~Medicare supplement plan offered by the association based on~~
24 12 ~~age.~~

24 13 Sec. 51. Section 514E.11, Code 2003, is amended to read as
24 14 follows:

24 15 514E.11 NOTICE OF ASSOCIATION POLICY.

24 16 Every carrier, including a health maintenance organization
24 17 subject to chapter 514B and an organized delivery system,
24 18 authorized to provide health care insurance or coverage for
24 19 health care services in Iowa, shall provide a notice of the
24 20 availability of coverage by the association to any person who
24 21 receives a rejection of coverage for health insurance or
24 22 health care services, or ~~a notice to any person who is~~
24 23 ~~informed that a rate for health insurance or coverage for~~
24 24 ~~health care services that will exceed the rate of an~~
24 25 ~~association policy, and that person is eligible to apply for~~
24 26 ~~health insurance provided by the association. Application for~~
24 27 ~~the health insurance shall be on forms prescribed by the~~
24 28 ~~association's board of directors and made available to the~~
24 29 ~~carriers and organized delivery systems and other entities~~
24 30 ~~providing health care insurance or coverage for health care~~
24 31 ~~services regulated by the commissioner.~~

24 32 Sec. 52. Section 515.35, subsection 3, paragraph a,
24 33 subparagraph (2), Code Supplement 2003, is amended by striking
24 34 the subparagraph and inserting in lieu thereof the following:

24 35 (2) A company may loan securities held by it to a broker=
25 1 dealer registered under the Securities Exchange Act of 1934, a
25 2 national bank, or a state bank, foreign bank, or trust company
25 3 that is a member of the United States federal reserve system,
25 4 and the loaned securities shall continue to be allowable
25 5 investments of the company.

25 6 (a) The loan shall be fully collateralized by cash, cash
25 7 equivalents, or obligations issued or guaranteed by the United
25 8 States or an agency or instrumentality of the United States.
25 9 The company shall take delivery of the collateral either
25 10 directly or through an authorized custodian.

25 11 (b) If the loan is collateralized by cash or cash
25 12 equivalents, the cash or cash equivalent collateral may be
25 13 reinvested by the company in either individual securities
25 14 which are allowable investments of the company or in
25 15 repurchase agreements fully collateralized by such securities
25 16 if the company takes delivery of the collateral either
25 17 directly or through an authorized custodian or a pooled fund
25 18 comprised of individual securities which are allowable
25 19 investments of the company. If such reinvestment is made in
25 20 individual securities or in repurchase agreements, the
25 21 individual securities or the securities which collateralize
25 22 the repurchase agreements shall mature in less than two
25 23 hundred seventy days. If such reinvestment is made in a
25 24 pooled fund, the average maturity of the securities comprising
25 25 such pooled fund must be less than two hundred seventy days.
25 26 Individual securities and securities comprising the pooled
25 27 fund shall be investment grade.

25 28 (c) The loan shall be evidenced by a written agreement
25 29 which provides all of the following:

25 30 (i) That the loan will be fully collateralized at all
25 31 times during the term of the loan, and that the collateral
25 32 will be adjusted as necessary each business day during the
25 33 term of the loan to maintain the required collateralization in
25 34 the event of market value changes in the loaned securities or
25 35 collateral.

26 1 (ii) If the loan is fully collateralized by cash or cash
26 2 equivalents, the cash or cash equivalent collateral may be
26 3 reinvested by the company as provided in subparagraph
26 4 subdivision (b).

26 5 (iii) That the loan may be terminated by the company at
26 6 any time, and that the borrower shall return the loaned stocks
26 7 and obligations or equivalent stocks or obligations within
26 8 five business days after termination.

26 9 (iv) That the company has the right to retain the
26 10 collateral or use the collateral to purchase investments

26 11 equivalent to the loaned securities if the borrower defaults
26 12 under the terms of the agreement, and that the borrower
26 13 remains liable for any losses and expenses incurred by the
26 14 company due to default that are not covered by the collateral.

26 15 (d) Securities loaned pursuant to this subparagraph (2)
26 16 are not eligible for investment of the company in excess of
26 17 twenty percent of admitted assets.

26 18 Sec. 53. Section 515.35, subsection 4, paragraph a, Code
26 19 Supplement 2003, is amended by adding the following new
26 20 unnumbered paragraph:

26 21 NEW UNNUMBERED PARAGRAPH. Bonds or other evidences of
26 22 indebtedness issued, assumed, or guaranteed by the United
26 23 States of America, or by any agency or instrumentality of the
26 24 United States of America include investments in an open-end
26 25 management investment company registered with the federal
26 26 securities and exchange commission under the federal
26 27 Investment Company Act of 1940, 15 U.S.C. } 80(a) and operated
26 28 in accordance with 17 C.F.R. } 270.2a-7, the portfolio of
26 29 which is limited to the United States government obligations
26 30 described in this paragraph "a", and which are included in the
26 31 national association of insurance commissioners' securities
26 32 valuation office's United States direct obligation=full faith
26 33 and credit list.

26 34 Sec. 54. Section 515.35, subsection 4, paragraph i,
26 35 subparagraphs (3) and (4), Code Supplement 2003, are amended
27 1 to read as follows:

27 2 (3) A company may invest in the obligations of a foreign
27 3 government other than Canada or of a corporation incorporated
27 4 under the laws of a foreign government other than Canada. Any
27 5 such governmental obligation must be valid, legally authorized
27 6 and issued, and on the date of acquisition have predominantly
27 7 investment qualities and characteristics as provided by rule.
27 8 Any such corporate obligation must on the date of acquisition
27 9 have investment qualities and characteristics, and must not
27 10 have speculative elements which are predominant, as provided
27 11 by rule. A company shall not invest more than two percent of
27 12 its admitted assets in the obligations of a foreign government
27 13 other than Canada and the United Kingdom. Investments in
27 14 obligations of the United Kingdom are not eligible in excess

27 15 of four percent of admitted assets. A company shall not
27 16 invest more than two percent of its admitted assets in the
27 17 obligations of a corporation incorporated under the laws of a
27 18 foreign government other than a corporation incorporated under
27 19 the laws of Canada.

27 20 (4) A company shall not invest more than ~~ten~~ twenty
27 21 percent of its admitted assets in foreign investments pursuant
27 22 to this paragraph.

27 23 Sec. 55. Section 515.120, Code 2003, is amended to read as
27 24 follows:

27 25 515.120 VIOLATIONS.

27 26 Any It shall be unlawful for any officer, manager, or agent
27 27 of any insurance company or association who, with knowledge
27 28 that it is doing business in an unlawful manner, or is
27 29 insolvent, ~~solicits to solicit or receive applications for~~
27 30 insurance with ~~said the~~ company or association, ~~or receives~~
27 31 ~~applications therefor, or does to do any other act or thing~~
27 32 ~~towards toward~~ procuring or receiving any new business for
27 33 such company or association, ~~shall be guilty of a serious~~
27 34 ~~misdemeanor.~~

27 35 Sec. 56. Section 515.121, Code 2003, is amended to read as
28 1 follows:

28 2 515.121 OFFICERS PUNISHED.

28 3 Any It shall be unlawful for any of the following to fail
28 4 to comply with or to violate any of the requirements of this
28 5 chapter:

28 6 1. The president, secretary, or other officer of any
28 7 company organized under the laws of this state, ~~or any,~~

28 8 2. Any officer or person doing or attempting to do
28 9 business in this state for any insurance company organized
28 10 either within or without this state, ~~failing to comply with~~
28 11 ~~any of the requirements of this chapter, or violating any of~~
28 12 ~~the provisions thereof, shall be guilty of a simple~~
28 13 ~~misdemeanor.~~

28 14 Sec. 57. Section 515.140, Code 2003, is amended to read as
28 15 follows:

28 16 515.140 VIOLATIONS == STATUS OF POLICY.

28 17 Any It shall be unlawful for any insurance company, its
28 18 officers or agents, or either of them, ~~violating to violate~~
28 19 any of the provisions of section 515.138, by issuing,
28 20 delivering, or offering to issue or deliver any policy of fire
28 21 insurance on property in this state other ~~or different from~~

~~28 22 than the standard form, herein as provided for, shall be~~
~~28 23 guilty of a simple misdemeanor in statute, but any policy so~~
28 24 issued or delivered shall, nevertheless, be binding upon the
28 25 company issuing or delivering the same, and such policy. The
28 26 company shall, until the payment of such fine a penalty
~~28 27 assessed by order after hearing, be disqualified from doing~~
~~28 28 any insurance business in this state, but any policy so issued~~
~~28 29 or delivered shall, nevertheless, be binding upon the company~~
~~28 30 issuing or delivering the same.~~

28 31 Sec. 58. Section 518A.41, Code 2003, is amended to read as
28 32 follows:

28 33 518A.41 INSURANCE PRODUCERS TO BE LICENSED.

28 34 ~~No~~ A person or corporation shall not solicit ~~any an~~
28 35 application for insurance for any association in this state
29 1 without having procured from the commissioner of insurance a
29 2 license authorizing the person or corporation to act as an
29 3 insurance producer. ~~Violation of this provision shall~~
~~29 4 constitute a serious misdemeanor.~~

29 5 Sec. 59. Section 520.14, Code 2003, is amended to read as
29 6 follows:

29 7 520.14 VIOLATIONS == EXCEPTIONS.

29 8 ~~Any~~ It shall be unlawful for an attorney ~~who shall to~~
29 9 exchange ~~any~~ contracts of insurance of the kind and character
29 10 specified in this chapter, or ~~any for an~~ attorney or
29 11 representative of ~~such the~~ attorney, ~~who shall to~~ solicit or
29 12 negotiate any applications for the same without the attorney
29 13 having first complied with the foregoing provisions, ~~shall be~~
~~29 14 deemed guilty of a simple misdemeanor.~~ For the purpose of
29 15 organization and upon issuance of permit by the commissioner
29 16 of insurance, powers of attorney and applications for such
29 17 contracts may be solicited without compliance with the
29 18 provisions of this chapter, but ~~no an~~ attorney, agent, or
29 19 other person shall not make any such contracts of indemnity
29 20 until all of the provisions of this chapter shall have been
29 21 complied with.

29 22 Sec. 60. Section 522B.11, subsection 1, Code 2003, is
29 23 amended by adding the following new paragraph:

29 24 NEW PARAGRAPH. q. Is the subject of an order of the
29 25 securities administrator of this state or any other state,
29 26 province, district, or territory, denying, suspending,
29 27 revoking, or otherwise taking action against a registration as
29 28 a broker-dealer, agent, investment adviser, or investment
29 29 adviser representative.

29 30 Sec. 61. Section 522B.11, subsection 5, Code 2003, is
29 31 amended to read as follows:

29 32 5. The commissioner may conduct an investigation of any
29 33 suspected violation of this chapter pursuant to section 507B.6

~~29 34 and~~ and may enforce the provisions and impose any penalty or
29 35 remedy authorized by this chapter and chapter 507B against any
30 1 person who is under investigation for, or charged with, a
30 2 violation of either chapter even if the person's license has
30 3 been surrendered or has lapsed by operation of law.

30 4 Sec. 62. Section 522B.11, Code 2003, is amended by adding
30 5 the following new subsection:

30 6 NEW SUBSECTION. 6. a. In order to assure a free flow of
30 7 information for accomplishing the purposes of this section,
30 8 all complaint files, investigation files, other investigation
30 9 reports, and other investigative information in the possession
30 10 of the commissioner or the commissioner's employees or agents
30 11 that relates to licensee discipline are privileged and
30 12 confidential, and are not subject to discovery, subpoena, or
30 13 other means of legal compulsion for their release to a person
30 14 other than the licensee, and are not admissible in evidence in
30 15 a judicial or administrative proceeding other than the
30 16 proceeding involving licensee discipline. A final written
30 17 decision of the commissioner in a disciplinary proceeding is a
30 18 public record.

30 19 b. Investigative information in the possession of the
30 20 commissioner or the commissioner's employees or agents that
30 21 relates to licensee discipline may be disclosed, in the
30 22 commissioner's discretion, to appropriate licensing
30 23 authorities within this state, the appropriate licensing
30 24 authority in another state, the District of Columbia, or a
30 25 territory or country in which the licensee is licensed or has
30 26 applied for a license.

30 27 c. If the investigative information in the possession of
30 28 the commissioner or the commissioner's employees or agents
30 29 indicates a crime has been committed, the information shall be
30 30 reported to the proper law enforcement agency.

30 31 d. Pursuant to the provisions of section 17A.19,
30 32 subsection 6, upon an appeal by the licensee, the commissioner

30 33 shall transmit the entire record of the contested case to the
30 34 reviewing court.

30 35 e. Notwithstanding the provisions of section 17A.19,
31 1 subsection 6, if a waiver of privilege has been involuntary
31 2 and evidence has been received at a disciplinary hearing, the
31 3 court shall issue an order to withhold the identity of the
31 4 individual whose privilege was waived.

31 5 Sec. 63. NEW SECTION. 522B.16A DUTIES OF LICENSEES.

31 6 1. An insurance producer has a continuing duty and
31 7 obligation to keep, at the insurance producer's place of
31 8 business, usual and customary records pertaining to
31 9 transactions undertaken by the insurance producer. All such
31 10 records shall be kept available and open for inspection by the
31 11 commissioner or the commissioner's representative at any time
31 12 during regular business hours, provided that the commissioner
31 13 or the commissioner's representative is not entitled to
31 14 inspect any records prepared in anticipation of litigation or
31 15 that are subject to any privilege recognized in chapter 622.
31 16 Such records shall be maintained for a minimum of three years
31 17 following the completion of an insurance transaction.

31 18 2. An insurance producer who willfully fails to comply
31 19 with this section commits a violation of this chapter and is
31 20 subject to sanctions under section 522B.11.

31 21 Sec. 64. Section 523A.401, subsection 6, paragraph c, Code
31 22 2003, is amended to read as follows:

31 23 c. The insurance policy shall not ~~allow for contesting~~
~~31 24 coverage, be contestable, or~~ limit death benefits in the case
31 25 of suicide, with respect to that portion of the face amount of
31 26 the policy that is required by paragraph "b". The policy
31 27 shall not refer to physical examination, or otherwise operate
31 28 as an exclusion, limitation, or condition other than requiring
31 29 submission of proof of death or surrender of policy at the
31 30 time the prepaid purchase agreement is funded, matures, or is
31 31 canceled, as the case may be.

31 32 Sec. 65. Section 523A.402, subsection 6, paragraph c, Code
31 33 2003, is amended to read as follows:

31 34 c. The annuity shall not ~~allow for contesting coverage, be~~
~~31 35 contestable, or~~ limit death benefits in the case of suicide,
32 1 with respect to that portion of the face amount of the annuity
32 2 which is required by paragraph "b". The annuity shall refer
32 3 to physical examination, or otherwise operate as an exclusion,
32 4 limitation, or condition other than requiring submission of
32 5 proof of death or surrender of the annuity at the time the
32 6 prepaid purchase agreement is funded, matures, or is canceled,
32 7 as the case may be.

32 8 Sec. 66. Section 523A.501, subsection 6, Code 2003, is
32 9 amended to read as follows:

32 10 6. If no denial order is in effect and no proceeding is
32 11 pending under section 523A.503, the application becomes
32 12 effective at noon of the thirtieth day after a completed
32 13 application or an amendment completing the application is
32 14 filed, unless waived by the applicant. The commissioner may
32 15 specify an earlier effective date. Automatic effectiveness
32 16 under this subsection shall not be deemed approval of the
32 17 application. If the commissioner does not grant the permit,
32 18 the commissioner shall notify the person in writing of the
32 19 reasons for the denial. ~~The permit shall disclose on its face~~
~~32 20 the permit holder's employer or the establishment on whose~~
~~32 21 behalf the applicant will be making or attempting to make~~
~~32 22 sales, the permit number, and the expiration date.~~

32 23 Sec. 67. Section 523A.502, subsection 7, Code 2003, is
32 24 amended to read as follows:

32 25 7. A sales permit is not assignable or transferable. A
32 26 permit holder selling all or part of a business shall cancel
32 27 the ~~permit establishment's sales permits~~ and the purchaser
32 28 shall apply for ~~a new permit sales permits~~ in the purchaser's
32 29 name within thirty days of the sale.

32 30 Sec. 68. Section 523A.503, subsection 1, unnumbered
32 31 paragraph 1, Code 2003, is amended to read as follows:

32 32 The commissioner may, pursuant to chapter 17A, deny any
32 33 permit application, or immediately suspend, ~~or~~ revoke, ~~or~~
~~32 34 otherwise impose disciplinary action related to any permit~~
32 35 issued under this chapter for several reasons, including but
33 1 not limited to:

33 2 Sec. 69. Section 523A.503, subsection 3, Code 2003, is
33 3 amended to read as follows:

33 4 3. Except as provided in subsection 2, a permit shall not
33 5 be revoked, ~~or~~ suspended, ~~or otherwise be the subject of~~
~~33 6 disciplinary action~~ except after notice and hearing under
33 7 chapter 17A.

33 8 Sec. 70. Section 523A.503, Code 2003, is amended by adding

33 9 the following new subsection:

33 10 NEW SUBSECTION. 6. The commissioner may impose a civil
33 11 penalty in an amount not exceeding ten thousand dollars per
33 12 violation against any person violating this chapter. Each day
33 13 of a continuing violation constitutes a separate offense.

33 14 Sec. 71. Sections 506.7, 507B.11, 508.27, 511.18, 514.6,
33 15 514A.9, 514B.29, 515.132, 515.145, and 521.15, Code 2003, are
33 16 repealed.

33 17 Sec. 72. Sections 514.6, 514E.5, and 514E.6, Code 2003,
33 18 are repealed.

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CHRISTOPHER C. RANTS
Speaker of the House

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JEFFREY M. LAMBERTI
President of the Senate

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33 30 I hereby certify that this bill originated in the House and
33 31 is known as House File 2489, Eightieth General Assembly.

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MARGARET THOMSON
Chief Clerk of the House

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34 2 Approved _____, 2004

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34 6 THOMAS J. VILSACK

34 7 Governor