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SENATE FILE 157

By COMMITTEE ON COMMERCE

Passed Senate, Date 2-11-71 Passed House, Date 3-9-71
Vote: Ayes 44 Nays 0 Vote: Ayes 79 Nays 2
Approved March 16, 1971

A BILL FOR

1 An Act relating to conflicts of interest of officers and direc-
2 tors of insurance companies.

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

4 Section 1. Section five hundred eight point eight (508.8),
5 Code 1971, is amended by striking the section and inserting in
6 lieu thereof the following:

7 508.8 INSURANCE COMPANY OFFICERS--CONFLICTS OF INTEREST
8 PROHIBITED. No director or officer of any life insurance com-
9 pany shall receive, in addition to his fixed salary or compen-
10 sation, any money or valuable thing, either directly or indi-
11 rectly, or through any substantial interest in any other cor-
12 poration or business unit, for negotiating, procuring, recom-
13 mending or aiding in any purchase or sale of property, or loan,
14 made by such insurer or any affiliate or subsidiary thereof;
15 nor shall he be pecuniarily interested, either as principal,
16 coprincipal, agent or beneficiary, either directly or indirectly,
17 or through any substantial interest in any other corporation or
18 business unit, in any such purchase, sale or loan.

19 EXPLANATION

20 Hospitals, colleges and other institutions desire to have
21 officers and directors of insurance companies serve on their
22 boards to avail of their talents. Many officers and directors
23 are willing to make this contribution. Under Section 508.8
24 they cannot serve if their company has a loan with the institu-
25 tion. The purpose of the prohibition is to prevent a conflict

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1 of interest. The provisions of the bill, which are taken from
2 the New York law, effectively prevent a conflict of interest,
3 but do not prohibit serving on boards when the officer or direc-
4 tor has no conflict of interest.

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