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SENATE FILE 2012

By DeKOSTER

Passed Senate, Date 2-5-80 (p. 305) Passed House, Date 2-15-80 (p. 532)

Vote: Ayes 47 Nays 0 Vote: Ayes 87 Nays 0

Approved March 3 1980

A BILL FOR

1 An Act relating to the definition of insolvent insurer for
2 purposes of the Iowa insurance guaranty association.

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

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1 Section 1. Section five hundred fifteen B point two
2 (515B.2), subsection five (5), Code 1979, is amended to read
3 as follows:

4 5. "Insolvent insurer" means an insurer ~~as herein defined~~
5 ~~which has been determined to be insolvent by a court of~~
6 ~~competent jurisdiction~~ against which an order of liquidation
7 with a finding of insolvency has been entered on or after
8 the effective date of this Act by a court of competent
9 jurisdiction of this state or of the state of the insurer's
10 domicile, and the order of liquidation has not been stayed
11 or been the subject of a writ of supersedeas or other
12 comparable order.

13 EXPLANATION

14 This bill amends chapter 515B of the Code which establishes
15 an insurance guaranty association among insurance companies
16 doing business in this state to help assure payment of claims
17 in the event an insurer becomes insolvent.

18 The amendment modifies the definition of insolvent insurer,
19 which definition determines the conditions which must exist
20 before the guaranty association is required to pay claims.

21 The existing Code language (or similar language) apparently
22 has been interpreted by courts of at least one state in such
23 a manner as to allow an "insolvent insurer" to avoid
24 liquidation, even though "insolvent", thereby transferring
25 the burden of financial losses from the shareholders of the
26 "insolvent insurer" to the guaranty association.

27 The bill would preclude a similar result under Iowa law
28 by limiting the obligation of the guaranty association to
29 pay claims to those instances where a court of competent
30 jurisdiction has issued a final order requiring liquidation
31 of the insurer.

32 The amendment appears to be a clarification of the original
33 intent of the Iowa law.

34 The bill would take effect July first following enactment,
35 and would apply to those cases in which an order of insolvency
36 is entered by a court on or after that date.

domicile, and the order of liquidation has not been stayed or been the subject of a writ of supersedeas or other comparable order.

TERRY E. BRANSTAD
President of the Senate

FLOYD H. MILLEN
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2012, Sixty-eighth General Assembly.

FRANK J. STORK
Secretary of the Senate

Approved March 3, 1980

ROBERT D. RAY
Governor

SENATE FILE 2012

AN ACT

RELATING TO THE DEFINITION OF INSOLVENT INSURER FOR PURPOSES OF THE IOWA INSURANCE GUARANTY ASSOCIATION.

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

Section 1. Section five hundred fifteen B point two (515B.2), subsection five (5), Code 1979, is amended to read as follows:

5. "Insolvent insurer" means an insurer ~~as herein defined which has been determined to be insolvent by a court of competent jurisdiction~~ against which an order of liquidation with a finding of insolvency has been entered on or after the effective date of this Act by a court of competent jurisdiction of this state or of the state of the insurer's