

Reprinted 3/79

FEB 21 1979

HOUSE FILE 460

House File 460

By EVANS and DIELEMAN

Commerce: Shull, Chair; Crabb and Chiodo.

To Pass per 3318 3/2 (p. 797)

Passed House, Date 3-12-79 (p. 797) Passed Senate, Date \_\_\_\_\_

Vote: Ayes 96 Nays 0 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved June 6, 1979

## A BILL FOR

1 An Act to authorize life insurance companies and associations  
 2 under chapter five hundred eleven (511) of the Code to  
 3 invest in fixed interest-bearing obligations of certain  
 4 financial companies and obligations of foreign govern-  
 5 ments, subject to certain limitations.

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

7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

09f

1 Section 1. Section five hundred eleven point eight (511.8),  
2 subsection five (5), paragraph a, Code 1979, is amended by  
3 adding the following new unnumbered paragraph:

4 NEW UNNUMBERED PARAGRAPH. However, with respect to fixed  
5 interest-bearing obligations which are issued, assumed or  
6 guaranteed by a financial company, the net earnings by the  
7 financial company available for its fixed charges for the  
8 period of five fiscal years preceding the date of acquisi-  
9 tion of the obligations by the insurance company shall have  
10 averaged per year not less than one and one-fourth times such  
11 average annual fixed charges of the issuing, assuming or  
12 guaranteeing financial company applicable to such period,  
13 and, during at least one of the last two years of the period,  
14 its net earnings shall have been not less than one and one-  
15 fourth times its fixed charges for such year; or if, at the  
16 date of acquisition, the obligations are adequately secured  
17 and speculative elements are not predominant in their  
18 investment qualities and characteristics. As used in this  
19 paragraph, "financial company" means a corporation which on  
20 the average over its last five fiscal years preceding the  
21 date of acquisition of its obligations by the insurer, has  
22 had at least fifty percent of its net income, including income  
23 derived from subsidiaries, derived from the business of  
24 wholesale, retail, installment, mortgage, commercial,  
25 industrial or consumer financing, or from banking or factoring,  
26 or from similar or related lines of business.

27 Sec. 2. Section five hundred eleven point eight (511.8),  
28 Code 1979, is amended by adding the following new subsection:

29 NEW SUBSECTION. OTHER FOREIGN GOVERNMENT OR CORPORATE  
30 OBLIGATIONS. Bonds or other evidences of indebtedness issued,  
31 assumed or guaranteed by a foreign government other than  
32 Canada, or by a corporation incorporated under the laws of  
33 a foreign government other than Canada. Any such governmental  
34 obligations must be valid, legally authorized and issued.  
35 Any such corporate obligations must meet the qualifications

1 established in subsection five (5) of this section for bonds  
2 and other evidences of indebtedness issued, assumed, or  
3 guaranteed by a corporation incorporated under the laws of  
4 the United States or the Dominion of Canada. Foreign  
5 investments authorized by this subsection are not eligible  
3318-6 for investment in excess of one percent of the legal reserve  
7 of the life insurance company or association.

8 Investment in foreign obligations under this subsection  
9 is limited to the types of obligations specifically referred  
10 to in this subsection. This subsection does not authorize  
3318-11 investment in the types of securities which are referred to  
12 in other subsections of this section and which are issued  
13 by a foreign government or by a corporation incorporated under  
14 the laws of a foreign government.

15 Sec. 3. This Act takes effect January first following  
16 its enactment.

17 EXPLANATION

18 This bill amends section 511.8 of the Code which regulates  
19 investments of legal reserves by life insurance companies  
20 and associations.

21 Section 1 of the bill adds a new unnumbered paragraph to  
22 subsection 5, paragraph a, which for fixed interest-bearing  
23 obligations issued, assumed or guaranteed by a financial com-  
24 pany, as defined, lowers from one and one-half times to one  
25 and one-fourth times the required minimum ratio of net income  
26 available for fixed charges to fixed charges. The ratio for  
27 other types of corporations remains unchanged. This will  
28 enable Iowa insurers to invest in securities issued, assumed  
29 or guaranteed by such financial companies which, because of  
30 their capitalization characteristics, are incapable of meeting  
31 the ratio required for all corporations in the present law.

32 Section 2 adds a new subsection to section 511.8 to  
33 authorize Iowa insurers to buy bonds and other debt securities  
34 of foreign governments or corporations, subject to a limitation  
35 on such foreign investments of one percent of the company's

1 legal reserve. This would be in addition to existing authority  
2 to invest in specified Canadian securities. The authority  
3 granted by section 2 would permit investments only in bonds  
4 or other evidences of indebtedness issued, assumed or  
5 guaranteed by foreign governments or corporations. The  
6 authority does not extend to foreign equipment trusts, real  
7 estate bonds and mortgages, urban real estate, or personal  
8 property type of investments.

9  
10  
11

HOUSE FILE 460

H-3318

1 Amend House File 460 as follows:

2 1. Page 2, line 6, by striking the words "for  
3 investment".

4 2. Page 2, by striking lines 8 through 14 and  
5 inserting in lieu thereof the following:

6 "Eligible investments in foreign obligations under  
7 this subsection are limited to the types of obligations  
8 specifically referred to in this subsection. This  
9 subsection in no way limits or restricts investments  
10 in Canadian obligations and securities specifically  
11 authorized in other subsections of this section."

H-3318 FILED *Adopted 3/12 (p. 896)*  
MARCH 6, 1979

BY COMMITTEE ON COMMERCE  
Schroeder, Chairman

25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

HOUSE FILE 460

By EVANS and DIELEMAN

(As Amended and Passed by the House)

*Sub. for S.F. 275*

Passed House, Date 5-4-79 (p. 2070) Passed Senate, Date 3-16-79 (p. 831)

Vote: Ayes 86 Nays 0 Vote: Ayes 36 Nays 9

Approved June 6, 1979  
*Motion to reconsider p. 832 granted 4/25*  
*Repassed Senate 4-27-79 (p. 1443)*

**A BILL FOR** *31-11*  
*Motion to reconsider (p. 1446) w/d 5/1*

1 An Act to authorize life insurance companies and associations  
2 under chapter five hundred eleven (511) of the Code to  
3 invest in fixed interest-bearing obligations of certain  
4 financial companies and obligations of foreign govern-  
5 ments, subject to certain limitations.

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

- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

\_\_\_\_\_ House Amendment  
\* Stricken Language

1 Section 1. Section five hundred eleven point eight (511.8),  
2 subsection five (5), paragraph a, Code 1979, is amended by  
3 adding the following new unnumbered paragraph:

4 NEW UNNUMBERED PARAGRAPH. However, with respect to fixed  
5 interest-bearing obligations which are issued, assumed or  
6 guaranteed by a financial company, the net earnings by the  
7 financial company available for its fixed charges for the  
8 period of five fiscal years preceding the date of acqui-  
9 sition of the obligations by the insurance company shall have  
10 averaged per year not less than one and one-fourth times such  
11 average annual fixed charges of the issuing, assuming or  
12 guaranteeing financial company applicable to such period,  
13 and, during at least one of the last two years of the period,  
14 its net earnings shall have been not less than one and one-  
15 fourth times its fixed charges for such year; or if, at the  
16 date of acquisition, the obligations are adequately secured  
17 and speculative elements are not predominant in their  
18 investment qualities and characteristics. As used in this  
19 paragraph, "financial company" means a corporation which on  
20 the average over its last five fiscal years preceding the  
21 date of acquisition of its obligations by the insurer, has  
22 had at least fifty percent of its net income, including income  
23 derived from subsidiaries, derived from the business of  
24 wholesale, retail, installment, mortgage, commercial,  
25 industrial or consumer financing, or from banking or factoring,  
26 or from similar or related lines of business.

27 Sec. 2. Section five hundred eleven point eight (511.8),  
28 Code 1979, is amended by adding the following new subsection:

29 NEW SUBSECTION. OTHER FOREIGN GOVERNMENT OR CORPORATE  
30 OBLIGATIONS. Bonds or other evidences of indebtedness issued,  
31 assumed or guaranteed by a foreign government other than  
32 Canada, or by a corporation incorporated under the laws of  
33 a foreign government other than Canada. Any such governmental  
34 obligations must be valid, legally authorized and issued.  
35 Any such corporate obligations must meet the qualifications

1 established in subsection five (5) of this section for bonds  
2 and other evidences of indebtedness issued, assumed, or  
3 guaranteed by a corporation incorporated under the laws of  
4 the United States or the Dominion of Canada. Foreign  
5 investments authorized by this subsection are not eligible  
6 in excess of one percent of the legal reserve of the life  
7 insurance company or association.

8 Eligible investments in foreign obligations under this  
9 subsection are limited to the types of obligations specifically  
10 referred to in this subsection. This subsection in no way  
11 limits or restricts investments in Canadian obligations and  
12 securities specifically authorized in other subsections of  
13 this section.

3243, 3245  
3634, 3246

14 Sec. 3. This Act takes effect January first following  
15 its enactment.

16  
17  
18  
19  
20

SENATE AMENDMENT TO  
HOUSE FILE 460

H-4205

1 Amend House File 460 as amended, passed and  
2 reprinted by the House as follows:  
3 1. Page 1, line 30, by inserting after the word  
4 "indebtedness" the words ", not to include currency,".  
5 2. Page 2, by inserting after line 13 the  
6 following:  
7 "This subsection shall not authorize investment  
8 in evidences of indebtedness issued, assumed, or  
9 guaranteed by a foreign government which engages in  
10 a consistent pattern of gross violations of human  
11 rights."

H-4205 FILED  
MAY 1, 1979

RECEIVED FROM THE SENATE  
*House concurred 5/4 (p. 2069)*

34  
35

HOUSE FILE 460

S-3243

1 Amend House File 460 as amended, passed, and  
2 reprinted by the House as follows:  
3 1. Page 2, by inserting after line 13 the  
4 following:  
5 "This subsection shall not authorize investment  
6 in evidences of indebtedness issued, assumed, or  
7 guaranteed by a foreign government which engages in  
8 a consistent pattern of gross violations of human  
9 rights. This prohibition shall include but shall  
10 not be limited to governments and corporations  
11 incorporated under the laws of The Republic of South  
12 Africa, Uganda, Cambodia, Chile, Cuba, Argentina,  
13 Brazil, Nicaragua, and Uruguay."

S-3243 FILED & WITHDRAWN (p. 830) BY TOM SLATER  
MARCH 16, 1979 JULIA GENTLEMAN  
BOB CARR

HOUSE FILE 460

S-3245

1 Amend House File 460 as amended, passed, and  
2 reprinted by the House as follows:  
3 1. Page 2, line 13, by inserting after the word  
4 "section." the words "Investments in foreign obliga-  
5 tions under this subsection shall not be eligible in  
6 foreign governments which impose import duties on  
7 agricultural products produced in the United States."

S-3245 FILED & ADOPTED (p. 830) BY BERL E. PRIEBE  
MARCH 16, 1979 C. W. HUTCHINS  
JOHN SCOTT

*Motion to reconsider 3/19 (p. 856)  
" prevailed 4/25 Lost 4/25 (p. 1408)*

HOUSE FILE 460

S-3246

1 Amend House File 460 as amended, passed, and  
2 reprinted by the House as follows:  
3 1. Page 2, by inserting after line 13 the  
4 following:  
5 "This subsection shall not authorize investment  
6 in evidences of indebtedness issued, assumed, or  
7 guaranteed by a foreign government which engages  
8 in a consistent pattern of gross violations of  
9 human rights."

S-3246 FILED & ADOPTED (p. 831) BY TOM SLATER  
MARCH 16, 1979 JULIA GENTLEMAN  
BOB CARR

*Motion to reconsider 3/19 (p. 856)  
" prevailed 4/25  
Adopted 4/26 (p. 1420)*

HOUSE FILE 460

S-3634

1 Amend House File 460 as amended, passed and reprinted  
2 by the House, as follows:  
3 1. Page 2, by inserting after line 13 the following:  
4 "A company or association that invests in foreign  
5 securities which are authorized by this subsection shall  
6 submit a summary of these investments in its annual  
7 report to shareholders or members. The summary shall  
8 disclose the aggregate amount invested within each  
9 nation or state and the average earnings thereon, and  
10 shall disclose the total amount invested under the  
11 authority of this subsection and the average earnings  
12 thereon."

S-3634 FILED *Lost 4/27 (p. 1443)* BY BERL E. PRIEBE  
APRIL 26, 1979

HOUSE FILE 460

S-3238

1 Amend House File 460 as amended, passed, and  
2 reprinted by the House as follows:  
3 1. Page 1, line 30, by inserting after the  
4 word "indebtedness" the words ", not to include  
5 currency,".

S-3238 FILED - *Lost 3/16 (p. 329)* BY PATRICK J. DELUHERY  
MARCH 15, 1979  
*Reconsidered 4/25 (p. 1408)*

HOUSE FILE 460

AN ACT

TO AUTHORIZE LIFE INSURANCE COMPANIES AND ASSOCIATIONS UNDER CHAPTER FIVE HUNDRED ELEVEN (511) OF THE CODE TO INVEST IN FIXED INTEREST-BEARING OBLIGATIONS OF CERTAIN FINANCIAL COMPANIES AND OBLIGATIONS OF FOREIGN GOVERNMENTS, SUBJECT TO CERTAIN LIMITATIONS.

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

Section 1. Section five hundred eleven point eight (511.8), subsection five (5), paragraph a, Code 1979, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. However, with respect to fixed interest-bearing obligations which are issued, assumed or guaranteed by a financial company, the net earnings by the financial company available for its fixed charges for the period of five fiscal years preceding the date of acquisition of the obligations by the insurance company shall have averaged per year not less than one and one-fourth times such average annual fixed charges of the issuing, assuming or guaranteeing financial company applicable to such period, and, during at least one of the last two years of the period, its net earnings shall have been not less than one and one-fourth times its fixed charges for such year; or if, at the date of acquisition, the obligations are adequately secured and speculative elements are not predominant in their

investment qualities and characteristics. As used in this paragraph, "financial company" means a corporation which on the average over its last five fiscal years preceding the date of acquisition of its obligations by the insurer, has had at least fifty percent of its net income, including income derived from subsidiaries, derived from the business of wholesale, retail, installment, mortgage, commercial, industrial or consumer financing, or from banking or factoring, or from similar or related lines of business.

Sec. 2. Section five hundred eleven point eight (511.8), Code 1979, is amended by adding the following new subsection:

NEW SUBSECTION. OTHER FOREIGN GOVERNMENT OR CORPORATE OBLIGATIONS. Bonds or other evidences of indebtedness, not to include currency, issued, assumed or guaranteed by a foreign government other than Canada, or by a corporation incorporated under the laws of a foreign government other than Canada. Any such governmental obligations must be valid, legally authorized and issued. Any such corporate obligations must meet the qualifications established in subsection five (5) of this section for bonds and other evidences of indebtedness issued, assumed, or guaranteed by a corporation incorporated under the laws of the United States or the Dominion of Canada. Foreign investments authorized by this subsection are not eligible in excess of one percent of the legal reserve of the life insurance company or association.

Eligible investments in foreign obligations under this subsection are limited to the types of obligations specifically referred to in this subsection. This subsection in no way limits or restricts investments in Canadian obligations and securities specifically authorized in other subsections of this section.

This subsection shall not authorize investment in evidences of indebtedness issued, assumed, or guaranteed by a foreign government which engages in a consistent pattern of gross violations of human rights.

Sec. 3. This Act takes effect 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 460, Sixty-eighth General Assembly.

---

DAVID L. WRAY  
Chief Clerk of the House

Approved June 6, 1979

---

ROBERT D. RAY  
Governor