

February 9, 1965.
Place on Calendar.

House File 210
By COMMITTEE ON COMMERCE.

Passed House, Date 2-16-65 Passed Senate, Date 2-16-65

Vote: Ayes 115 Nays 1 Vote: Ayes 55 Nays 0

Approved 2-26-65

*Passed on file 2/16
Substitutes 5.7.231
2/19*

A BILL FOR

An Act concerning insider trading of domestic stock insurance company equity securities.

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

1 Section 1. Every person who is directly or indirectly the
2 beneficial owner of more than ten per cent (10%) of any class of
3 any equity security of a domestic stock insurance company, or who
4 is a director or an officer of such company, shall file in the
5 office of the commissioner of insurance on or before the
6 thirty-first day of July, 1965, or within ten days after he
7 becomes such beneficial owner, director or officer a statement,
8 in such form as the commissioner may prescribe, of the amount of
9 all equity securities of such company of which he is the
10 beneficial owner, and within ten days after the close of each
11 calendar month thereafter, if there has been a change in such
12 ownership during such month, shall file in the office of the
13 commissioner a statement, in such form as the commissioner may
14 prescribe, indicating his ownership at the close of the calendar
15 month and such changes in his ownership as have occurred during
16 such calendar month.

1 Sec. 2. For the purpose of preventing the unfair use of
2 information which may have been obtained by such beneficial
3 owner, director or officer by reason of his relationship to such
4 company, any profit realized by him from any purchase and sale,

5 or any sale and purchase, of any equity security of such company
6 within any period of less than six months, unless such security
7 was acquired in good faith in connection with a debt previously
8 contracted, shall inure to and be recoverable by the company,
9 irrespective of any intention on the part of such beneficial
10 owner, director or officer in entering into such transaction of
11 holding the security purchase or of not repurchasing the
12 security sold for a period exceeding six months. Suit to recover
13 such profit may be instituted at law or in equity in any court of
14 competent jurisdiction by the company, or by the owner of any
15 security of the company in the name and in behalf of the company
16 if the company shall fail or refuse to bring such suit within
17 sixty days after request or shall fail diligently to prosecute
18 the same thereafter ; but no such suit shall be brought more than
19 two years after the date such profit was realized. This section
20 shall not be construed to cover any transaction where such
21 beneficial owner was not such both at the time of the purchase
22 and sale, or the sale and purchase, of the security involved, or
23 any transaction or transactions which the commissioner by rules
24 and regulations may exempt as not comprehended within the purpose
25 of this section.

1 Sec. 3. It shall be unlawful for any such beneficial owner,
2 director or officer, directly or indirectly, to sell any equity
3 security of such company if the person selling the security or
4 his principal does not own the security sold, or if owning the
5 security, does not deliver it against such sale within twenty
6 days thereafter, or does not within five days after such sale
7 deposit it in the mails or other usual channels of transportation ;
8 but no person shall be deemed to have violated this section if he

9 proves that notwithstanding the exercise of good faith he was
10 unable to make such delivery or deposit within such time, or that
11 to do so would cause undue inconvenience or expense.

1 Sec. 4. The provisions of section two (2) of this act shall
2 not apply to any purchase and sale, or sale and purchase, and the
3 provisions of section three (3) of this act shall not apply to
4 any sale, of an equity security of a domestic stock insurance
5 company not then or theretofore held by him in an investment
6 account, by a dealer in the ordinary course of his business and
7 incident to the establishment or maintenance by him of a primary
8 or secondary market (otherwise than on an exchange as defined in
9 the Securities Exchange Act of 1934) for such security. The
10 commissioner may, by such rules and regulations as he deems
11 necessary or appropriate in the public interest, define and
12 prescribe terms and conditions with respect to securities held in
13 an investment account and transactions made in the ordinary
14 course of business and incident to the establishment or
15 maintenance of a primary or secondary market.

1 Sec. 5. The provisions of sections one (1), two (2), and
2 three (3) of this act shall not apply to foreign or domestic
3 arbitrage transactions unless made in contravention of such rules
4 and regulations as the commissioner may adopt in order to carry
5 out the purposes of this act.

1 Sec. 6. The term "equity security" when used in this act
2 means any stock or similar security; or any security convertible,
3 with or without consideration, into such a security, or carrying
4 any warrant or right to subscribe to or purchase such a security;
5 or any such warrant or right; or any other security which the
6 commissioner shall deem to be of similar nature and consider

7 necessary or appropriate, by such rules and regulations as he may
8 prescribe in the public interest or for the protection of
9 investors, to treat as an equity security.

1 Sec. 7. The provisions of section one (1), two (2), and
2 three (3) of this act shall not apply to equity securities of a
3 domestic stock insurance company if (a) such securities shall be
4 registered, or shall be required to be registered, pursuant to
5 section twelve (12) of the Securities Exchange Act of 1934, as
6 amended, or if (b) such domestic stock insurance company shall
7 not have any class of its equity securities held of record by one
8 hundred or more persons on the last business day of the year next
9 preceding the year in which equity securities of the company
10 would be subject to the provisions of sections one (1), two (2),
11 and three (3) of this act except for the provisions of this
12 subsection (b).

1 Sec. 8. The commissioner shall have the power to make such
2 rules and regulations as may be necessary for the execution of
3 the functions vested in him by sections one (1) through seven (7)
4 of this act, and may for such purpose classify domestic stock
5 insurance companies, securities, and other persons or matters
6 within his jurisdiction. No provisions of sections one (1), two
7 (2), and three (3) of this act imposing any liability shall apply
8 to any act done or omitted in good faith in conformity with any
9 rule or regulation of the commissioner, notwithstanding that
10 such rule or regulation may, after such act or omission, be
11 amended or rescinded or determined by judicial or other authority
12 to be invalid for any reason.

EXPLANATION OF HOUSE FILE 210

This bill and a companion bill on the solicitation of proxies are made necessary by a bill passed by the last session of the United States congress. Congress modified the powers of the Securities Exchange Commission and authorized them to regulate the solicitation of proxies and the sale of stock in insurance companies to the extent that the state insurance department does not regulate. This bill and the companion bill on solicitation of proxies are absolutely necessary to stop further encroachment by the federal government into the regulation of one of Iowa's most important industries.