

Reprinted 3/13/86

FEB 27 1986

HOUSE FILE 2390

Place On Calendar

BY COMMITTEE ON SMALL BUSINESS
AND COMMERCE

(Formerly House Study Bill 528)

Passed House, Date 3-11-86 (p. 676) Passed Senate, Date 4-7-86 (p. 1075)

Vote: Ayes 89 Nays 0 Vote: Ayes 45 Nays 0

Approved April 18, 1986 (p. 1575)

A BILL FOR

- 1 An Act relating to the regulation of insurance holding companies
- 2 and providing for penalties.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

HOUSE FILE 2390

H-5292

1 Amend House File 2390 as follows:

- 2 1. Page 2, line 10, by inserting after the word
- 3 "that" the following: "than permitted pursuant to
- 4 paragraphs "a", "b", and "c"".

H-5292 FILED MARCH 10, 1986 BY BRAMMER of Linn

Adopted 3/11 (p. 676)

HF 2390

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1 Section 1. Section 521A.1, Code 1985, is amended by adding
2 the following new subsection 4 and renumbering the subsequent
3 subsections:

4 NEW SUBSECTION. 4. "Domestic insurer" means an insurer
5 organized or created under the laws of this state except an
6 insurer excluded under subsection 6.

7 Sec. 2. Section 521A.1, subsection 6, Code 1985, is
8 amended to read as follows:

9 6 7. A "person" is an individual, a corporation, a
10 partnership, an association, a joint stock company, a trust,
11 an unincorporated organization, any similar entity or any
12 combination of the foregoing acting in concert, but ~~shall~~ does
13 not include ~~any-securities-broker-performing-no-more-than-the~~
14 ~~usual-and-customary-broker's-function~~ a joint venture
15 partnership exclusively engaged in owning, managing, leasing,
16 or developing real or tangible personal property.

17 Sec. 3. Section 521A.2, subsection 1, paragraph h, Code
18 1985, is amended to read as follows:

19 h. Ownership and management of assets which the parent
20 corporation could itself own and manage. However, the
21 aggregate investment by the insurer and its subsidiaries
22 acquired or organized pursuant to this paragraph shall not
23 exceed the limitations applicable to the investments by the
24 insurer.

25 Sec. 4. Section 521A.2, subsection 3, paragraph a,
26 unnumbered paragraph 1, Code 1985, is amended to read as
27 follows:

28 Invest, in common stock, preferred stock, debt obligations,
29 and other securities of one or more subsidiaries, amounts
30 which do not exceed fifty percent of the insurer's surplus as
31 regards policyholders, ~~provided-that~~ if after such the
32 investments the insurer's surplus as regards policyholders
33 will be reasonable in relation to the insurer's outstanding
34 liabilities and adequate to its financial needs. In
35 calculating the amount of ~~such~~ the investments, investments in

1 domestic or foreign insurance subsidiaries shall be excluded
2 and both of the following shall be included:

3 Sec. 5. Section 521A.2, subsection 3, paragraph b, Code
4 1985, is amended by striking the paragraph.

5 Sec. 6. Section 521A.2, subsection 3, paragraph d, Code
6 1985, is amended to read as follows:

7 d. With the approval of the commissioner, invest any
8 greater amount in common stock, preferred stock, debt
9 obligations, or other securities of one or more subsidiaries,
10 ~~provided that.~~ However, after such the investment the
11 insurer's surplus as regards policyholders ~~will~~ shall be
12 reasonable in relation to the insurer's outstanding
13 liabilities and adequate to its financial needs.

14 Sec. 7. Section 521A.2, subsection 3, paragraph e, Code
15 1985, is amended by striking the paragraph.

16 Sec. 8. Section 521A.2, subsection 5, Code 1985, is
17 amended to read as follows:

18 5. QUALIFICATION OF INVESTMENT -- WHEN DETERMINED.

19 Whether any investment pursuant to subsection 3 ~~of this~~
20 ~~section~~ meets the applicable requirements thereof of the
21 subsection is to be determined ~~immediately after such~~
22 ~~investment is made, taking into account the then outstanding~~
23 ~~principal balance on all previous investments in debt~~
24 ~~obligations, and the value of all previous investments in~~
25 ~~equity securities as of the date they were made~~ before the
26 investment is made by calculating the applicable investment
27 limitations as though the investment had already been made,
28 taking into account the then outstanding principal balance on
29 all previous investments in debt obligations, and the value of
30 all previous investments in equity securities as of the day
31 they were made, net of any return of capital invested,
32 excluding dividends.

33 Sec. 9. Section 521A.3, subsection 1, unnumbered paragraph
34 2, Code 1985, is amended to read as follows:

35 For purposes of this section a domestic insurer shall

1 include any other person controlling a domestic insurer unless
2 such the other person is either directly or through its
3 affiliates primarily engaged in business other than the
4 business of insurance. However, for purposes of this section
5 "person" does not include a securities broker holding, in the
6 usual and customary broker's function, less than twenty
7 percent of the voting securities of an insurance company or of
8 a person which controls an insurance company.

9 Sec. 10. Section 521A.3, subsection 2, paragraph b, Code
10 1985, is amended to read as follows:

11 b. The source, nature and amount of the consideration used
12 or to be used in effecting the merger or other acquisition of
13 control, a description of any transaction wherein in which
14 funds were or are to be obtained for any such purpose
15 including a pledge of the insurer's stock, or the stock of any
16 of its subsidiaries or controlling affiliates, and the
17 identity of persons furnishing such the consideration,
18 ~~provided, however, that where.~~ However, if a source of such
19 the consideration is a loan made in the lender's ordinary
20 course of business, the identity of the lender shall remain
21 confidential, if the person filing such the statement so
22 requests.

23 Sec. 11. Section 521A.3, subsection 2, paragraph 1,
24 unnumbered paragraph 1, Code 1985, is amended to read as
25 follows:

26 ~~Such additional~~ Additional information as the commissioner
27 may by rule ~~or regulation~~ prescribe as necessary or
28 appropriate for the protection of policyholders ~~and~~
29 ~~securityholders~~ of the insurer or in the public interest.

30 Sec. 12. Section 521A.4, subsection 1, Code 1985, is
31 amended to read as follows:

32 1. REGISTRATION. Every An insurer which is authorized to
33 do business in this state and which is a member of an
34 insurance holding company system shall register with the
35 commissioner, except a foreign insurer subject to disclosure

1 registration requirements and standards which are
2 substantially similar to those contained in this section and
3 section 521A.5, subsection 1, paragraph "a", and are adopted
4 by statute or regulation in the jurisdiction of its domicile
5 ~~which are substantially similar to those contained in this~~
6 section. Any The insurer shall also file a copy of the
7 summary of its registration statement as required by
8 subsection 4 in each state in which that insurer is authorized
9 to do business if requested to do so by the commissioner of
10 that state. An insurer which is subject to registration under
11 this section shall register within fifteen days after it
12 becomes subject to registration and annually thereafter by
13 March 31 of each year for the previous calendar year unless
14 the commissioner for good cause shown extends the time for
15 registration, and then within such the extended time. The
16 commissioner may require any authorized insurer which is a
17 member of a holding company system which is not subject to
18 registration under this section to furnish a copy of the
19 registration statement or other information filed by such the
20 insurance company with the insurance regulatory authority of
21 domiciliary jurisdiction.

22 Sec. 13. Section 521A.4, subsection 2, paragraphs b and c,
23 Code 1985, are amended to read as follows:

24 b. The identity and relationship of every member of the
25 insurance holding company system.

26 c. The following agreements in force, relationships
27 subsisting, and transactions currently outstanding or which
28 have occurred during the last calendar year between such the
29 insurer and its affiliates:

30 (1) Loans, other investments, or purchases, sales, or
31 exchanges of securities of the affiliates by the insurer or of
32 the insurer by its affiliates.

33 (2) Purchases, sales, or exchanges of assets.

34 (3) Transactions not in the ordinary course of business.

35 (4) Guarantees or undertakings for the benefit of an

1 affiliate which result in an actual contingent exposure of the
2 insurer's assets to liability, other than insurance contracts
3 entered into in the ordinary course of the insurer's business.

4 (5) All management and service contracts and all cost-
5 sharing arrangements, other than cost allocation arrangements
6 based upon generally accepted accounting principles.

7 (6) Reinsurance agreements ~~covering all or substantially~~
8 ~~all of one or more lines of insurance of the ceding company.~~

9 (7) Dividends and other distributions to shareholders.

10 Sec. 14. Section 521A.4, subsection 2, Code 1985, is
11 amended by adding the following new lettered paragraph d and
12 relettering the subsequent paragraph:

13 NEW LETTERED PARAGRAPH. d. A pledge of the insurer's
14 stock, including stock of a subsidiary or controlling
15 affiliate, for a loan made to a member of the insurance
16 holding company system.

17 Sec. 15. Section 521A.4, subsection 3, Code 1985, is
18 amended to read as follows:

19 3. MATERIALITY. ~~No-information~~ Information need not be
20 disclosed on the registration statement filed pursuant to
21 subsection 2 ~~of this section~~ if ~~such~~ the information is not
22 material for the purposes of this section. Unless the
23 commissioner by rule ~~7-regulation~~ or order provides otherwise,
24 sales, purchases, exchanges, loans or extensions of credit, or
25 investments ~~7~~ or guarantees involving one-half of one percent
26 or less of an insurer's admitted assets as of the ~~thirty-first~~
27 ~~day of December~~ next preceding ~~shall~~ December 31 are not be
28 deemed material for purposes of this section.

29 Sec. 16. Section 521A.4, subsection 4, Code 1985, is
30 amended by striking the subsection and inserting in lieu
31 thereof the following:

32 4. SUMMARY OF REGISTRATION STATEMENT. All registration
33 statements shall contain a summary outlining all items in the
34 current registration statement representing changes from the
35 next preceding registration statement.

1 Sec. 17. Section 521A.4, Code 1985, is amended by adding
2 the following new subsection 5 and renumbering the subsequent
3 subsections:

4 NEW SUBSECTION. 5. INFORMATION OF INSURERS. Any person
5 within an insurance holding company system subject to
6 registration is required to provide complete and accurate
7 information to an insurer if the information is reasonably
8 necessary to enable the insurer to comply with this chapter.

9 Sec. 18. Section 521A.4, subsection 10, Code 1985, is
10 amended to read as follows:

11 10. VIOLATIONS. The failure to file a registration
12 statement or ~~any amendment thereto~~ a summary of the
13 registration statement required by this section within the
14 time specified for ~~such~~ the filing ~~shall be~~ is a violation of
15 this section.

16 Sec. 19. Section 521A.5, subsection 1, Code 1985, is
17 amended by striking the subsection and inserting in lieu
18 thereof the following:

19 1. TRANSACTIONS WITHIN A HOLDING COMPANY SYSTEM AFFECTING
20 DOMESTIC INSURERS.

21 a. Material transactions by registered insurers with their
22 affiliates are subject to the following standards:

23 (1) The terms shall be fair and reasonable.

24 (2) Charges or fees for services performed shall be
25 reasonable.

26 (3) Expenses incurred and payment received shall be
27 allocated to the insurer in conformity with customary and
28 consistently applied insurance accounting practices.

29 (4) The books, accounts, and records of each party shall
30 be so maintained as to clearly and accurately disclose the
31 precise nature and details of the transactions.

32 (5) After any dividends or distributions to shareholder
33 affiliates, the insurer's surplus as regards policyholders
34 shall be reasonable in relation to the insurer's outstanding
35 liabilities and adequate to its financial needs.

1 b. A domestic insurer and a person in its holding company
2 system shall not enter into any of the following transactions
3 between each other involving amounts equal to or exceeding the
4 greater of five percent of the insurer's admitted assets or
5 twenty-five percent of the surplus as regards policyholders as
6 of the next preceding December 31, unless the domestic insurer
7 notifies the commissioner in writing of its intention to enter
8 into the transaction at least thirty days prior to entering
9 into the transaction or within a shorter time permitted by the
10 commissioner and the commissioner has not disapproved of the
11 transaction within the time period:

- 12 (1) Sales.
- 13 (2) Purchases.
- 14 (3) Exchanges.
- 15 (4) Loans or extensions of credit.
- 16 (5) Guarantees.
- 17 (6) Investments.
- 18 (7) Loans or extensions of credit to a person who is not
19 an affiliate, if the domestic insurer makes the loans or
20 extensions of credit with the agreement or understanding that
21 the proceeds of the transactions, in whole or in substantial
22 part, are to be used to make loans or extensions of credit to,
23 to purchase assets of, or to make investments in, an affiliate
24 of the domestic insurer making the loans or extensions of
25 credit.

26 c. A domestic insurer and a person in its holding company
27 system shall not enter into any of the following transactions,
28 unless the domestic insurer notifies the commissioner in
29 writing of its intention to enter into the transaction at
30 least thirty days prior to entering into the transaction or
31 within a shorter time permitted by the commissioner and the
32 commissioner has not disapproved of the transaction within the
33 time period:

- 34 (1) All reinsurance agreements which in the aggregate will
35 or may require as consideration the net transfer of assets to

1 or by the domestic insurer in an amount, as of the next
2 preceding December 31, exceeding twenty-five percent of
3 statutory surplus.

4 (2) Any material transactions specified by rule which the
5 commissioner determines may adversely affect the interests of
6 the domestic insurer's policyholders.

7 d. This subsection does not authorize or permit any
8 transactions which in the case of an insurer would be
9 otherwise contrary to law.

10 e. A domestic insurer shall not enter into transactions
11 which are part of a plan or series of like transactions with a
12 person or persons within the holding company system if the
13 purpose of those separate transactions is to avoid the
14 statutory threshold amount and thus avoid the review that
15 would occur otherwise. If the commissioner determines that
16 such separate transactions were entered into over a twelve-
17 month period for that purpose, the commissioner may exercise
18 the authority under section 521A.10.

19 f. The commissioner, in reviewing transactions pursuant to
20 paragraphs "b" and "c", shall consider whether the
21 transactions comply with the standards set forth in paragraph
22 "a".

23 g. A domestic insurer shall notify the commissioner within
24 thirty days of an investment of the insurer in a corporation
25 if the total investment in the corporation by the insurance
26 holding company system exceeds ten percent of the
27 corporation's voting securities.

28 Sec. 20. Section 521A.5, subsection 3, unnumbered
29 paragraphs 1 and 2, Code 1985, are amended to read as follows:

30 No A domestic insurer subject to registration under section
31 521A.4 shall not pay any extraordinary dividend or make any
32 other extraordinary distribution to its shareholders until
33 either thirty days after the commissioner has received notice
34 of the declaration thereof of the payment and has not within
35 such the period disapproved such the payment, or the

1 commissioner shall have approved ~~such~~ the payment within ~~such~~
2 the thirty-day period.

3 For purposes of this section, an extraordinary dividend or
4 distribution includes any dividend or distribution of cash or
5 other property, whose fair market value together with that of
6 other dividends or distributions made within the preceding
7 twelve months exceeds the greater of either ten percent of
8 ~~such~~ the insurer's surplus as regards policyholders as of the
9 ~~thirty-first-day-of-December~~ next preceding December 31, or
10 the net gain from operations of ~~such~~ the insurer, if ~~such~~ the
11 insurer is a life insurer, or the net investment income if
12 ~~such~~ the insurer is not a life insurer, for the twelve-month
13 period ending the ~~thirty-first-day-of-December~~ next preceding
14 December 31, but shall not include pro rata distributions of
15 any class of the insurer's own securities. In determining
16 whether a dividend or distribution is extraordinary, an
17 insurer may carry forward income or gain from operations from
18 the previous two calendar years that has not already been paid
19 out as dividends.

20 Sec. 21. Section 521A.6, subsection 1, Code 1985, is
21 amended to read as follows:

22 1. POWER OF COMMISSIONER. Subject to the limitation
23 contained in this section and in addition to the powers which
24 the commissioner has under chapter 507 relating to the
25 examination of insurers, the commissioner ~~shall~~ may also have
26 ~~the-power-to~~ order any an insurer registered under section
27 521A.4 to produce ~~such~~ records, books, or other information
28 papers in the possession of the insurer or its affiliates as
29 ~~shall-be~~ reasonably necessary to ascertain the financial
30 condition ~~or-legality-of-conduct~~ of ~~such~~ the insurer or to
31 determine compliance with this chapter. In-the-event-such If
32 the insurer fails to comply with ~~such~~ the order, the
33 commissioner ~~shall-have-the-power-to~~ may examine ~~such~~ the
34 affiliates to obtain ~~such~~ the information.

35 Sec. 22. Section 521A.6, subsection 2, Code 1985, is

1 amended by striking the subsection.

2 Sec. 23. Section 521A.10, Code 1985, is amended by
3 striking the section and inserting in lieu thereof the
4 following:

5 521A.10 SANCTIONS AND PENALTIES.

6 1. If the commissioner finds after notice and hearing that
7 a person subject to registration under section 521A.4 failed
8 without just cause to file a registration statement as
9 required in this chapter, the person shall be required to pay
10 a penalty of one thousand dollars for each day's delay. The
11 penalty shall be recovered by the commissioner and paid into
12 the state general fund. The maximum penalty under this
13 section is ten thousand dollars. The commissioner may reduce
14 the penalty if the person demonstrates that the imposition of
15 the penalty would constitute a financial hardship to the
16 person.

17 2. If it appears to the commissioner that an insurer
18 subject to this chapter has engaged in a transaction or
19 entered into a contract which is subject to 521A.5 and which
20 would not have been approved had approval been requested, the
21 commissioner may order the insurer to immediately cease and
22 desist any further activity under that transaction or
23 contract. After notice and hearing, the commissioner may also
24 order the insurer to void any contracts and restore the status
25 quo if the commissioner finds that action is in the best
26 interest of the policyholders, creditors, or the public.

27 3. If it appears to the commissioner that an insurer or a
28 director, officer, agent, or employee of an insurer has
29 committed a willful violation of this chapter, the
30 commissioner may institute criminal proceedings against the
31 insurer or the responsible director, officer, agent, or
32 employee in the district court for the county in which the
33 principal office of the insurer is located, or if the insurer
34 has no office in this state, then in the district court for
35 Polk county. An insurer or individual who willfully violates

1 this chapter is guilty of a class "D" felony.

2 Sec. 24. NEW SECTION. 521A.11A RECOVERY.

3 1. Subject to subsections 2 through 4, if an order for
4 liquidation, conservation, or rehabilitation of a domestic
5 insurer has been entered, the receiver appointed under the
6 order may recover on behalf of the insurer either of the
7 following if made within one year preceding the filing of the
8 petition for liquidation, conservation, or rehabilitation:

9 a. From a parent corporation, holding company, affiliate,
10 or other person who otherwise controlled the insurer, the
11 amount of distributions, other than distributions of shares of
12 the same class of stock, paid by the insurer on its capital
13 stock.

14 b. Any payment in the form of a bonus, termination
15 settlement, or extraordinary lump sum salary adjustment made
16 by the insurer or a subsidiary of the insurer to a director,
17 officer, agent, or employee.

18 2. A distribution is not recoverable if the parent holding
19 company, affiliate, or other person shows that when the
20 distribution was paid it was lawful and reasonable, and that
21 the insurer did not know and could not reasonably have known
22 that the distribution might adversely affect the ability of
23 the insurer to fulfill its contractual obligations.

24 3. A parent corporation, holding company, affiliate, or
25 other person who otherwise controlled the insurer or affiliate
26 at the time the distributions were paid is liable only up to
27 the amount of distributions or payments under subsection 1
28 that the person received. A person who otherwise controlled
29 the insurer at the time the distributions were declared is
30 liable only up to the amount of distributions the person would
31 have received if the person had been paid immediately. If two
32 or more persons are liable with respect to the same
33 distributions, each shall be separately liable for their
34 distributive share.

35 4. The maximum amount recoverable under this subsection

1 shall be the amount needed in excess of all other available
2 assets of the impaired or insolvent insurer to pay the
3 contractual obligations of the impaired or insolvent insurer
4 and to reimburse any guaranty funds.

5 5. To the extent that a person liable under subsection 3
6 is insolvent or otherwise fails to pay claims due from the
7 person pursuant to this section, the person's parent
8 corporation, holding company, affiliate, or other person who
9 otherwise controlled it at the time the distribution was paid,
10 is separately liable for the share of any resulting deficiency
11 in the amount recovered from the parent corporation, holding
12 company, affiliate, or other person who otherwise controlled
13 it.

14 EXPLANATION

15 This bill makes several amendments to chapter 521A relating
16 to the regulation of insurance holding company systems. These
17 amendments relate to the permissible investments of a holding
18 company and various financial transactions of the holding
19 company and the insurance company. A company must receive
20 approval from the department of insurance before making
21 certain types of investments or transfers. Penalties are
22 provided for the failure to comply with the requirements of
23 the chapter.

24 The amendments are based on amendments by the national
25 association of insurance commissioners.

26 The bill requires an opportunity for approval or
27 disapproval by the commissioner of insurance of certain sales,
28 purchases, exchanges, loans or extensions of credit or
29 investments between a domestic insurer and an affiliate of an
30 insurer.

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HOUSE FILE 2390

BY COMMITTEE ON SMALL BUSINESS
AND COMMERCE

(As Amended and Passed by the House March 11, 1986)

Substituted for G.F. 2238 (3/15 p. 752)

Passed House, Date 3-11-86 (p. 676) Passed Senate, Date 4-7-86 (p. 1675)

Vote: Ayes 89 Nays 0 Vote: Ayes 45 Nays 0

Approved April 18, 1986 (p. 1575)

A BILL FOR

- 1 An Act relating to the regulation of insurance holding companies
- 2 and providing for penalties.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

HOUSE FILE 2390

S-5367

1 Amend House File 2390 as amended, passed, and re-
2 printed by the House as follows:

3 1. Page 4, line 21, by inserting after the word
4 "of" the word "its".

5 2. Page 7, line 28, by inserting after the word
6 "transactions" the words "between each other".

7 3. Page 12, line 11, by striking the word "the"
8 and inserting in lieu thereof the the word "its".

S-5367 Filed March 17, 1986

BY GRONSTAL

H/D H/7 (p. 1075)

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HF 2390

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33 will be reasonable in relation to the insurer's outstanding
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7 d. With the approval of the commissioner, invest any
8 greater amount in common stock, preferred stock, debt
9 obligations, or other securities of one or more subsidiaries,
10 provided that than permitted pursuant to paragraphs "a", "b",
11 and "c". However, after such the investment the insurer's
12 surplus as regards policyholders will shall be reasonable in
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17 of its subsidiaries or controlling affiliates, and the
18 identity of persons furnishing ~~such~~ the consideration,
19 ~~provided, however, that where.~~ However, if a source of such
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3 substantially similar to those contained in this section and
4 section 521A.5, subsection 1, paragraph "a", and are adopted
5 by statute or regulation in the jurisdiction of its domicile
6 ~~which are substantially similar to those contained in this~~
7 section. Any The insurer shall also file a copy of the
8 summary of its registration statement as required by
9 subsection 4 in each state in which that insurer is authorized
10 to do business if requested to do so by the commissioner of
11 that state. An insurer which is subject to registration under
12 this section shall register within fifteen days after it
13 becomes subject to registration and annually thereafter by
14 March 31 of each year for the previous calendar year unless
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16 registration, and then within ~~such~~ the extended time. The
17 commissioner may require any authorized insurer which is a
18 member of a holding company system which is not subject to
19 registration under this section to furnish a copy of the
20 registration statement or other information filed by ~~such~~ the
21 insurance company with the insurance regulatory authority of
22 domiciliary jurisdiction.

23 Sec. 13. Section 521A.4, subsection 2, paragraphs b and c,
24 Code 1985, are amended to read as follows:

25 b. The identity and relationship of every member of the
26 insurance holding company system.

27 c. The following agreements in force, relationships
28 subsisting, and transactions currently outstanding or which
29 have occurred during the last calendar year between ~~such~~ the
30 insurer and its affiliates:

31 (1) Loans, other investments, or purchases, sales, or
32 exchanges of securities of the affiliates by the insurer or of
33 the insurer by its affiliates.

34 (2) Purchases, sales, or exchanges of assets.

35 (3) Transactions not in the ordinary course of business.

1 (4) Guarantees or undertakings for the benefit of an
2 affiliate which result in an actual contingent exposure of the
3 insurer's assets to liability, other than insurance contracts
4 entered into in the ordinary course of the insurer's business.

5 (5) All management and service contracts and all cost-
6 sharing arrangements, other than cost allocation arrangements
7 based upon generally accepted accounting principles.

8 (6) Reinsurance agreements ~~covering all or substantially~~
9 ~~all of one or more lines of insurance of the ceding company.~~

10 (7) Dividends and other distributions to shareholders.

11 Sec. 14. Section 521A.4, subsection 2, Code 1985, is
12 amended by adding the following new lettered paragraph d and
13 relettering the subsequent paragraph:

14 NEW LETTERED PARAGRAPH. d. A pledge of the insurer's
15 stock, including stock of a subsidiary or controlling
16 affiliate, for a loan made to a member of the insurance
17 holding company system.

18 Sec. 15. Section 521A.4, subsection 3, Code 1985, is
19 amended to read as follows:

20 3. MATERIALITY. ~~No information~~ Information need not be
21 disclosed on the registration statement filed pursuant to
22 subsection 2 ~~of this section~~ if such the information is not
23 material for the purposes of this section. Unless the
24 commissioner by rule, ~~regulation~~ or order provides otherwise,
25 sales, purchases, exchanges, loans or extensions of credit, or
26 investments, or guarantees involving one-half of one percent
27 or less of an insurer's admitted assets as of the ~~thirty-first~~
28 ~~day of December~~ next preceding shall December 31 are not be
29 deemed material for purposes of this section.

30 Sec. 16. Section 521A.4, subsection 4, Code 1985, is
31 amended by striking the subsection and inserting in lieu
32 thereof the following:

33 4. SUMMARY OF REGISTRATION STATEMENT. All registration
34 statements shall contain a summary outlining all items in the
35 current registration statement representing changes from the

1 next preceding registration statement.

2 Sec. 17. Section 521A.4, Code 1985, is amended by adding
3 the following new subsection 5 and renumbering the subsequent
4 subsections:

5 NEW SUBSECTION. 5. INFORMATION OF INSURERS. Any person
6 within an insurance holding company system subject to
7 registration is required to provide complete and accurate
8 information to an insurer if the information is reasonably
9 necessary to enable the insurer to comply with this chapter.

10 Sec. 18. Section 521A.4, subsection 10, Code 1985, is
11 amended to read as follows:

12 10. VIOLATIONS. The failure to file a registration
13 statement or ~~any amendment thereto~~ a summary of the
14 registration statement required by this section within the
15 time specified for ~~such~~ the filing ~~shall be~~ is a violation of
16 this section.

17 Sec. 19. Section 521A.5, subsection 1, Code 1985, is
18 amended by striking the subsection and inserting in lieu
19 thereof the following:

20 1. TRANSACTIONS WITHIN A HOLDING COMPANY SYSTEM AFFECTING
21 DOMESTIC INSURERS.

22 a. Material transactions by registered insurers with their
23 affiliates are subject to the following standards:

24 (1) The terms shall be fair and reasonable.

25 (2) Charges or fees for services performed shall be
26 reasonable.

27 (3) Expenses incurred and payment received shall be
28 allocated to the insurer in conformity with customary and
29 consistently applied insurance accounting practices.

30 (4) The books, accounts, and records of each party shall
31 be so maintained as to clearly and accurately disclose the
32 precise nature and details of the transactions.

33 (5) After any dividends or distributions to shareholder
34 affiliates, the insurer's surplus as regards policyholders
35 shall be reasonable in relation to the insurer's outstanding

1 liabilities and adequate to its financial needs.

2 b. A domestic insurer and a person in its holding company
3 system shall not enter into any of the following transactions
4 between each other involving amounts equal to or exceeding the
5 greater of five percent of the insurer's admitted assets or
6 twenty-five percent of the surplus as regards policyholders as
7 of the next preceding December 31, unless the domestic insurer
8 notifies the commissioner in writing of its intention to enter
9 into the transaction at least thirty days prior to entering
10 into the transaction or within a shorter time permitted by the
11 commissioner and the commissioner has not disapproved of the
12 transaction within the time period:

13 (1) Sales.

14 (2) Purchases.

15 (3) Exchanges.

16 (4) Loans or extensions of credit.

17 (5) Guarantees.

18 (6) Investments.

19 (7) Loans or extensions of credit to a person who is not
20 an affiliate, if the domestic insurer makes the loans or
21 extensions of credit with the agreement or understanding that
22 the proceeds of the transactions, in whole or in substantial
23 part, are to be used to make loans or extensions of credit to,
24 to purchase assets of, or to make investments in, an affiliate
25 of the domestic insurer making the loans or extensions of
26 credit.

27 c. A domestic insurer and a person in its holding company
28 system shall not enter into any of the following transactions,
29 unless the domestic insurer notifies the commissioner in
30 writing of its intention to enter into the transaction at
31 least thirty days prior to entering into the transaction or
32 within a shorter time permitted by the commissioner and the
33 commissioner has not disapproved of the transaction within the
34 time period:

35 (1) All reinsurance agreements which in the aggregate will

1 or may require as consideration the net transfer of assets to
2 or by the domestic insurer in an amount, as of the next
3 preceding December 31, exceeding twenty-five percent of
4 statutory surplus.

5 (2) Any material transactions specified by rule which the
6 commissioner determines may adversely affect the interests of
7 the domestic insurer's policyholders.

8 d. This subsection does not authorize or permit any
9 transactions which in the case of an insurer would be
10 otherwise contrary to law.

11 e. A domestic insurer shall not enter into transactions
12 which are part of a plan or series of like transactions with a
13 person or persons within the holding company system if the
14 purpose of those separate transactions is to avoid the
15 statutory threshold amount and thus avoid the review that
16 would occur otherwise. If the commissioner determines that
17 such separate transactions were entered into over a twelve-
18 month period for that purpose, the commissioner may exercise
19 the authority under section 521A.10.

20 f. The commissioner, in reviewing transactions pursuant to
21 paragraphs "b" and "c", shall consider whether the
22 transactions comply with the standards set forth in paragraph
23 "a".

24 g. A domestic insurer shall notify the commissioner within
25 thirty days of an investment of the insurer in a corporation
26 if the total investment in the corporation by the insurance
27 holding company system exceeds ten percent of the
28 corporation's voting securities.

29 Sec. 20. Section 521A.5, subsection 3, unnumbered
30 paragraphs 1 and 2, Code 1985, are amended to read as follows:

31 ~~No~~ A domestic insurer subject to registration under section
32 521A.4 shall not pay any extraordinary dividend or make any
33 other extraordinary distribution to its shareholders until
34 either thirty days after the commissioner has received notice
35 of the declaration ~~thereof~~ of the payment and has not within

1 ~~such~~ the period disapproved ~~such~~ the payment, or the
2 commissioner shall have approved ~~such~~ the payment within ~~such~~
3 the thirty-day period.

4 For purposes of this section, an extraordinary dividend or
5 distribution includes any dividend or distribution of cash or
6 other property, whose fair market value together with that of
7 other dividends or distributions made within the preceding
8 twelve months exceeds the greater of either ten percent of
9 ~~such~~ the insurer's surplus as regards policyholders as of the
10 ~~thirty-first-day-of-December~~ next preceding December 31, or
11 the net gain from operations of ~~such~~ the insurer, if ~~such~~ the
12 insurer is a life insurer, or the net investment income if
13 ~~such~~ the insurer is not a life insurer, for the twelve-month
14 period ending the ~~thirty-first-day-of-December~~ next preceding
15 December 31, but shall not include pro rata distributions of
16 any class of the insurer's own securities. In determining
17 whether a dividend or distribution is extraordinary, an
18 insurer may carry forward income or gain from operations from
19 the previous two calendar years that has not already been paid
20 out as dividends.

21 Sec. 21. Section 521A.6, subsection 1, Code 1985, is
22 amended to read as follows:

23 1. POWER OF COMMISSIONER. Subject to the limitation
24 contained in this section and in addition to the powers which
25 the commissioner has under chapter 507 relating to the
26 examination of insurers, the commissioner ~~shall~~ may also have
27 ~~the-power-to~~ order ~~any~~ an insurer registered under section
28 521A.4 to produce ~~such~~ records, books, or other information
29 papers in the possession of the insurer or its affiliates as
30 ~~shall-be~~ reasonably necessary to ascertain the financial
31 condition ~~or-legality-of-conduct~~ of ~~such~~ the insurer or to
32 determine compliance with this chapter. ~~In-the-event-such~~ If
33 the insurer fails to comply with ~~such~~ the order, the
34 commissioner ~~shall-have-the-power-to~~ may examine ~~such~~ the
35 affiliates to obtain ~~such~~ the information.

1 Sec. 22. Section 521A.6, subsection 2, Code 1985, is
2 amended by striking the subsection.

3 Sec. 23. Section 521A.10, Code 1985, is amended by
4 striking the section and inserting in lieu thereof the
5 following:

6 521A.10 SANCTIONS AND PENALTIES.

7 1. If the commissioner finds after notice and hearing that
8 a person subject to registration under section 521A.4 failed
9 without just cause to file a registration statement as
10 required in this chapter, the person shall be required to pay
11 a penalty of one thousand dollars for each day's delay. The
12 penalty shall be recovered by the commissioner and paid into
13 the state general fund. The maximum penalty under this
14 section is ten thousand dollars. The commissioner may reduce
15 the penalty if the person demonstrates that the imposition of
16 the penalty would constitute a financial hardship to the
17 person.

18 2. If it appears to the commissioner that an insurer
19 subject to this chapter has engaged in a transaction or
20 entered into a contract which is subject to 521A.5 and which
21 would not have been approved had approval been requested, the
22 commissioner may order the insurer to immediately cease and
23 desist any further activity under that transaction or
24 contract. After notice and hearing, the commissioner may also
25 order the insurer to void any contracts and restore the status
26 quo if the commissioner finds that action is in the best
27 interest of the policyholders, creditors, or the public.

28 3. If it appears to the commissioner that an insurer or a
29 director, officer, agent, or employee of an insurer has
30 committed a willful violation of this chapter, the
31 commissioner may institute criminal proceedings against the
32 insurer or the responsible director, officer, agent, or
33 employee in the district court for the county in which the
34 principal office of the insurer is located, or if the insurer
35 has no office in this state, then in the district court for

1 Polk county. An insurer or individual who willfully violates
2 this chapter is guilty of a class "D" felony.

3 Sec. 24. NEW SECTION. 521A.11A RECOVERY.

4 1. Subject to subsections 2 through 4, if an order for
5 liquidation, conservation, or rehabilitation of a domestic
6 insurer has been entered, the receiver appointed under the
7 order may recover on behalf of the insurer either of the
8 following if made within one year preceding the filing of the
9 petition for liquidation, conservation, or rehabilitation:

10 a. From a parent corporation, holding company, affiliate,
11 or other person who otherwise controlled the insurer, the
12 amount of distributions, other than distributions of shares of
13 the same class of stock, paid by the insurer on its capital
14 stock.

15 b. Any payment in the form of a bonus, termination
16 settlement, or extraordinary lump sum salary adjustment made
17 by the insurer or a subsidiary of the insurer to a director,
18 officer, agent, or employee.

19 2. A distribution is not recoverable if the parent holding
20 company, affiliate, or other person shows that when the
21 distribution was paid it was lawful and reasonable, and that
22 the insurer did not know and could not reasonably have known
23 that the distribution might adversely affect the ability of
24 the insurer to fulfill its contractual obligations.

25 3. A parent corporation, holding company, affiliate, or
26 other person who otherwise controlled the insurer or affiliate
27 at the time the distributions were paid is liable only up to
28 the amount of distributions or payments under subsection 1
29 that the person received. A person who otherwise controlled
30 the insurer at the time the distributions were declared is
31 liable only up to the amount of distributions the person would
32 have received if the person had been paid immediately. If two
33 or more persons are liable with respect to the same
34 distributions, each shall be separately liable for their
35 distributive share.

1 4. The maximum amount recoverable under this subsection
2 shall be the amount needed in excess of all other available
3 assets of the impaired or insolvent insurer to pay the
4 contractual obligations of the impaired or insolvent insurer
5 and to reimburse any guaranty funds.

6 5. To the extent that a person liable under subsection 3
7 is insolvent or otherwise fails to pay claims due from the
8 person pursuant to this section, the person's parent
9 corporation, holding company, affiliate, or other person who
10 otherwise controlled it at the time the distribution was paid,
11 *shall* is separately liable for the share of any resulting deficiency
12 in the amount recovered from the parent corporation, holding
13 company, affiliate, or other person who otherwise controlled
14 it.

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HSB 528

Brammer, Chas. Reed
Shaw
Lonergan
Halvorson
Schneckoeth

HF 2390

SMALL BUSINESS AND COMMERCE

SENATE/HOUSE FILE _____
BY (PREFILED DEPARTMENT OF
INSURANCE BILL)

Study Bill 528

Small Business and Commerce: Brammer, Chair: Halvorson of Clayton, Lonergan,
Schneckoeth and Skow.

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the regulation of insurance holding companies
2 and providing for penalties.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 521A.1, Code 1985, is amended by adding
2 the following new subsection 4 and renumbering the subsequent
3 subsections:

4 NEW SUBSECTION. 4. "Domestic insurer" means an insurer
5 organized or created under the laws of this state except an
6 insurer excluded under subsection 6.

7 Sec. 2. Section 521A.1, subsection 6, Code 1985, is
8 amended to read as follows:

9 6 7. A "person" is an individual, a corporation, a
10 partnership, an association, a joint stock company, a trust,
11 an unincorporated organization, any similar entity or any
12 combination of the foregoing acting in concert, but ~~shall~~ does
13 not include any securities broker performing no more than the
14 usual and customary broker's function a joint venture
15 partnership exclusively engaged in owning, managing, leasing,
16 or developing real or tangible personal property.

17 Sec. 3. Section 521A.2, subsection 1, paragraph h, Code
18 1985, is amended to read as follows:

19 h. Ownership and management of assets which the parent
20 corporation could itself own and manage. However, the
21 aggregate investment by the insurer and its subsidiaries
22 acquired or organized pursuant to this paragraph shall not
23 exceed the limitations applicable to the investments by the
24 insurer.

25 Sec. 4. Section 521A.2, subsection 3, paragraph a,
26 unnumbered paragraph 1, Code 1985, is amended to read as
27 follows:

28 Invest, in common stock, preferred stock, debt obligations,
29 and other securities of one or more subsidiaries, amounts
30 which do not exceed fifty percent of the insurer's surplus as
31 regards policyholders, ~~provided that~~ if after such the
32 investments the insurer's surplus as regards policyholders
33 will be reasonable in relation to the insurer's outstanding
34 liabilities and adequate to its financial needs. In
35 calculating the amount of such the investments, investments in

1 domestic or foreign insurance subsidiaries shall be excluded
2 and both of the following shall be included:

3 Sec. 5. Section 521A.2, subsection 3, paragraph b, Code
4 1985, is amended by striking the paragraph.

5 Sec. 6. Section 521A.2, subsection 3, paragraph d, Code
6 1985, is amended to read as follows:

7 d. With the approval of the commissioner, invest any
8 greater amount in common stock, preferred stock, debt
9 obligations, or other securities of one or more subsidiaries,
10 provided-that. However, after such the investment the
11 insurer's surplus as regards policyholders ~~will~~ shall be
12 reasonable in relation to the insurer's outstanding
13 liabilities and adequate to its financial needs.

14 Sec. 7. Section 521A.2, subsection 3, paragraph e, Code
15 1985, is amended by striking the paragraph.

16 Sec. 8. Section 521A.2, subsection 5, Code 1985, is
17 amended to read as follows:

18 5. QUALIFICATION OF INVESTMENT -- WHEN DETERMINED.

19 Whether any investment pursuant to subsection 3 ~~of this~~
20 ~~section~~ meets the applicable requirements thereof of the
21 subsection is to be determined ~~immediately-after-such~~
22 ~~investment-is-made,~~ ~~taking-into-account-the-then-outstanding~~
23 ~~principal-balance-on-all-previous-investments-in-debt~~
24 ~~obligations,~~ ~~and-the-value-of-all-previous-investments-in~~
25 ~~equity-securities-as-of-the-date-they-were-made~~ before the
26 investment is made by calculating the applicable investment
27 limitations as though the investment had already been made,
28 taking into account the then outstanding principal balance on
29 all previous investments in debt obligations, and the value of
30 all previous investments in equity securities as of the day
31 they were made, net of any return of capital invested,
32 excluding dividends.

33 Sec. 9. Section 521A.3, subsection 1, unnumbered paragraph
34 2, Code 1985, is amended to read as follows:

35 For purposes of this section a domestic insurer shall

S.F. _____ H.F. _____

1 include any other person controlling a domestic insurer unless
2 ~~such~~ the other person is either directly or through its
3 affiliates primarily engaged in business other than the
4 business of insurance. However, for purposes of this section
5. "person" does not include a securities broker holding, in the
6 usual and customary broker's function, less than twenty
7 percent of the voting securities of an insurance company or of
8 a person which controls an insurance company.

9 Sec. 10. Section 521A.3, subsection 2, paragraph b, Code
10 1985, is amended to read as follows:

11 b. The source, nature and amount of the consideration used
12 or to be used in effecting the merger or other acquisition of
13 control, a description of any transaction ~~wherein~~ in which
14 funds were or are to be obtained for any such purpose
15 including a pledge of the insurer's stock, or the stock of any
16 of its subsidiaries or controlling affiliates, and the
17 identity of persons furnishing ~~such~~ the consideration,
18 ~~provided, however, that where.~~ However, if a source of such
19 the consideration is a loan made in the lender's ordinary
20 course of business, the identity of the lender shall remain
21 confidential, if the person filing ~~such~~ the statement so
22 requests.

23 Sec. 11. Section 521A.3, subsection 2, paragraph 1,
24 unnumbered paragraph 1, Code 1985, is amended to read as
25 follows:

26 ~~Such-additional~~ Additional information as the commissioner
27 may by rule or ~~regulation~~ prescribe as necessary or
28 appropriate for the protection of policyholders and
29 securityholders of the insurer or in the public interest.

30 Sec. 12. Section 521A.4, subsection 1, Code 1985, is
31 amended to read as follows:

32 1. REGISTRATION. ~~Every~~ An insurer which is authorized to
33 do business in this state and which is a member of an
34 insurance holding company system shall register with the
35 commissioner, except a foreign insurer subject to disclosure

1 registration requirements and standards which are
2 substantially similar to those contained in this section and
3 section 521A.5, subsection 1, paragraph "a", and are adopted
4 by statute or regulation in the jurisdiction of its domicile
5 which-are-substantially-similar-to-those-contained-in-this
6 section. Any The insurer shall also file a copy of the
7 summary of its registration statement as required by
8 subsection 4 in each state in which that insurer is authorized
9 to do business if requested to do so by the commissioner of
10 that state. An insurer which is subject to registration under
11 this section shall register within fifteen days after it
12 becomes subject to registration and annually thereafter by
13 March 31 of each year for the previous calendar year unless
14 the commissioner for good cause shown extends the time for
15 registration, and then within such the extended time. The
16 commissioner may require any authorized insurer which is a
17 member of a holding company system which is not subject to
18 registration under this section to furnish a copy of the
19 registration statement or other information filed by such the
20 insurance company with the insurance regulatory authority of
21 domiciliary jurisdiction.

22 Sec. 13. Section 521A.4, subsection 2, paragraphs b and c,
23 Code 1985, are amended to read as follows:

24 b. The identity and relationship of every member of the
25 insurance holding company system.

26 c. The following agreements in force, relationships
27 subsisting, and transactions currently outstanding or which
28 have occurred during the last calendar year between such the
29 insurer and its affiliates:

30 (1) Loans, other investments, or purchases, sales, or
31 exchanges of securities of the affiliates by the insurer or of
32 the insurer by its affiliates.

33 (2) Purchases, sales, or exchanges of assets.

34 (3) Transactions not in the ordinary course of business.

35 (4) Guarantees or undertakings for the benefit of an

1 affiliate which result in an actual contingent exposure of the
2 insurer's assets to liability, other than insurance contracts
3 entered into in the ordinary course of the insurer's business.

4 (5) All management and service contracts and all cost-
5 sharing arrangements, other than cost allocation arrangements
6 based upon generally accepted accounting principles.

7 (6) Reinsurance agreements ~~covering all or substantially~~
8 ~~all of one or more lines of insurance of the ceding company.~~

9 (7) Dividends and other distributions to shareholders.

10 Sec. 14. Section 521A.4, subsection 2, Code 1985, is
11 amended by adding the following new lettered paragraph d and
12 relettering the subsequent paragraph:

13 NEW LETTERED PARAGRAPH. d. A pledge of the insurer's
14 stock, including stock of a subsidiary or controlling
15 affiliate, for a loan made to a member of the insurance
16 holding company system.

17 Sec. 15. Section 521A.4, subsection 3, Code 1985, is
18 amended to read as follows:

19 3. MATERIALITY. ~~No information~~ Information need not be
20 disclosed on the registration statement filed pursuant to
21 subsection 2 ~~of this section~~ if such the information is not
22 material for the purposes of this section. Unless the
23 commissioner by ~~rule~~ regulation or order provides otherwise,
24 sales, purchases, exchanges, loans or extensions of credit, or
25 investments, or guarantees involving one-half of one percent
26 or less of an insurer's admitted assets as of the ~~thirty-first~~
27 ~~day of December~~ next preceding shall December 31 are not be
28 deemed material for purposes of this section.

29 Sec. 16. Section 521A.4, subsection 4, Code 1985, is
30 amended by striking the subsection and inserting in lieu
31 thereof the following:

32 4. SUMMARY OF REGISTRATION STATEMENT. All registration
33 statements shall contain a summary outlining all items in the
34 current registration statement representing changes from the
35 next preceding registration statement.

1 Sec. 17. Section 521A.4, Code 1985, is amended by adding
2 the following new subsection 5 and renumbering the subsequent
3 subsections:

4 NEW SUBSECTION. 5. INFORMATION OF INSURERS. Any person
5 within an insurance holding company system subject to
6 registration is required to provide complete and accurate
7 information to an insurer if the information is reasonably
8 necessary to enable the insurer to comply with this chapter.

9 Sec. 18. Section 521A.4, subsection 10, Code 1985, is
10 amended to read as follows:

11 10. VIOLATIONS. The failure to file a registration
12 statement or ~~any amendment thereto~~ a summary of the
13 registration statement required by this section within the
14 time specified for ~~such~~ the filing ~~shall be~~ is a violation of
15 this section.

16 Sec. 19. Section 521A.5, subsection 1, Code 1985, is
17 amended by striking the subsection and inserting in lieu
18 thereof the following:

19 1. TRANSACTIONS WITHIN A HOLDING COMPANY SYSTEM AFFECTING
20 DOMESTIC INSURERS.

21 a. Material transactions by registered insurers with their
22 affiliates are subject to the following standards:

23 (1) The terms shall be fair and reasonable.

24 (2) Charges or fees for services performed shall be
25 reasonable.

26 (3) Expenses incurred and payment received shall be
27 allocated to the insurer in conformity with customary and
28 consistently applied insurance accounting practices.

29 (4) The books, accounts, and records of each party shall
30 be so maintained as to clearly and accurately disclose the
31 precise nature and details of the transactions.

32 (5) After any dividends or distributions to shareholder
33 affiliates, the insurer's surplus as regards policyholders
34 shall be reasonable in relation to the insurer's outstanding
35 liabilities and adequate to its financial needs.

1 b. A domestic insurer and a person in its holding company
2 system shall not enter into any of the following transactions
3 between each other involving amounts equal to or exceeding the
4 greater of five percent of the insurer's admitted assets or
5 twenty-five percent of the surplus as regards policyholders as
6 of the next preceding December 31, unless the domestic insurer
7 notifies the commissioner in writing of its intention to enter
8 into the transaction at least thirty days prior to entering
9 into the transaction or within a shorter time permitted by the
10 commissioner and the commissioner has not disapproved of the
11 transaction within the time period:

- 12 (1) Sales.
- 13 (2) Purchases.
- 14 (3) Exchanges.
- 15 (4) Loans or extensions of credit.
- 16 (5) Guarantees.
- 17 (6) Investments.
- 18 (7) Loans or extensions of credit to a person who is not
19 an affiliate, if the domestic insurer makes the loans or
20 extensions of credit with the agreement or understanding that
21 the proceeds of the transactions, in whole or in substantial
22 part, are to be used to make loans or extensions of credit to,
23 to purchase assets of, or to make investments in, an affiliate
24 of the domestic insurer making the loans or extensions of
25 credit.

26 c. A domestic insurer and a person in its holding company
27 system shall not enter into any of the following transactions,
28 unless the domestic insurer notifies the commissioner in
29 writing of its intention to enter into the transaction at
30 least thirty days prior to entering into the transaction or
31 within a shorter time permitted by the commissioner and the
32 commissioner has not disapproved of the transaction within the
33 time period:

- 34 (1) All reinsurance agreements which in the aggregate will
35 or may require as consideration the net transfer of assets to

1 or by the domestic insurer in an amount, as of the next
2 preceding December 31, exceeding twenty-five percent of
3 statutory surplus.

4 (2) Any material transactions specified by rule which the
5 commissioner determines may adversely affect the interests of
6 the domestic insurer's policyholders.

7 d. This subsection does not authorize or permit any
8 transactions which in the case of an insurer would be
9 otherwise contrary to law.

10 e. A domestic insurer shall not enter into transactions
11 which are part of a plan or series of like transactions with a
12 person or persons within the holding company system if the
13 purpose of those separate transactions is to avoid the
14 statutory threshold amount and thus avoid the review that
15 would occur otherwise. If the commissioner determines that
16 such separate transactions were entered into over a twelve-
17 month period for that purpose, the commissioner may exercise
18 the authority under section 521A.10.

19 f. The commissioner, in reviewing transactions pursuant to
20 paragraphs "b" and "c", shall consider whether the
21 transactions comply with the standards set forth in paragraph
22 "a".

23 g. A domestic insurer shall notify the commissioner within
24 thirty days of an investment of the insurer in a corporation
25 if the total investment in the corporation by the insurance
26 holding company system exceeds ten percent of the
27 corporation's voting securities.

28 Sec. 20. Section 521A.5, subsection 3, unnumbered
29 paragraphs 1 and 2, Code 1985, are amended to read as follows:

30 ~~No~~ A domestic insurer subject to registration under section
31 521A.4 shall not pay any extraordinary dividend or make any
32 other extraordinary distribution to its shareholders until
33 either thirty days after the commissioner has received notice
34 of the declaration thereof of the payment and has not within
35 such the period disapproved such the payment, or the

1 commissioner shall have approved such the payment within such
2 the thirty-day period.

3 For purposes of this section, an extraordinary dividend or
4 distribution includes any dividend or distribution of cash or
5 other property, whose fair market value together with that of
6 other dividends or distributions made within the preceding
7 twelve months exceeds the greater of either ten percent of
8 such the insurer's surplus as regards policyholders as of the
9 thirty-first-day-of-December next preceding December 31, or
10 the net gain from operations of such the insurer, if such the
11 insurer is a life insurer, or the net investment income if
12 such the insurer is not a life insurer, for the twelve-month
13 period ending the thirty-first-day-of-December next preceding
14 December 31, but shall not include pro rata distributions of
15 any class of the insurer's own securities. In determining
16 whether a dividend or distribution is extraordinary, an
17 insurer may carry forward income or gain from operations from
18 the previous two calendar years that has not already been paid
19 out as dividends.

20 Sec. 21. Section 521A.6, subsection 1, Code 1985, is
21 amended to read as follows:

22 1. POWER OF COMMISSIONER. Subject to the limitation
23 contained in this section and in addition to the powers which
24 the commissioner has under chapter 507 relating to the
25 examination of insurers, the commissioner ~~shall~~ may also have
26 ~~the power to~~ order any an insurer registered under section
27 521A.4 to produce such records, books, or other information
28 papers in the possession of the insurer or its affiliates as
29 ~~shall be~~ reasonably necessary to ascertain the financial
30 ~~condition or legality of conduct~~ of such the insurer or to
31 determine compliance with this chapter. ~~In the event such~~ If
32 the insurer fails to comply with such the order, the
33 commissioner ~~shall have the power to~~ may examine such the
34 affiliates to obtain such the information.

35 Sec. 22. Section 521A.6, subsection 2, Code 1985, is

1 amended by striking the subsection.

2 Sec. 23. Section 521A.10, Code 1985, is amended by
3 striking the section and inserting in lieu thereof the
4 following:

5 521A.10 SANCTIONS AND PENALTIES.

6 1. If the commissioner finds after notice and hearing that
7 a person subject to registration under section 521A.4 failed
8 without just cause to file a registration statement as
9 required in this chapter, the person shall be required to pay
10 a penalty of one thousand dollars for each day's delay. The
11 penalty shall be recovered by the commissioner and paid into
12 the state general fund. The maximum penalty under this
13 section is ten thousand dollars. The commissioner may reduce
14 the penalty if the person demonstrates that the imposition of
15 the penalty would constitute a financial hardship to the
16 person.

17 2. If it appears to the commissioner that an insurer
18 subject to this chapter has engaged in a transaction or
19 entered into a contract which is subject to 521A.5 and which
20 would not have been approved had approval been requested, the
21 commissioner may order the insurer to immediately cease and
22 desist any further activity under that transaction or
23 contract. After notice and hearing, the commissioner may also
24 order the insurer to void any contracts and restore the status
25 quo if the commissioner finds that action is in the best
26 interest of the policyholders, creditors, or the public.

27 3. If it appears to the commissioner that an insurer or a
28 director, officer, agent, or employee of an insurer has
29 committed a willful violation of this chapter, the
30 commissioner may institute criminal proceedings against the
31 insurer or the responsible director, officer, agent, or
32 employee in the district court for the county in which the
33 principal office of the insurer is located, or if the insurer
34 has no office in this state, then in the district court for
35 Polk county. An insurer or individual who willfully violates

1 this chapter is guilty of a class "D" felony.

2 Sec. 24. NEW SECTION. 521A.11A RECOVERY.

3 1. Subject to subsections 2 through 4, if an order for
4 liquidation, conservation, or rehabilitation of a domestic
5 insurer has been entered, the receiver appointed under the
6 order may recover on behalf of the insurer either of the
7 following if made within one year preceding the filing of the
8 petition for liquidation, conservation, or rehabilitation:

9 a. From a parent corporation, holding company, affiliate,
10 or other person who otherwise controlled the insurer, the
11 amount of distributions, other than distributions of shares of
12 the same class of stock, paid by the insurer on its capital
13 stock.

14 b. Any payment in the form of a bonus, termination
15 settlement, or extraordinary lump sum salary adjustment made
16 by the insurer or a subsidiary of the insurer to a director,
17 officer, agent, or employee.

18 2. A distribution is not recoverable if the parent holding
19 company, affiliate, or other person shows that when the
20 distribution was paid it was lawful and reasonable, and that
21 the insurer did not know and could not reasonably have known
22 that the distribution might adversely affect the ability of
23 the insurer to fulfill its contractual obligations.

24 3. A parent corporation, holding company, affiliate, or
25 other person who otherwise controlled the insurer or affiliate
26 at the time the distributions were paid is liable only up to
27 the amount of distributions or payments under subsection 1
28 that the person received. A person who otherwise controlled
29 the insurer at the time the distributions were declared is
30 liable only up to the amount of distributions the person would
31 have received if the person had been paid immediately. If two
32 or more persons are liable with respect to the same
33 distributions, each shall be separately liable for their
34 distributive share.

35 4. The maximum amount recoverable under this subsection

1 shall be the amount needed in excess of all other available
2 assets of the impaired or insolvent insurer to pay the
3 contractual obligations of the impaired or insolvent insurer
4 and to reimburse any guaranty funds.

5 5. To the extent that a person liable under subsection 3
6 is insolvent or otherwise fails to pay claims due from the
7 person pursuant to this section, the person's parent
8 corporation, holding company, affiliate, or other person who
9 otherwise controlled it at the time the distribution was paid,
10 is separately liable for the share of any resulting deficiency
11 in the amount recovered from the parent corporation, holding
12 company, affiliate, or other person who otherwise controlled
13 it.

14 EXPLANATION

15 This bill makes several amendments to chapter 521A relating
16 to the regulation of insurance holding company systems. These
17 amendments relate to the permissible investments of a holding
18 company and various financial transactions of the holding
19 company and the insurance company. A company must receive
20 approval from the department of insurance before making
21 certain types of investments or transfers. Penalties are
22 provided for the failure to comply with the requirements of
23 the chapter.

24 The amendments are based on amendments by the national
25 association of insurance commissioners.

26 The bill requires an opportunity for approval or
27 disapproval by the commissioner of insurance of certain sales,
28 purchases, exchanges, loans or extensions of credit or
29 investments between a domestic insurer and an affiliate of an
30 insurer.

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HOUSE FILE 2390

AN ACT

RELATING TO THE REGULATION OF INSURANCE HOLDING COMPANIES AND PROVIDING FOR PENALTIES.

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

Section 1. Section 521A.1, Code 1985, is amended by adding the following new subsection 4 and renumbering the subsequent subsections:

NEW SUBSECTION. 4. "Domestic insurer" means an insurer organized or created under the laws of this state except an insurer excluded under subsection 6.

Sec. 2. Section 521A.1, subsection 6, Code 1985, is amended to read as follows:

6 7. A "person" is an individual, a corporation, a partnership, an association, a joint stock company, a trust, an unincorporated organization, any similar entity or any combination of the foregoing acting in concert, but ~~shall~~ does not include ~~any securities broker performing no more than the usual and customary broker's function~~ a joint venture partnership exclusively engaged in owning, managing, leasing, or developing real or tangible personal property.

Sec. 3. Section 521A.2, subsection 1, paragraph h, Code 1985, is amended to read as follows:

h. Ownership and management of assets which the parent corporation could itself own and manage. However, the aggregate investment by the insurer and its subsidiaries acquired or organized pursuant to this paragraph shall not exceed the limitations applicable to the investments by the insurer.

Sec. 4. Section 521A.2, subsection 3, paragraph a, unnumbered paragraph 1, Code 1985, is amended to read as follows:

Invest, in common stock, preferred stock, debt obligations, and other securities of one or more subsidiaries, amounts which do not exceed fifty percent of the insurer's surplus as regards policyholders, ~~provided that~~ if after ~~such~~ the investments the insurer's surplus as regards policyholders will be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs. In calculating the amount of ~~such~~ the investments, investments in domestic or foreign insurance subsidiaries shall be excluded and both of the following shall be included:

Sec. 5. Section 521A.2, subsection 3, paragraph b, Code 1985, is amended by striking the paragraph.

Sec. 6. Section 521A.2, subsection 3, paragraph d, Code 1985, is amended to read as follows:

d. With the approval of the commissioner, invest any greater amount in common stock, preferred stock, debt obligations, or other securities of one or more subsidiaries, ~~provided that~~ than permitted pursuant to paragraphs "a", "b", and "c". However, after ~~such~~ the investment the insurer's surplus as regards policyholders ~~will~~ shall be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.

Sec. 7. Section 521A.2, subsection 3, paragraph e, Code 1985, is amended by striking the paragraph.

Sec. 8. Section 521A.2, subsection 5, Code 1985, is amended to read as follows:

5. QUALIFICATION OF INVESTMENT -- WHEN DETERMINED. Whether any investment pursuant to subsection 3 ~~of this section meets the applicable requirements thereof of the subsection~~ is to be determined ~~immediately after such investment is made taking into account the then outstanding principal balance on all previous investments in debt obligations, and the value of all previous investments in equity securities as of the date they were made~~ before the investment is made by calculating the applicable investment limitations as though the investment had already been made,

taking into account the then outstanding principal balance on all previous investments in debt obligations, and the value of all previous investments in equity securities as of the day they were made, net of any return of capital invested, excluding dividends.

Sec. 9. Section 521A.3, subsection 1, unnumbered paragraph 2, Code 1985, is amended to read as follows:

For purposes of this section a domestic insurer shall include any other person controlling a domestic insurer unless such the other person is either directly or through its affiliates primarily engaged in business other than the business of insurance. However, for purposes of this section "person" does not include a securities broker holding, in the usual and customary broker's function, less than twenty percent of the voting securities of an insurance company or of a person which controls an insurance company.

Sec. 10. Section 521A.3, subsection 2, paragraph b, Code 1985, is amended to read as follows:

b. The source, nature and amount of the consideration used or to be used in effecting the merger or other acquisition of control, a description of any transaction wherein in which funds were or are to be obtained for any such purpose including a pledge of the insurer's stock, or the stock of any of its subsidiaries or controlling affiliates, and the identity of persons furnishing such the consideration, provided, however, that where. However, if a source of such the consideration is a loan made in the lender's ordinary course of business, the identity of the lender shall remain confidential, if the person filing such the statement so requests.

Sec. 11. Section 521A.3, subsection 2, paragraph 1, unnumbered paragraph 1, Code 1985, is amended to read as follows:

~~Such additional~~ Additional information as the commissioner may by rule ~~or regulation~~ prescribe as necessary or appropriate for the protection of policyholders ~~and securityholders~~ of the insurer or in the public interest.

Sec. 12. Section 521A.4, subsection 1, Code 1985, is amended to read as follows:

1. REGISTRATION. Every An insurer which is authorized to do business in this state and which is a member of an insurance holding company system shall register with the commissioner, except a foreign insurer subject to disclosure registration requirements and standards which are substantially similar to those contained in this section and section 521A.5, subsection 1, paragraph "a", and are adopted by statute or regulation in the jurisdiction of its domicile which are substantially similar to those contained in this section. Any The insurer shall also file a copy of the summary of its registration statement as required by subsection 4 in each state in which that insurer is authorized to do business if requested to do so by the commissioner of that state. An insurer which is subject to registration under this section shall register within fifteen days after it becomes subject to registration and annually thereafter by March 31 of each year for the previous calendar year unless the commissioner for good cause shown extends the time for registration, and then within such the extended time. The commissioner may require any authorized insurer which is a member of a holding company system which is not subject to registration under this section to furnish a copy of the registration statement or other information filed by such the insurance company with the insurance regulatory authority of domiciliary jurisdiction.

Sec. 13. Section 521A.4, subsection 2, paragraphs b and c, Code 1985, are amended to read as follows:

b. The identity and relationship of every member of the insurance holding company system.

c. The following agreements in force, relationships subsisting, and transactions currently outstanding or which have occurred during the last calendar year between such the insurer and its affiliates:

(1) Loans, other investments, or purchases, sales, or exchanges of securities of the affiliates by the insurer or of the insurer by its affiliates.

(2) Purchases, sales, or exchanges of assets.

(3) Transactions not in the ordinary course of business.

(4) Guarantees or undertakings for the benefit of an affiliate which result in an actual contingent exposure of the insurer's assets to liability, other than insurance contracts entered into in the ordinary course of the insurer's business.

(5) All management and service contracts and all cost-sharing arrangements, other than cost allocation arrangements based upon generally accepted accounting principles.

(6) Reinsurance agreements covering ~~all or substantially all of one or more lines of insurance of the ceding company.~~

(7) Dividends and other distributions to shareholders.

Sec. 14. Section 521A.4, subsection 2, Code 1985, is amended by adding the following new lettered paragraph d and relettering the subsequent paragraph:

NEW LETTERED PARAGRAPH. d. A pledge of the insurer's stock, including stock of a subsidiary or controlling affiliate, for a loan made to a member of the insurance holding company system.

Sec. 15. Section 521A.4, subsection 3, Code 1985, is amended to read as follows:

3. MATERIALITY. ~~No information~~ Information need ~~not~~ be disclosed on the registration statement filed pursuant to subsection 2 ~~of this section~~ if ~~such the~~ information is not material for the purposes of this section. Unless the commissioner by rule, ~~regulation~~ or order provides otherwise, sales, purchases, exchanges, loans or extensions of credit, or investments, ~~or guarantees~~ involving one-half of one percent or less of an insurer's admitted assets as of the ~~thirty-first day of December~~ next preceding ~~shall~~ December 31 are not be deemed material for purposes of this section.

Sec. 16. Section 521A.4, subsection 4, Code 1985, is amended by striking the subsection and inserting in lieu thereof the following:

4. SUMMARY OF REGISTRATION STATEMENT. All registration statements shall contain a summary outlining all items in the current registration statement representing changes from the next preceding registration statement.

Sec. 17. Section 521A.4, Code 1985, is amended by adding the following new subsection 5 and renumbering the subsequent subsections:

NEW SUBSECTION. 5. INFORMATION OF INSURERS. Any person within an insurance holding company system subject to registration is required to provide complete and accurate information to an insurer if the information is reasonably necessary to enable the insurer to comply with this chapter.

Sec. 18. Section 521A.4, subsection 10, Code 1985, is amended to read as follows:

10. VIOLATIONS. The failure to file a registration statement or ~~any amendment thereto~~ a summary of the registration statement required by this section within the time specified for ~~such the~~ filing ~~shall be~~ is a violation of this section.

Sec. 19. Section 521A.5, subsection 1, Code 1985, is amended by striking the subsection and inserting in lieu thereof the following:

1. TRANSACTIONS WITHIN A HOLDING COMPANY SYSTEM AFFECTING DOMESTIC INSURERS.

a. Material transactions by registered insurers with their affiliates are subject to the following standards:

(1) The terms shall be fair and reasonable.

(2) Charges or fees for services performed shall be reasonable.

(3) Expenses incurred and payment received shall be allocated to the insurer in conformity with customary and consistently applied insurance accounting practices.

(4) The books, accounts, and records of each party shall be so maintained as to clearly and accurately disclose the precise nature and details of the transactions.

(5) After any dividends or distributions to shareholder affiliates, the insurer's surplus as regards policyholders shall be reasonable in relation to the insurer's outstanding liabilities and adequate to its financial needs.

b. A domestic insurer and a person in its holding company system shall not enter into any of the following transactions between each other involving amounts equal to or exceeding the greater of five percent of the insurer's admitted assets or twenty-five percent of the surplus as regards policyholders as of the next preceding December 31, unless the domestic insurer notifies the commissioner in writing of its intention to enter into the transaction at least thirty days prior to entering into the transaction or within a shorter time permitted by the commissioner and the commissioner has not disapproved of the transaction within the time period:

- (1) Sales.
- (2) Purchases.
- (3) Exchanges.
- (4) Loans or extensions of credit.
- (5) Guarantees.
- (6) Investments.

(7) Loans or extensions of credit to a person who is not an affiliate, if the domestic insurer makes the loans or extensions of credit with the agreement or understanding that the proceeds of the transactions, in whole or in substantial part, are to be used to make loans or extensions of credit to, to purchase assets of, or to make investments in, an affiliate of the domestic insurer making the loans or extensions of credit.

c. A domestic insurer and a person in its holding company system shall not enter into any of the following transactions, unless the domestic insurer notifies the commissioner in writing of its intention to enter into the transaction at least thirty days prior to entering into the transaction or within a shorter time permitted by the commissioner and the commissioner has not disapproved of the transaction within the time period:

(1) All reinsurance agreements which in the aggregate will or may require as consideration the net transfer of assets to or by the domestic insurer in an amount, as of the next preceding December 31, exceeding twenty-five percent of statutory surplus.

(2) Any material transactions specified by rule which the commissioner determines may adversely affect the interests of the domestic insurer's policyholders.

d. This subsection does not authorize or permit any transactions which in the case of an insurer would be otherwise contrary to law.

e. A domestic insurer shall not enter into transactions which are part of a plan or series of like transactions with a person or persons within the holding company system if the purpose of those separate transactions is to avoid the statutory threshold amount and thus avoid the review that would occur otherwise. If the commissioner determines that such separate transactions were entered into over a twelve-month period for that purpose, the commissioner may exercise the authority under section 521A.10.

f. The commissioner, in reviewing transactions pursuant to paragraphs "b" and "c", shall consider whether the transactions comply with the standards set forth in paragraph "a".

g. A domestic insurer shall notify the commissioner within thirty days of an investment of the insurer in a corporation if the total investment in the corporation by the insurance holding company system exceeds ten percent of the corporation's voting securities.

Sec. 20. Section 521A.5, subsection 3, unnumbered paragraphs 1 and 2, Code 1985, are amended to read as follows:

No A domestic insurer subject to registration under section 521A.4 shall not pay any extraordinary dividend or make any other extraordinary distribution to its shareholders until either thirty days after the commissioner has received notice of the declaration thereof of the payment and has not within

such the period disapproved such the payment, or the commissioner shall have approved such the payment within such the thirty-day period.

For purposes of this section, an extraordinary dividend or distribution includes any dividend or distribution of cash or other property, whose fair market value together with that of other dividends or distributions made within the preceding twelve months exceeds the greater of either ten percent of such the insurer's surplus as regards policyholders as of the thirty-first-day-of-December next preceding December 31, or the net gain from operations of such the insurer, if such the insurer is a life insurer, or the net investment income if such the insurer is not a life insurer, for the twelve-month period ending the thirty-first-day-of-December next preceding December 31, but shall not include pro rata distributions of any class of the insurer's own securities. In determining whether a dividend or distribution is extraordinary, an insurer may carry forward income or gain from operations from the previous two calendar years that has not already been paid out as dividends.

Sec. 21. Section 521A.6, subsection 1, Code 1985, is amended to read as follows:

1. POWER OF COMMISSIONER. Subject to the limitation contained in this section and in addition to the powers which the commissioner has under chapter 507 relating to the examination of insurers, the commissioner ~~shall~~ may also have ~~the power to~~ order any an insurer registered under section 521A.4 to produce such records, books, or other information papers in the possession of the insurer or its affiliates as ~~shall be~~ reasonably necessary to ascertain the financial condition ~~or legality of conduct~~ of such the insurer or to determine compliance with this chapter. ~~In the event such~~ If the insurer fails to comply with such the order, the commissioner ~~shall have the power to~~ may examine such the affiliates to obtain such the information.

Sec. 22. Section 521A.6, subsection 2, Code 1985, is amended by striking the subsection.

Sec. 23. Section 521A.10, Code 1985, is amended by striking the section and inserting in lieu thereof the following:

521A.10 SANCTIONS AND PENALTIES.

1. If the commissioner finds after notice and hearing that a person subject to registration under section 521A.4 failed without just cause to file a registration statement as required in this chapter, the person shall be required to pay a penalty of one thousand dollars for each day's delay. The penalty shall be recovered by the commissioner and paid into the state general fund. The maximum penalty under this section is ten thousand dollars. The commissioner may reduce the penalty if the person demonstrates that the imposition of the penalty would constitute a financial hardship to the person.

2. If it appears to the commissioner that an insurer subject to this chapter has engaged in a transaction or entered into a contract which is subject to 521A.5 and which would not have been approved had approval been requested, the commissioner may order the insurer to immediately cease and desist any further activity under that transaction or contract. After notice and hearing, the commissioner may also order the insurer to void any contracts and restore the status quo if the commissioner finds that action is in the best interest of the policyholders, creditors, or the public.

3. If it appears to the commissioner that an insurer or a director, officer, agent, or employee of an insurer has committed a willful violation of this chapter, the commissioner may institute criminal proceedings against the insurer or the responsible director, officer, agent, or employee in the district court for the county in which the principal office of the insurer is located, or if the insurer has no office in this state, then in the district court for Polk county. An insurer or individual who willfully violates this chapter is guilty of a class "D" felony.

Sec. 24. NEW SECTION. 521A.11A RECOVERY.

1. Subject to subsections 2 through 4, if an order for liquidation, conservation, or rehabilitation of a domestic insurer has been entered, the receiver appointed under the order may recover on behalf of the insurer either of the following if made within one year preceding the filing of the petition for liquidation, conservation, or rehabilitation:

a. From a parent corporation, holding company, affiliate, or other person who otherwise controlled the insurer, the amount of distributions, other than distributions of shares of the same class of stock, paid by the insurer on its capital stock.

b. Any payment in the form of a bonus, termination settlement, or extraordinary lump sum salary adjustment made by the insurer or a subsidiary of the insurer to a director, officer, agent, or employee.

2. A distribution is not recoverable if the parent holding company, affiliate, or other person shows that when the distribution was paid it was lawful and reasonable, and that the insurer did not know and could not reasonably have known that the distribution might adversely affect the ability of the insurer to fulfill its contractual obligations.

3. A parent corporation, holding company, affiliate, or other person who otherwise controlled the insurer or affiliate at the time the distributions were paid is liable only up to the amount of distributions or payments under subsection 1 that the person received. A person who otherwise controlled the insurer at the time the distributions were declared is liable only up to the amount of distributions the person would have received if the person had been paid immediately. If two or more persons are liable with respect to the same distributions, each shall be separately liable for their distributive share.

4. The maximum amount recoverable under this subsection shall be the amount needed in excess of all other available assets of the impaired or insolvent insurer to pay the

contractual obligations of the impaired or insolvent insurer and to reimburse any guaranty funds.

5. To the extent that a person liable under subsection 3 is insolvent or otherwise fails to pay claims due from the person pursuant to this section, the person's parent corporation, holding company, affiliate, or other person who otherwise controlled it at the time the distribution was paid, is separately liable for the share of any resulting deficiency in the amount recovered from the parent corporation, holding company, affiliate, or other person who otherwise controlled it.

DONALD D. AVENSON
Speaker of the House

ROBERT T. ANDERSON
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2390, Seventy-first General Assembly.

JOSEPH O'HERN
Chief Clerk of the House

Approved *April 18*, 1986

TERRY E. BRANSTAD
Governor