

January 19, 1965.

House File 13

Commerce.

By MUELLER, MEACHAM, MAULE, BUSCH
NIELSEN of Emmet-Palo Alto and
FISHER of Greene (Stephens).

Passed as Amended 2/9

Passed House, Date 2-17-65 3/17 Passed Senate, Date 3-9-65

Vote: Ayes 113 Nays 40 Vote: Ayes 54 Nays 0

Approved March 25, 1965

*Passed on file 7/19
Substitutes 5.7.26 7/9*

A BILL FOR

An Act relating to the method of operation and the regulating of county mutual insurance associations; to amend chapter five hundred eighteen (518), Code 1962, relating to mutual, fire, tornado, hailstorm and other assessment insurance associations, thereby making the provisions of said chapter inapplicable to county mutual insurance associations; to enact a chapter of the Code regulating county mutual associations and making provision for their operations, including the classes of business that may be insured, requiring agents to be licensed by the commissioner of insurance, imposing a tax on premiums of county mutual insurance associations, and to amend certain sections of the Code 1962 made necessary by the provisions of this bill.

Be It Enacted by the General Assembly of the State of Iowa:

1 Section 1. Incorporation. Corporations formed to operate as
2 county mutual insurance associations shall be governed by the
3 provisions of chapter four hundred ninety-one (491) of the Code,
4 except as modified by the provisions of this chapter.

1 Sec. 2. Articles—approval. Each such organization shall
2 present to the commissioner of insurance its articles of incor-
3 poration which shall show its name, objects and purposes, the
4 time and place of the annual meeting of the members, and the
5 location of its principal place of business. The commissioner
6 of insurance shall then submit the articles of incorporation to
7 the attorney general for examination, and if found by him to be
8 in accordance with the provisions of this chapter and the con-
9 stitution and the laws of the state, he shall certify such fact

10 thereon and return the same to said commissioner, and no articles
11 shall be approved by him or recorded unless accompanied by such
12 certificate.

1 Sec. 3. Certificate—recording. If the commissioner of in-
2 surance approves the articles of incorporation, he shall so cer-
3 tify and the articles with the certificates of approval shall
4 then be recorded and certified by the secretary of state.

1 Sec. 4. Identification as to type of insurer. Any association
2 incorporated under the laws of this state for the purpose of fur-
3 nishing insurance as provided for in this chapter shall be known
4 as a county mutual insurance association. The words "mutual" and
5 "association" shall be incorporated in and become a part of its
6 name.

1 Sec. 5. Commencement of business—conditions. No county mu-
2 tual insurance association shall issue policies until applications
3 for insurance of not less than fifty thousand dollars, represent-
4 ing at least fifty applicants, have been received, and no
5 application for insurance during the period of organization shall
6 exceed two percent of the amount required for organization, any
7 reinsurance taking effect simultaneously with the policy being
8 deducted in determining such maximum single risk.

1 Sec. 6. Powers of the members. Members of the association
2 shall have the power to make or amend articles of incorporation
3 at any membership meeting, provided that notice of such addition
4 or amendment has been mailed to each member at least ten days in
5 advance of the meeting in which such proposed action is to be
6 considered, and provided that no amendment shall become effective
7 until approved by the commissioner of insurance and recorded in
8 the office of the secretary of state.

1 Sec. 7. Officers and directors—election. Officers or di-
2 rectors shall be elected in the manner and for the length of time
3 prescribed in the articles of incorporation.

1 Sec. 8. Bylaws. The directors of the association shall have
2 the authority to enact such bylaws and regulations not inconsist-
3 ent with law as they consider necessary for the regulation and
4 conduct of the business. No change in the bylaws shall have the
5 effect of limiting coverage under existing policies of insurance.

1 Sec. 9. Eligibility for membership. The members of the asso-
2 ciation shall consist of those persons or organizations insured
3 therein. The words "persons" and "members" as used in this chap-
4 ter shall be construed to mean trustees, administrators, and all
5 other individuals, public or private corporations or associations.
6 Insurance on the property of one or more minors may be granted on
7 application of an adult parent, friend or guardian who consents
8 to become a member as representing such minor.

1 Sec. 10. Territorial limitations. The territory of any
2 association shall be limited to the county in which its princi-
3 pal place of business is located, and to the counties contiguous
4 thereto, and no coverage shall be placed on property located
5 outside of this territory; provided, however, that the insurance
6 may be extended, if the policy so provides, to cover personal
7 property while temporarily removed to other locations.

1 Sec. 11. Kinds of insurance. Any association organized under
2 this chapter is authorized to insure or to accept reinsurance
3 against loss or damage by:

4 1. Any peril or perils resulting in physical loss or damage
5 to property;

6 2. Theft of personal property;

7 3. Injury, sickness or death of animals and the furnishing
8 of veterinary service.

9 Such contracts of insurance shall be subject only to such pro-
10 visions as are contained in this chapter and shall consist of:

11 An application on blanks furnished by the association
12 and signed by the insured or his representative;

13 A policy issued by the association in accordance with its
14 rules, and approved by the commissioner of insurance.

1 Sec. 12. Properties to be insured. County mutual insurance
2 associations are permitted to insure only the following classes
3 of property:

4 1. Farm property, including residences and other farm build-
5 ings and all classes of personal property in connection therewith;

6 2. Buildings and personal property used in the processing of
7 agricultural products in conjunction with a farming operation;

8 3. Town, city and suburban residences, including household
9 and personal effects;

10 4. Churches, schools and community buildings.

1 Sec. 13. Premium charges. Any association may by action of
2 its board of directors establish premium charges for the purpose
3 of payment of losses and expenses and for the establishment or
4 maintenance of a reserve fund.

5 Any policy shall stand suspended if any default shall be made
6 in the payment of any premium on or before the date specified in
7 a written notice requiring the payment of such premium and mailed
8 to the insured and directed to his last known address not less
9 than thirty days prior to such suspension date. Such notice
10 shall specify the amount and due date of the premium. The asso-
11 ciation shall in no event be liable for any loss occurring during

12 such period of suspension.

1 Sec. 14. Reserve fund. Funds which are not required for the
2 payment of losses and expenses may be held in reserve for future
3 losses and expenses. Such reserve fund may be deposited in banks
4 approved by the board of directors, or at the option of the board
5 of directors may be invested in the classes of securities permit-
6 ted by section five hundred fifteen point thirty-five (515.35) of
7 the Code; but at the direction of the board of directors and with
8 the consent of the commissioner of insurance, a part of such
9 funds may be invested in a home office building.

1 Sec. 15. Reports and audits. The commissioner of insurance
2 shall require each association to file a report of all trans-
3 actions during each calendar year, on or before March 1, of the
4 subsequent year. The commissioner of insurance shall prescribe
5 the report forms and shall determine the information and data
6 to be reported.

7 Each association shall conduct an annual audit of its records
8 and affairs, such audit to be performed by a certified public
9 accountant or a public accountant licensed by the state of Iowa.
10 A copy of such audit report shall be filed annually with the
11 commissioner of insurance.

12 Such associations shall pay the same fees for annual reports
13 and annual certificates of authority as are required to be paid
14 by domestic companies organized and doing business under chapter
15 five hundred fifteen (515) of the Code, which certificates shall
16 expire March 31 of the year following the date of issue.

1 Sec. 16. Qualification of agents. On and after July 1, 1965,
2 no person, unless certified to the commissioner of insurance as
3 an agent for a county mutual insurance association prior to that

4 date, shall directly or indirectly act as agent, or otherwise, in
5 receiving or procuring applications for insurance for any county
6 mutual insurance association, until he has procured from the com-
7 missioner of insurance a license authorizing him to act for such
8 association as agent.

9 Each first-time applicant, unless otherwise qualified under
10 chapter five hundred twenty-two (522) of the Code, shall estab-
11 lish qualification by applying to the commissioner of insurance
12 for an agent's license and by passage of an examination to be
13 administered by the commissioner of insurance. The scope of
14 such an examination shall be limited to the insurance coverages
15 authorized by section eleven (11) of this Act and the classes of
16 property authorized by section twelve (12) of this Act. The
17 commissioner of insurance shall have the right to disqualify any
18 applicant who fails such examination; however, said applicant
19 shall have the right to apply for re-examination after waiting
20 for a period of not less than thirty days.

21 The commissioner shall require of each first-time applicant
22 an application fee of five dollars.

23 Each license shall expire on March 31 following the time of
24 issue. A fee of fifty cents for each license shall be paid by
25 the county mutual insurance association.

26 The commissioner of insurance may, for a just and reasonable
27 cause, cancel the license of such agent after due notice and
28 hearing.

29 The commissioner of insurance may issue a temporary license
30 for a period of not to exceed six months and for such temporary
31 license may waive the requirements established herein.

1 Sec. 17. Reinsurance. Any county mutual insurance association

2 may reinsure a part or all of its risks with any association
3 operating under the provisions of this chapter, or with any other
4 association or company licensed in this state and authorized to
5 write the kinds of insurance enumerated in section eleven (11)
6 of this Act.

7 The commissioner of insurance may require any county mutual
8 insurance association to obtain reinsurance coverage as provided
9 for in this section if it appears to the commissioner of insur-
10 ance that the perils insured against and the classes of properties
11 insured may seriously endanger the financial position of the
12 association and the security of its members.

1 Sec. 18. Premium tax. After January 1, 1966, every associa-
2 tion doing business under this chapter shall be required to pay
3 to the treasurer of the state as taxes an amount equal to the
4 following:

5 Two percent of the gross amount of premiums received during
6 the preceding calendar year, after deducting the amount return-
7 ed upon the canceled policies, certificates and rejected appli-
8 cations; and after deducting premiums received upon all wind-
9 storm or hail insurance on properties specifically reinsured;
10 provided, however, that the reinsurer of such windstorm or hail
11 risks shall pay two percent of the gross amount of reinsurance
12 premiums received upon such risks after deducting the amounts
13 returned upon canceled policies, certificates and rejected
14 applications.

1 Sec. 19. Proof of loss—requirement for reporting. The in-
2 sured shall give immediate written notice to the association of
3 any loss for which claim is made and shall then furnish a written
4 proof of loss to the association within sixty days from the time

5 the loss occurred, unless such time is extended in writing by
6 the association. The proof of loss shall contain such informa-
7 tion as is required by the policy provisions of the association,
8 which information shall be signed and sworn to by the insured.

1 Sec. 20. Reporting of livestock losses. In the event of loss
2 of livestock, the insured shall give notice to the association
3 in sufficient time to permit the performance by a licensed vet-
4 erinarian of a post-mortem examination of the livestock for which
5 claim is made, but in no event later than forty-eight hours from
6 the time of occurrence.

1 Sec. 21. Reporting of losses of crops by hail. In the event
2 of loss to growing crops by hail, notice of such loss must be
3 given by mailing to the association a certified letter within
4 ten days from the time such loss or damage occurred.

1 Sec. 22. Limitation of action. No action on any loss shall
2 be begun sooner than forty days after proof of loss has been
3 given to the association, and unless commenced within twelve
4 months next after the inception of the loss.

1 Sec. 23. Cancellation of policies. Any policy shall be can-
2 celed at any time at the request of the insured upon the return
3 of the policy to the home office of the association, and the pay-
4 ment of all premium charges against such policy; or by the asso-
5 ciation by giving five days' notice of such cancellation. Such
6 service of notice may be made in person, or by mailing such notice
7 by certified mail deposited in the post office and directed to
8 the insured at his post-office address as given in or upon the
9 policy, or to such other address as the insured shall have given
10 to the association in writing. A post office department receipt
11 of certified or registered mail shall be deemed proof of receipt

12 of such notice. If in either case the cash payments shall ex-
13 ceed the amount properly chargeable, the excess will be refunded
14 upon the surrender of the policy to the association at its home
15 office.

1 Sec. 24. Section five hundred eighteen point one (518.1),
2 Code 1962, subsection three (3), is hereby amended by striking
3 all of such subsection after the word "companies" in line three
4 (3).

1 Sec. 25. Section five hundred eighteen point two (518.2),
2 Code 1962, is hereby amended by striking from lines three (3)
3 through thirteen (13) inclusive, the comma and the words follow-
4 ing the word "chapter" in line three (3) ", doing business only
5 within the county in which is situated the town or city named
6 in its articles of incorporation as its principal place of busi-
7 ness, or the counties contiguous thereto, shall, for the purpose
8 of this chapter, be deemed a county mutual assessment associa-
9 tion; all other associations operating hereunder shall, for the
10 purposes of this chapter, be deemed state mutual assessment asso-
11 ciations, and such associations".

1 Sec. 26. Section five hundred eighteen point sixteen (518.16),
2 Code 1962, is hereby repealed.

1 Sec. 27. Section five hundred eighteen point eighteen
2 (518.18), Code 1962, is hereby amended by striking from lines
3 twelve (12) through sixteen (16) thereof, the following words:

4 "The county associations, the state associations, and those
5 doing an exclusive tornado, an exclusive hailstorm, or an ex-
6 clusive automobile insurance business shall be separately
7 classified in said report".

1 Sec. 28. Section five hundred eighteen point thirty-seven

2 (518.37), Code 1962, is hereby repealed.

1 Sec. 29. Section five hundred eighteen point forty-one
2 (518.41), Code 1962, is hereby amended by striking from lines
3 three (3) and four (4) thereof, the words “, other than county
4 mutuals,”.

1 Sec. 30. Section five hundred twenty-two point one (522.1),
2 Code 1962, is hereby amended by striking from lines six (6) and
3 seven (7) thereof, the words “county mutuals or”, and adding to
4 said sentence after the comma in line seven (7) the words “ex-
5 cept that the licensing of persons so acting for county mutuals
6 shall be subject only to the provisions of section sixteen (16)
7 of this Act,”.

1 Sec. 31. Section four hundred thirty-two point one (432.1),
2 Code 1962, is amended by striking from line four (4) thereof,
3 the words “county mutual associations”, and by adding to said
4 section after the word “following” in line nine (9) the words
5 “, except that the premium tax applicable to county mutual asso-
6 ciations shall be governed by section eighteen (18) of this Act”.

1 Sec. 32. Section five hundred fifteen point twenty-four
2 (515.24), Code 1962, is hereby amended by adding to line eleven
3 (11) after the word “reinsurance”, the words “except that any
4 company reinsuring windstorm or hail risks written by county
5 mutual associations shall be required to pay a two percent tax
6 on the gross amount of reinsurance premiums received upon such
7 risks”.

1 Sec. 33. Section five hundred eighteen point thirty-five
2 (518.35), Code 1962, is hereby amended by adding to line eleven
3 (11) after the word “reinsurance”, the words “except that any
4 company reinsuring windstorm or hail risks written by county

- 5 mutual associations shall be required to pay a two percent tax
- 6 on the gross amount of reinsurance premiums received upon such
- 7 risks”.

EXPLANATION OF HOUSE FILE 13

This bill creates a new chapter of the Code to regulate county mutual insurance associations, requiring them to pay a 2 percent tax on premiums, limiting the classes of property they may insure, requiring the examination and licensing of their agents and annual audits of their records by qualified auditors.

A special provision of the bill is that any reinsurer of windstorm and hail business written by county mutuals is required to pay the 2 percent tax on such reinsurance premiums directly to the state, thus relieving county mutuals of the tax on such catastrophic business. The bill contains the same limitation of territory as in the past and in no way increases the present authority of county mutuals.

The present chapter 518 would be retained under a new chapter number to regulate state mutual insurance associations, but amended to delete all reference to county mutuals. Separation of “state” and “county” mutuals into different chapters eliminates much confusion and simplifies regulatory procedures.

HOUSE FILE 13

1 Amend House File 13 as follows:
 2 1. By striking all of section fifteen (15) thereof and
 3 inserting in lieu thereof the following:
 4 "Sec. 15. Reports and examinations. The president or the
 5 vice-president and secretary of each association authorized to do
 6 business under this chapter shall annually before the first day
 7 of March prepare under oath and file with the commissioner of
 8 insurance a full, true and complete statement of the condition of
 9 such association on the last day of the preceding year. The
 10 commissioner of insurance shall prescribe the report forms and
 11 shall determine the information and data to be reported.
 12 Such associations shall pay the same expenses of any
 13 examination made or ordered to be made by the commissioner of
 14 insurance and the same fees for the annual reports and annual
 15 certificates of authority as are required to be paid by domestic
 16 companies organized and doing business under chapter five hundred
 17 fifteen (515) of the Code, which certificates shall expire March
 18 31 of the year following the date of issue.
 19 Each association shall conduct an annual audit of its records
 20 and affairs, such audit to be performed by a certified public
 21 accountant or a public accountant licensed by the state of Iowa.
 22 A copy of such audit report shall be filed annually with the
 23 commissioner of insurance."
 24 2. By striking from lines eight (8) and nine (9) of section
 25 eighteen (18) the words "received upon all windstorm or hail
 26 insurance" and substituting in lieu thereof the following: "paid
 27 for windstorm or hail reinsurance".
 28 3. By adding thereto the following section:
 29 Sec. 34. Section five hundred seven point one (507.1), Code
 30 1962, is hereby amended by striking from line five (5) the words
 31 "except county mutuals" and substituting in lieu thereof the
 32 words "associations subject to the provisions of this Act".

adopted 2/17

Filed
February 9, 1965.

COMMERCE COMMITTEE,
AL MEACHAM, *Chairman.*

HOUSE FILE 13

1 Amend House File 13 as follows:
 2 Amend section 15 by striking therefrom lines
 3 16 through 20.

Filed
March 8, 1965.

house concurred 3/17 *adopted 3/9*

By MURRAY.

HOUSE FILE 13

1 Amend House File 13 as follows:
 2 Amend section 12, line 7, by striking the words "in conjunction
 3 with" and inserting in lieu thereof the words "as an adjunct to".

2/18/65

Filed
February 18, 1965.

By DEKOSTER.