

FEB 21 1979

HOUSE FILE 455

Place On Calendar

BY COMMITTEE ON COMMERCE

House File 455

*3/6
S. Pass 2/16 (p. 845)*

(Formerly Study Bill 84)

Commerce
Bergman, Chairperson
Goodwin
Priebe

Passed House, Date 3-1-79 (p 713) Passed Senate, Date 4-6-79 (p 1105)

Vote: Ayes 88 Nays 1 Vote: Ayes 40 Nays 3

Approved April 20, 1979

A BILL FOR

1 An Act relating to the amount of capital and surplus
2 required for insurance companies to transact
3 business in Iowa.

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

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1 Section 1. Section five hundred eight point five (508.5),
2 Code 1979, is amended to read as follows:

3 508.5 CAPITAL AND SURPLUS REQUIRED. ~~No~~ A stock life
4 insurance company shall not be authorized to transact business
5 under the provisions of this chapter with less than ~~three~~
6 ~~hundred-fifty-thousand~~ one million dollars capital stock fully
7 paid for in cash and ~~four-hundred-thousand~~ one million dollars
8 of surplus paid in in cash or invested as provided by law.
9 The stock shall be divided into shares of not less than one
10 dollar par value each. ~~Nothing-herein-contained-shall-affect~~
11 ~~companies-now-authorized-to-transact-business-under-the~~
12 ~~provisions-of-this-chapter-~~

13 Sec. 2. Section five hundred eight point nine (508.9),
14 Code 1979, is amended to read as follows:

15 508.9 MUTUAL COMPANIES--CONDITIONS. Level premium and
16 natural premium life insurance companies organized under the
17 laws of this state upon the mutual plan shall, before issuing
18 any policies, have actual applications on at least two hundred
19 and fifty lives for an average amount of one thousand dollars
20 each, ~~a list of which,~~ A list of the applications giving
21 the name, age, residence, amount of insurance, and annual
22 premium of each applicant shall be filed with the commissioner
23 of insurance, and a deposit made with ~~him~~ the commissioner
24 of an amount equal to three-fifths of the whole annual premium
25 on ~~said~~ the applications, in cash or the securities required
26 by section 508.5, ~~and-in-addition-thereto.~~ In addition a
27 deposit of cash or securities of the character provided by
28 law for the investment of funds for life insurance companies
29 in the sum of ~~three-hundred-thousand~~ two million dollars shall
30 be made with the commissioner, which shall constitute a
31 guaranty fund for the protection of policyholders. In no
32 event shall the contribution to ~~said~~ the guaranty fund give
33 to any contributors ~~thereof,~~ to the fund or to any other
34 persons any voting or other power in the management of the
35 affairs of the company ~~by-reason-of-such-contribution.~~ Said

1 The guaranty fund may be repaid to the contributors thereto
2 with interest at six percent from the date of contribution,
3 at any time, in whole or in part, provided ~~such~~ the repayment
4 does not reduce the surplus of the company below the amount
5 of ~~three-hundred-thousand~~ two million dollars and then only
6 provided consent in writing for ~~such~~ the repayment is obtained
7 from the commissioner of insurance ~~and on.~~ Upon compliance
8 with the provisions of this section, the commissioner shall
9 issue to ~~such~~ the mutual company the certificate hereinafter
10 prescribed in this chapter.

11 Sec. 3. Section five hundred fifteen point eight (515.8),
12 Code 1979, is amended to read as follows:

13 515.8 PAID-UP CAPITAL REQUIRED. ~~No~~ An insurance company
14 other than life shall not be incorporated to transact business
15 upon the stock plan with less than ~~two-hundred-thousand~~ one
16 million dollars capital, the entire amount of which shall
17 be fully paid up in cash and invested as provided by law.
18 ~~No-increase-of-the~~ An insurance company other than life shall
19 not increase its capital stock ~~of any company shall be made~~
20 unless the amount of ~~such~~ the increase is fully paid up in
21 cash. The stock shall be divided into shares of not less
22 than one dollar each.

23 Sec. 4. Section five hundred fifteen point ten (515.10),
24 Code 1979, is amended to read as follows:

25 515.10 SURPLUS REQUIRED. ~~Such company shall be possessed~~
26 An insurance company other than a life insurance company shall
27 have, in addition to the required paid-up capital, ~~of~~ a surplus
28 in cash or invested in securities authorized by law of not
29 less than ~~three-hundred-thousand~~ one million dollars. If
30 the commissioner of insurance finds that a company offers
31 or plans to offer only one kind of insurance ~~he~~ the
32 commissioner may reduce the amount of surplus required, but
33 in no event shall it be reduced to less than ~~one~~ three hundred
34 thousand dollars.

35 Sec. 5. Section five hundred fifteen point twelve (515.12),

1 subsection five (5), unnumbered paragraph one (1), Code 1979,
2 is amended to read as follows:

3 ~~†~~ The mutual company shall have in cash or in securities
4 in which insurance companies are authorized to invest, surplus
5 in an amount of not less than two hundred-thousand million
6 dollars; ~~provided that the commissioner of insurance, if in~~
7 ~~his judgment it appears necessary, may require surplus in~~
8 ~~excess of said amount, but not more than three hundred thousand~~
9 ~~dollars.~~ The surplus so required may be advanced in accordance
10 with the provisions of section 515.19.

11 Sec. 6. Section five hundred fifteen point sixty-nine
12 (515.69), Code 1979, is amended to read as follows:

13 515.69 FOREIGN COMPANIES--CAPITAL REQUIRED. No A stock
14 insurance company organized under or by the laws of any other
15 state or foreign government for the purpose specified in this
16 chapter, shall not, directly or indirectly, take risks or
17 transact any business of insurance in this state unless
18 ~~possessed of two hundred thousand~~ the company has one million
19 dollars of actual paid-up capital, and a surplus in cash or
20 invested in securities authorized by law of not less than
21 ~~three hundred thousand~~ one million dollars, exclusive of any
22 assets deposited in any a state, territory, district, or
23 country for the special benefit or security of those insured
24 therein.

25 Sec. 7. Section five hundred fifteen point seventy-six
26 (515.76), subsection one (1), Code 1979, is amended to read
27 as follows:

28 1. In case ~~any such~~ of a mutual company issuing policies
29 for a cash premium without an additional contingent liability
30 equal to or greater than the cash premium, the surplus shall
31 be at least ~~three hundred thousand~~ two million dollars.

32 Sec. 8. Section five hundred fifteen point ninety-two
33 (515.92), Code 1979, is amended to read as follows:

34 515.92 STATEMENT OF CAPITAL AND SURPLUS. Every
35 advertisement or public announcement, and every sign, circular,

1 or card issued or published by any a foreign company
 2 transacting the business of ~~fire~~ casualty insurance in the
 3 state, or by an officer, agent, or representative thereof,
 4 ~~which shall purport~~ that purports to ~~make-known-its~~ disclose
 5 the company's financial standing, shall exhibit the capital
 6 actually paid in in cash, and the amount of net surplus of
 7 assets over all its liabilities actually held and available
 8 for the payment of losses by fire and for the protection of
 9 holders of fire policies, and shall also exhibit the amount
 10 of net surplus of assets over all liabilities in the United
 11 States actually available for the payment of losses by fire
 12 and held in the United States for the protection of holders
 13 of fire policies in the United States, including in such
 14 liabilities the fund reserved for reinsurance of outstanding
 15 risks, and the same shall correspond with the latest verified
 16 statement made by the company or association to the
 17 commissioner of insurance. ~~No-such~~ The company shall not
 18 write, place, or cause to be written or placed, ~~any~~ a policy
 19 or contract for insurance upon property situated or located
 20 in this state except through its resident agent or agents.
 21 Sec. 9. This Act shall not affect insurance companies
 22 authorized to transact business in Iowa on the effective date
 23 of this Act.
 24 Sec. 10. This Act is effective January first following
 25 its enactment.

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EXPLANATION

27 This bill increases the amount of capital and surplus re-
 28 quired for insurance companies to transact business in Iowa
 29 to one million dollars capital and one million dollars surplus
 30 or two million dollars guaranty fund for mutual companies.

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HOUSE FILE 455

AN ACT

RELATING TO THE AMOUNT OF CAPITAL AND SURPLUS REQUIRED FOR
INSURANCE COMPANIES TO TRANSACT BUSINESS IN IOWA.

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

Section 1. Section five hundred eight point five (508.5),
Code 1979, is amended to read as follows:

508.5 CAPITAL AND SURPLUS REQUIRED. ~~No~~ A stock life insurance company shall not be authorized to transact business under the provisions of this chapter with less than three hundred-fifty-thousand one million dollars capital stock fully paid for in cash and ~~four-hundred-thousand~~ one million dollars of surplus paid in in cash or invested as provided by law. The stock shall be divided into shares of not less than one dollar par value each. ~~Nothing herein contained shall affect companies now authorized to transact business under the provisions of this chapter.~~

Sec. 2. Section five hundred eight point nine (508.9),
Code 1979, is amended to read as follows:

508.9 MUTUAL COMPANIES--CONDITIONS. Level premium and natural premium life insurance companies organized under the laws of this state upon the mutual plan shall, before issuing any policies, have actual applications on at least two hundred and fifty lives for an average amount of one thousand dollars each, ~~a list of which.~~ A list of the applications giving the name, age, residence, amount of insurance, and annual

premium of each applicant shall be filed with the commissioner of insurance, and a deposit made with ~~him~~ the commissioner of an amount equal to three-fifths of the whole annual premium on ~~said~~ the applications, in cash or the securities required by section 508.5, ~~and in addition thereto.~~ In addition a deposit of cash or securities of the character provided by law for the investment of funds for life insurance companies in the sum of ~~three-hundred-thousand~~ two million dollars shall be made with the commissioner, which shall constitute a guaranty fund for the protection of policyholders. In no event shall the contribution to ~~said~~ the guaranty fund give to ~~any~~ contributors thereof, to the fund or to ~~any~~ other persons any voting or other power in the management of the affairs of the company ~~by reason of such contribution.~~ Said The guaranty fund may be repaid to the contributors thereto with interest at six percent from the date of contribution, at any time, in whole or in part, provided ~~such~~ the repayment does not reduce the surplus of the company below the amount of ~~three-hundred-thousand~~ two million dollars and then only provided consent in writing for ~~such~~ the repayment is obtained from the commissioner of insurance, ~~and on.~~ Upon compliance with the provisions of this section, the commissioner shall issue to ~~such~~ the mutual company the certificate hereinafter prescribed in this chapter.

Sec. 3. Section five hundred fifteen point eight (515.8),
Code 1979, is amended to read as follows:

515.8 PAID-UP CAPITAL REQUIRED. ~~No~~ An insurance company other than life shall not be incorporated to transact business upon the stock plan with less than ~~two-hundred-thousand~~ one million dollars capital, the entire amount of which shall be fully paid up in cash and invested as provided by law. ~~No increase of the~~ An insurance company other than life shall not increase its capital stock ~~of any company shall be made~~ unless the amount of ~~such~~ the increase is fully paid up in cash. The stock shall be divided into shares of not less than one dollar each.

Sec. 4. Section five hundred fifteen point ten (515.10), Code 1979, is amended to read as follows:

515.10 SURPLUS REQUIRED. ~~Such company shall be possessed~~ An insurance company other than a life insurance company shall have, in addition to the required paid-up capital, of a surplus in cash or invested in securities authorized by law of not less than ~~three-hundred-thousand one million~~ one million dollars. If the commissioner of insurance finds that a company offers or plans to offer only one kind of insurance ~~he the~~ commissioner may reduce the amount of surplus required, but in no event shall it be reduced to less than ~~one~~ three hundred thousand dollars.

Sec. 5. Section five hundred fifteen point twelve (515.12), subsection five (5), unnumbered paragraph one (1), Code 1979, is amended to read as follows:

~~It~~ The mutual company shall have in cash or in securities in which insurance companies are authorized to invest, surplus in an amount of not less than ~~two hundred-thousand million~~ two hundred-thousand million dollars, ~~provided that the commissioner of insurance, if in his judgment it appears necessary, may require surplus in excess of said amount, but not more than three-hundred-thousand dollars.~~ The surplus so required may be advanced in accordance with the provisions of section 515.19.

Sec. 6. Section five hundred fifteen point sixty-nine (515.69), Code 1979, is amended to read as follows:

515.69 FOREIGN COMPANIES--CAPITAL REQUIRED. ~~No~~ A stock insurance company organized under or by the laws of any other state or foreign government for the purpose specified in this chapter, shall ~~not~~, directly or indirectly, take risks or transact ~~any~~ business of insurance in this state unless ~~possessed of two-hundred-thousand~~ the company has one million dollars of actual paid-up capital, and a surplus in cash or invested in securities authorized by law of not less than ~~three-hundred-thousand one million~~ one million dollars, exclusive of any assets deposited in ~~any a~~ state, territory, district, or

country for the special benefit or security of those insured therein.

Sec. 7. Section five hundred fifteen point seventy-six (515.76), subsection one (1), Code 1979, is amended to read as follows:

1. In case ~~any such~~ of a mutual company issuing policies for a cash premium without an additional contingent liability equal to or greater than the cash premium, the surplus shall be at least ~~three-hundred-thousand two million~~ two million dollars.

Sec. 8. Section five hundred fifteen point ninety-two (515.92), Code 1979, is amended to read as follows:

515.92 STATEMENT OF CAPITAL AND SURPLUS. Every advertisement or public announcement, and every sign, circular, or card issued or published by ~~any a~~ foreign company transacting the business of ~~fire~~ casualty insurance in the state, or by an officer, agent, or representative thereof, ~~which shall purport that purports to make known its~~ disclose the company's financial standing, shall exhibit the capital actually paid in in cash, and the amount of net surplus of assets over all its liabilities actually held and available for the payment of losses by fire and for the protection of holders of fire policies, and shall also exhibit the amount of net surplus of assets over all liabilities in the United States actually available for the payment of losses by fire and held in the United States for the protection of holders of fire policies in the United States, including in such liabilities the fund reserved for reinsurance of outstanding risks, and the same shall correspond with the latest verified statement made by the company or association to the commissioner of insurance. ~~No such~~ The company shall ~~not~~ write, place, or cause to be written or placed, ~~any a~~ policy or contract for insurance upon property situated or located in this state except through its resident agent or agents.

Sec. 9. This Act shall not affect insurance companies authorized to transact business in Iowa on the effective date of this Act.

Sec. 10. This Act is effective January first following its enactment.

FLOYD H. MILLEN
Speaker of the House

TERRY E. BRANSTAD
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 455, Sixty-eighth General Assembly.

DAVID L. WRAY
Chief Clerk of the House

Approved April 20, 1979

ROBERT D. RAY
Governor