

Sen. Commerce 5/14, Pass 5/25

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BY COMMITTEE ON COMMERCE

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Passed House, Date 5-10-73 (1259) Passed Senate, Date 6-23-73 (2104)
Vote: Ayes 93 Nays 0 Vote: Ayes 43 Nays 0
Approved 7-12-73

A BILL FOR

1 An Act relating to variable contracts of annuities and
2 life insurance.

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

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1 Section 1. NEW SECTION. A domestic life insurance company
2 organized under chapter five hundred eight (508) of the Code
3 may establish one or more separate accounts, and may allocate
4 thereto amounts, including without limitation proceeds applied
5 under optional modes of settlement or under dividend options,
6 to provide for life insurance or annuities, and benefits inci-
7 dental thereto, payable in fixed or variable amounts or both,
8 subject to the following:

9 1. The income, gains and losses, realized or unrealized,
10 from assets allocated to a separate account shall be credited
11 to or charged against the account, without regard to other
12 income, gains or losses of the company.

13 2. Except as may be provided with respect to reserves
14 for guaranteed benefits and funds referred to in subsection
15 three (3) of this section:

16 a. Amounts allocated to any separate account and accumu-
17 lations thereon may be invested and reinvested without regard
18 to any requirements or limitations prescribed by the laws
19 of this state governing the investments of such life insur-
20 ance companies; and

21 b. The investments in such separate account or accounts
22 shall not be taken into account in applying the investment
23 limitations otherwise applicable to the investments of such
24 company.

25 3. Except with the approval of the commissioner of in-
26 surance and under such conditions as to investments and other
27 matters as he may prescribe, which shall recognize the guar-
28 anteed nature of the benefits provided, reserves for benefits
29 guaranteed as to dollar amount and duration and funds guar-
30 anteed as to principal amount or stated rate of interest shall
31 not be maintained in a separate account.

32 4. Unless otherwise approved by the commissioner of insur-
33 ance, assets allocated to a separate account shall be valued
34 at their market value on the date of valuation, or if there
35 is no readily available market, then as provided under the

1 terms of the contract or the rules or other written agreement
2 applicable to such separate account; however, unless otherwise
3 approved by the commissioner of insurance, the portion, if
4 any, of the assets of such separate account equal to the com-
5 pany's reserve liability with regard to the guaranteed bene-
6 fits and funds referred to in subsection three (3) of this
7 section shall be valued in accordance with the rules otherwise
8 applicable to the company's assets.

9 5. Amounts allocated to a separate account in the exer-
10 cise of the power granted by this Act shall be owned by the
11 company, and the company shall not be, nor hold itself out
12 to be, a trustee with respect to such amounts. Unless it
13 is provided to the contrary under the applicable contracts,
14 that portion of the assets of any such separate account equal
15 to the reserves and other contract liabilities with respect
16 to such account shall not be chargeable with liabilities
17 arising out of any other business the company may conduct.

18 6. No sale, exchange or other transfer of assets may be
19 made by such company between any of its separate accounts
20 or between any other investment account and one or more of
21 its separate accounts unless, in case of a transfer into a
22 separate account, such transfer is made solely to establish
23 the account or to support the operation of the contracts with
24 respect to the separate account to which the transfer is made,
25 and unless such transfer, whether into or from a separate
26 account, is made by a transfer of cash, or by a transfer of
27 securities having a readily determinable market value, pro-
28 vided that such transfer of securities is approved by the
29 commissioner of insurance. The commissioner of insurance
30 may approve other transfers among such accounts if, in his
31 opinion, such transfers would not be inequitable.

32 7. To the extent such company deems it necessary to com-
33 ply with any applicable federal or state laws, such company,
34 with respect to any separate account, including without limi-
35 tation any separate account which is a management investment

1 company or a unit investment trust, may provide for persons
2 having an interest therein appropriate voting and other rights
3 and special procedures for the conduct of the business of
4 such account, including without limitation special rights
5 and procedures relating to investment policy, investment
6 advisory services, selection of independent public accoun-
7 tants, and the selection of a committee, the members of which
8 need not be otherwise affiliated with such company, to manage
9 the business of such account.

10 Sec. 2. NEW SECTION. Any contract providing benefits
11 payable in variable amounts delivered or issued for delivery
12 in this state shall contain a statement of the essential
13 features of the procedures to be followed by the insurance
14 company in determining the dollar amount of such variable
15 benefits. Any such contract under which the benefits vary
16 to reflect investment experience, including a group contract
17 and any certificate in evidence of variable benefits issued
18 thereunder, shall state that such dollar amount will so vary
19 and shall contain on its first page a statement to the effect
20 that the benefits thereunder are on a variable basis.

21 Sec. 3. NEW SECTION. No company shall deliver or issue
22 for delivery within this state variable contracts unless it
23 is licensed or organized to do a life insurance or annuity
24 business in this state, and the commissioner of insurance
25 is satisfied that its condition or method of operation in
26 connection with the issuance of such contracts will not render
27 its operation hazardous to the public or its policyholders
28 in this state. In this connection, the commissioner of
29 insurance shall consider among other things:

- 30 1. The history and financial condition of the company;
- 31 2. The character, responsibility and fitness of the of-
32 ficers and directors of the company; and
- 33 3. The law and regulation under which the company is
34 authorized in the state of domicile to issue variable con-
35 tracts. The state of entry of an alien company shall be

1 deemed its place of domicile for that purpose.

2 If the company is a subsidiary of an admitted life insur-
3 ance company, or affiliated with such company through common
4 management or ownership, it may be deemed by the commissioner
5 of insurance to have met the provisions of this section if
6 either it or the parent or the affiliated company meets the
7 requirements hereof.

8 Sec. 4. NEW SECTION. Notwithstanding any other provision
9 of law, the commissioner of insurance shall have sole authority
10 to regulate the issuance and sale of variable contracts, and
11 to issue such reasonable rules and regulations as may be
12 appropriate to carry out the purposes and provisions of this
13 Act.

14 Sec. 5. NEW SECTION. Except for section five hundred
15 eight point thirty-seven (508.37) and subsection one (1) of
16 section five hundred nine point two (509.2) of the Code, and
17 except as otherwise provided in this Act, all pertinent
18 provisions of chapters five hundred eight (508), five hundred
19 nine (509), five hundred eleven (511) and five hundred twenty-
20 two (522) of the Code shall apply to separate accounts and
21 contracts relating thereto. Any individual variable life
22 insurance contract, delivered or issued for delivery in this
23 state, shall contain nonforfeiture provisions appropriate
24 to such a contract. Any group variable life insurance
25 contract, delivered or issued for delivery in this state,
26 shall contain a grace provision appropriate to such a contract.
27 The reserve liability for variable contracts shall be
28 established in accordance with actuarial procedures that
29 recognize the variable nature of the benefits provided and
30 any mortality guarantees.

31

EXPLANATION

32 This bill is the Model Variable Contracts bill adopted
33 by the National Association of Insurance Commissioners. It
34 amplifies the present laws and spells out governing details
35 of such contracts.

LSB 1636
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