

Law Commission 2/21/51 De Foss 4/9/87 (p. 1186)

MAR 25 1987

Place On Calendar

HOUSE FILE 639

BY HOUSE COMMITTEE ON SMALL  
BUSINESS AND COMMERCE

(Formerly House Study Bill 266)

Passed House, Date 3-30-87 (p. 940) Passed Senate, Date 4-13-87 (p. 1260)

Vote: Ayes 89 Nays 5 Vote: Ayes 49 Nays 0

Approved April 27, 1987 (p. 1686)

**A BILL FOR**

1 An Act relating to investments of Iowa life insurance companies.  
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24

H 639

1 Section 1. Section 511.3, subsection 5, paragraph b, Code  
2 1987, is amended by adding the following new unnumbered  
3 paragraphs:

4 NEW UNNUMBERED PARAGRAPH. The term "corporation" as used  
5 in this chapter includes a joint stock association, a  
6 partnership, or a trust.

7 NEW UNNUMBERED PARAGRAPH. The securities, real estate, and  
8 mortgages described in this section include participations,  
9 which means instruments evidencing partial or undivided  
10 collective interests in such securities, real estate, and  
11 mortgages.

12 Sec. 2. Section 511.8, subsection 7, unnumbered paragraph  
13 1, Code 1937, is amended to read as follows:

14 EQUIPMENT TRUST OBLIGATIONS.

15 Subject to the restrictions contained in subsection 8  
16 hereof, bonds, certificates, or other evidences of  
17 indebtedness secured by any transportation equipment used  
18 wholly or in part in the United States of America or Canada,  
19 that provide a right to receive determined rental, purchase or  
20 other fixed obligatory payments adequate to retire the  
21 obligations within twenty years from date of issue, and also  
22 provide:

23 Sec. 3. Section 511.8, subsection 18, paragraph a, Code  
24 1987, is amended to read as follows:

25 a. Common stocks or shares issued by solvent corporations  
26 or institutions are eligible if the total investment in stocks  
27 or shares in the corporations or institutions does not exceed  
28 ten percent of legal reserve, provided not more than one-half  
29 percent of the legal reserve is invested in stocks or shares  
30 of any one corporation. However, the stocks or shares shall  
31 be listed or admitted to trading on a an established foreign  
32 securities exchange or a securities exchange in the United  
33 States or shall be publicly held and traded in the "over-the-  
34 counter market" and market quotations shall be readily  
35 available, and further, the investment shall not create a

1 conflict of interest for an officer or director of the company  
2 between the insurance company and the corporation whose stocks  
3 or shares are purchased.

4 Sec. 4. Section 511.8, subsection 19, unnumbered paragraph  
5 1, Code 1987, is amended to read as follows:

6 OTHER FOREIGN GOVERNMENT OR CORPORATE OBLIGATIONS. Bonds  
7 or other evidences of indebtedness, not to include currency,  
8 issued, assumed or guaranteed by a foreign government other  
9 than Canada, or by a corporation incorporated under the laws  
10 of a foreign government other than Canada. Any such  
11 governmental obligations must be valid, legally authorized and  
12 issued. Any such corporate obligations must meet the  
13 qualifications established in subsection 5 of this section for  
14 bonds and other evidences of indebtedness issued, assumed, or  
15 guaranteed by a corporation incorporated under the laws of the  
16 United States or ~~the Dominion of~~ Canada. Foreign investments  
17 authorized by this subsection are not eligible in excess of  
18 ~~one~~ two percent of the legal reserve of the life insurance  
19 company or association.

20 EXPLANATION

21 This bill amends section 511.8 to permit life insurance  
22 companies and associations to invest, or invest more, in  
23 several types of investments. Section 1 adds two new  
24 definitions to the section. Section 2 extends the current  
25 permission to invest in indebtedness secured by transportation  
26 equipment used in the U.S. or Canada, to indebtedness backed  
27 by transportation equipment used in whole or in part in the  
28 U.S. or Canada. Section 3 permits investment in stocks or  
29 shares listed or admitted to trading on established foreign  
30 securities exchanges. Section 4 increases the permissible  
31 percentage of foreign investments from one percent to two  
32 percent of the legal reserve of the life insurance company or  
33 association.

34

35

HSB 266

SMALL BUSINESS AND COMMERCE

HOUSE FILE \_\_\_\_\_

BY (PROPOSED HOUSE COMMITTEE  
ON SMALL BUSINESS AND  
COMMERCE BILL)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to investments of Iowa life insurance companies.

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

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

1 Section 1. Section 511.8, subsection 5, paragraph b, Code  
2 1987, is amended by adding the following new unnumbered  
3 paragraphs:

4 NEW UNNUMBERED PARAGRAPH. The term "corporation" as used  
5 in this chapter includes a joint stock association, a  
6 partnership, or a trust.

7 NEW UNNUMBERED PARAGRAPH. The securities, real estate, and  
8 mortgages described in this section include participations,  
9 which means instruments evidencing partial or undivided  
10 collective interests in such securities, real estate, and  
11 mortgages.

12 Sec. 2. Section 511.8, subsection 7, unnumbered paragraph  
13 1, Code 1987, is amended to read as follows:

14 EQUIPMENT TRUST OBLIGATIONS.

15 Subject to the restrictions contained in subsection 8  
16 hereof, bonds, certificates, or other evidences of  
17 indebtedness secured by any transportation equipment used  
18 wholly or in part in the United States of America or Canada,  
19 that provide a right to receive determined rental, purchase or  
20 other fixed obligatory payments adequate to retire the  
21 obligations within twenty years from date of issue, and also  
22 provide:

23 Sec. 3. Section 511.8, subsection 18, paragraph a, Code  
24 1987, is amended to read as follows:

25 a. Common stocks or shares issued by solvent corporations  
26 or institutions are eligible if the total investment in stocks  
27 or shares in the corporations or institutions does not exceed  
28 ten percent of legal reserve, provided not more than one-half  
29 percent of the legal reserve is invested in stocks or shares  
30 of any one corporation. However, the stocks or shares shall  
31 be listed or admitted to trading on ~~a~~ an established foreign  
32 securities exchange or a securities exchange in the United  
33 States or shall be publicly held and traded in the "over-the-  
34 counter market" and market quotations shall be readily  
35 available, and further, the investment shall not create a

1 conflict of interest for an officer or director of the company  
2 between the insurance company and the corporation whose stocks  
3 or shares are purchased.

4 Sec. 4. Section 511.8, subsection 19, unnumbered paragraph  
5 1, Code 1987, is amended to read as follows:

6 Other foreign government or corporate obligations. Bonds  
7 or other evidences of indebtedness, not to include currency,  
8 issued, assumed or guaranteed by a foreign government other  
9 than Canada, or by a corporation incorporated under the laws  
10 of a foreign government other than Canada. Any such  
11 governmental obligations must be valid, legally authorized and  
12 issued. Any such corporate obligations must meet the  
13 qualifications established in subsection 5 of this section for  
14 bonds and other evidences of indebtedness issued, assumed, or  
15 guaranteed by a corporation incorporated under the laws of the  
16 United States or ~~the-Dominion-of~~ Canada. Foreign investments  
17 authorized by this subsection are not eligible in excess of  
18 ~~one~~ two percent of the legal reserve of the life insurance  
19 company or association.

#### 20 EXPLANATION

21 This bill amends section 511.8 to permit life insurance  
22 companies and associations to invest, or invest more, in  
23 several types of investments. Section 1 adds two new  
24 definitions to the section. Section 2 extends the current  
25 permission to invest in indebtedness secured by transportation  
26 equipment used in the U.S. or Canada, to indebtedness backed  
27 by transportation equipment used in whole or in part in the  
28 U.S. or Canada. Section 3 permits investment in stocks or  
29 shares listed or admitted to trading on established foreign  
30 securities exchanges. Section 4 increases the permissible  
31 percentage of foreign investments from one percent to two  
32 percent of the legal reserve of the life insurance company or  
33 association.

34

35

HOUSE FILE 639

AN ACT

RELATING TO INVESTMENTS OF IOWA LIFE INSURANCE COMPANIES.

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

Section 1. Section 511.8, subsection 5, paragraph b, Code 1987, is amended by adding the following new unnumbered paragraphs:

NEW UNNUMBERED PARAGRAPH. The term "corporation" as used in this chapter includes a joint stock association, a partnership, or a trust.

NEW UNNUMBERED PARAGRAPH. The securities, real estate, and mortgages described in this section include participations, which means instruments evidencing partial or undivided collective interests in such securities, real estate, and mortgages.

Sec. 2. Section 511.8, subsection 7, unnumbered paragraph 1, Code 1987, is amended to read as follows:

EQUIPMENT TRUST OBLIGATIONS. Subject to the restrictions contained in subsection 8 hereof, bonds, certificates, or

other evidences of indebtedness secured by any transportation equipment used wholly or in part in the United States of America or Canada, that provide a right to receive determined rental, purchase or other fixed obligatory payments adequate to retire the obligations within twenty years from date of issue, and also provide:

Sec. 3. Section 511.8, subsection 18, paragraph a, Code 1987, is amended to read as follows:

a. Common stocks or shares issued by solvent corporations or institutions are eligible if the total investment in stocks or shares in the corporations or institutions does not exceed ten percent of legal reserve, provided not more than one-half percent of the legal reserve is invested in stocks or shares of any one corporation. However, the stocks or shares shall be listed or admitted to trading on a an established foreign securities exchange or a securities exchange in the United States or shall be publicly held and traded in the "over-the-counter market" and market quotations shall be readily available, and further, the investment shall not create a conflict of interest for an officer or director of the company between the insurance company and the corporation whose stocks or shares are purchased.

Sec. 4. Section 511.8, subsection 19, unnumbered paragraph 1, Code 1987, is amended to read as follows:

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 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

HF 639

authorized by this subsection are not eligible in excess of one two percent of the legal reserve of the life insurance company or association.

---

DONALD D. AVENSON  
Speaker of the House

---

JO ANN ZIMMERMAN  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 639, Seventy-second General Assembly.

---

JOSEPH O'HERN  
Chief Clerk of the House

Approved April 27, 1987

---

TERRY E. BRANSTAD  
Governor