

February 8, 1965.

Passed on File.

Senate File 215

By FROMMELT, BENEKE,  
KYLE and O'MALLEY

Passed Senate, Date 3/23

Passed House, Date 5/3

Vote: Ayes 54 Nays 0

Vote: Ayes 93 Nays 2

Approved May 13, 1965

*committee 3/23  
"do pass" 4/9*

# A BILL FOR

An Act relating to investment of funds of life insurance companies.

*Be It Resolved by the General Assembly of the State of Iowa:*

1 Section 1. Section five hundred eleven point eight (511.8),  
2 Code 1962, is hereby amended by striking paragraph "a" of sub-  
3 section five (5) thereof and inserting in lieu thereof the fol-  
4 lowing:

5 "If fixed interest-bearing obligations, the net earnings of  
6 the issuing, assuming of guaranteeing corporation available for  
7 its fixed charges for a period of five fiscal years next pre-  
8 ceding the date of acquisition of the obligations by such insur-  
9 ance company shall have averaged per year not less than one and  
10 one-half times such average annual fixed charges of the issuing,  
11 assuming or guaranteeing corporation applicable to such period,  
12 and, during at least one of the last two years of such period,  
13 its net earnings shall have been not less than one and one-half  
14 times its fixed charges for such year; or if, at the date of  
15 acquisition, the obligations are adequately secured and have  
16 investment qualities and characteristics wherein the speculative  
17 elements are not predominant."

1 Sec. 2. Section five hundred eleven point eight (511.8) Code  
2 1962, is hereby further amended by striking the first paragraph  
3 of paragraph "b" of subsection five (5) thereof and inserting in

4 lieu thereof the following:

5 "If adjustment, income or other contingent interest obliga-  
6 tions, the net earnings of the issuing, assuming or guaranteeing  
7 corporation available for its fixed charges for a period of five  
8 fiscal years next preceding the date of acquisition of the obli-  
9 gations by such insurance company shall have averaged per year  
10 not less than one and one-half times such average annual fixed  
11 charges of the issuing, assuming or guaranteeing corporation and  
12 its average annual maximum contingent interest applicable to such  
13 period and, during at least one of the last two years of such  
14 period, its net earnings shall have been not less than one and  
15 one-half times the sum of its fixed charges and maximum contin-  
16 gent interest for such year."

1 Sec. 3. Section five hundred eleven point eight (511.8), Code  
2 1962, is hereby further amended by striking the last paragraph of  
3 paragraph "b" of subsection five (5) thereof and inserting in  
4 lieu thereof the following:

5 "The term 'fixed charges' as used herein shall include inter-  
6 est on unfunded debt and funded debt on a parity with or having  
7 a priority to the obligation under consideration."

1 Sec. 4. Section five hundred eleven point eight (511.8), Code  
2 1962, is hereby further amended by inserting after the word  
3 "indebtedness" in line four (4) of paragraph "d" of subsection  
4 nine (9) thereof the following: ", or in the acquisition or dis-  
5 position of real property acquired pursuant to subsection four-  
6 teen (14)".

1 Sec. 5. Section five hundred eleven point eight (511.8), Code  
2 1962, is hereby further amended by striking paragraph "f" of sub-  
3 section nine (9) thereof and inserting in lieu thereof the fol-

4   lowing:

5    "Bonds, notes, obligations or other evidences of indebtedness  
6   secured by mortgages or deeds of trust which are a first lien  
7   upon unencumbered personal or real property or both personal and  
8   real property, including a leasehold of real estate, within the  
9   United States of America, or any insular territorial posses-  
10   sion of the United States of America, or the Dominion of Canada,  
11   under lease, purchase contract, or lease purchase contract to any  
12   governmental body or instrumentality whose obligations qualify  
13   under subsections one (1), two (2) or three (3) of this section,  
14   or to a corporation whose obligations qualify under paragraph  
15   "a" of subsection five (5) of this section, if the terms of the  
16   bond, note or other evidence of indebtedness provide for the  
17   amortization during the initial, fixed period of the lease or  
18   contract of one hundred percent of the indebtedness and there is  
19   pledged or assigned, as additional security for the loan, suf-  
20   ficient of the rentals payable under the lease, or of contract  
21   payments, to provide the required payments on the loan necessary  
22   to permit such amortization, including but not limited to pay-  
23   ments of principal, interest, ground rents and taxes other than  
24   the income taxes of the borrower; provided, however, that where  
25   the security consists of a first mortgage or deed of trust lien  
26   on a fee interest in real property only, the bond, note or other  
27   evidence of indebtedness may provide for the amortization during  
28   the initial, fixed period of the lease or contract of less than  
29   one hundred percent of the indebtedness if there is to be left  
30   unamortized at the end of such period an amount not greater than  
31   the appraised value of the land only, exclusive of all improve-  
32   ments, and if there is pledged or assigned, as additional secu-

33 rity for the loan, sufficient of the rentals payable under the  
34 lease, or of contract payments, to provide the required payments  
35 on the loan necessary to permit such amortization, including but  
36 not limited to payments of principal, interest, and taxes other  
37 than the income taxes of the borrower. Investments made in  
38 accordance with the provisions of this paragraph shall not be  
39 eligible in excess of ten percent of the legal reserve."

1     Sec. 6. Section five hundred eleven point eight (511.8), Code  
2 1962, is hereby further amended by inserting before the word  
3 "The" in line sixteen (16) of subsection fourteen (14) the fol-  
4 lowing new sentence: "Legal title to such real property may be  
5 acquired to a contract of sale."