

*Substituted for
SF 2290*

MAR 8 1994

HOUSE FILE 2385
BY COMMITTEE ON COMMERCE

Place On Calendar

(SUCCESSOR TO HSB 593)

Passed House, ^(p.613) Date 3-15-94 Passed Senate, ^(p.780) Date 3/22/94
Vote: Ayes 96 Nays 0 Vote: Ayes 49 Nays 0
Approved March 31, 1994

A BILL FOR

1 An Act relating to entities and subject matter under the
2 regulatory authority of the division of insurance, including
3 securities, motor vehicle service contracts, residential
4 service contracts, business opportunities, and invention
5 developers, and providing for fees, and establishing
6 penalties.

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

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HF 2385

Section 321I.8, subsection 2, paragraph m, Code 1993, is amended to read as follows:

Set forth any and all conditions on which the service contract may be canceled ~~and any and all~~, the terms and conditions for the refund of any portion of the purchase price, the identity of the person primarily liable to provide any refund, and the identity of any other person liable to provide any portion of the refund.

Sec. 2. Section 321I.8, Code 1993, is amended to read as follows:

321I.8 EXEMPTION.

This chapter does not apply to a motor vehicle service contract issued by the manufacturer or importer of the motor vehicle covered by the service contract or to any ~~third-party administrator~~ third party acting in an administrative capacity on the manufacturer's behalf in connection with that service contract.

Sec. 3. Section 321I.12, Code 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 4. A motor vehicle service contract provider shall promptly deliver a written explanation to the service contract holder, describing the reasons for denying a claim or for the offer of a compromise settlement, based on all relevant facts or legal requirements and referring to applicable provisions of the service contract.

Sec. 4. Section 321I.14, Code 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 4. If an investigation provides reasonable evidence that a person violated this chapter or a rule adopted pursuant to this chapter, the commissioner may issue an order directed at the person to cease and desist from engaging in the act or practice resulting in the violation.

Sec. 5. NEW SECTION. 321I.16 VIOLATIONS.

1. A violation of this chapter or a rule adopted pursuant to this chapter is a violation of section 714.16, subsection

1 2, paragraph "a". The remedies and penalties provided by
2 section 714.16, including but not limited to injunctive relief
3 and civil penalties, apply to violations of this chapter.

4 2. If the commissioner believes that grounds exist for the
5 criminal prosecution of persons subject to this chapter for
6 violations of this chapter or any other law of this state, the
7 commissioner may forward to the attorney general or the county
8 attorney the grounds for the belief, including all evidence in
9 the commissioner's possession, in order that the attorney
10 general or the county attorney may proceed with the matter as
11 deemed appropriate. At the request of the attorney general,
12 the county attorney shall appear and prosecute the action when
13 brought in the county served by the county attorney.

14 3. A person who willfully and knowingly violates this
15 chapter or a rule adopted pursuant to this chapter is, upon
16 conviction, guilty of a class "D" felony.

17 Sec. 6. Section 502.102, subsection 11, Code 1993, is
18 amended to read as follows:

19 11. "Person" means an individual, a corporation, a limited
20 liability company, a partnership, an association, a joint
21 stock company, a trust, a fiduciary, an unincorporated
22 organization, a government, or a political subdivision of a
23 government.

24 Sec. 7. Section 502.208, subsection 2, Code 1993, is
25 amended by striking the subsection and inserting in lieu
26 thereof the following:

27 2. a. Except as provided in subsection 13 and section
28 502.207A, subsection 3, paragraph "g", a person who files a
29 registration statement shall pay a filing fee of one-tenth of
30 one percent of the proposed aggregate sales price of the
31 securities to be offered to persons in this state pursuant to
32 the registration statement. However, except as provided in
33 paragraph "c", subsection 13, and section 502.207A, subsection
34 3, paragraph "g", the annual filing fee shall not be less than
35 fifty dollars or more than one thousand dollars.

1 b. The administrator shall retain the filing fee even if
2 the registration is withdrawn, denied, suspended, revoked, or
3 abandoned.

4 c. A person who is a face-amount certificate company,
5 open-end management investment company, or a unit investment
6 trust, as defined in the Investment Company Act of 1940, shall
7 initially register and annually renew a registration statement
8 in this state for an indefinite amount or a fixed amount. The
9 fixed amount must be for two hundred fifty thousand dollars.
10 A registrant shall pay a filing fee when the statement is
11 filed. If the registration statement amount is indefinite,
12 the registrant shall pay a filing fee of one thousand dollars.
13 If the registration statement amount is fixed, the registrant
14 shall pay a filing fee of two hundred fifty dollars, and the
15 following shall apply:

16 (1) The registrant shall file a sales report with the
17 administrator or pay an additional filing fee of one thousand
18 two hundred fifty dollars within ninety days after the regis-
19 tration statement's annual renewal date. If the registrant
20 files a sales report with the administrator, the registrant
21 shall pay an additional filing fee of one-tenth of one percent
22 of the amount of securities sold in excess of two hundred
23 fifty thousand dollars. The additional filing fee must be
24 paid within ninety days after the registration statement's
25 annual renewal date.

26 (2) The administrator shall order the registration of the
27 additional securities effective retroactively as of the
28 effective date of the registration statement that is being
29 amended.

30 Sec. 8. Section 502.208, subsection 9, paragraph a, Code
31 1993, is amended to read as follows:

32 a. A registration statement shall remain effective for one
33 year from its effective date unless it is renewed, extended,
34 or amended by rule or order of the administrator. All
35 outstanding securities of the same class as a registered

1 security are considered to be registered for the purpose of
2 any transaction by or on behalf of a person who is not the
3 issuer, and who is not in control of the issuer or controlled
4 by the issuer or under common control with the issuer, so long
5 as the registration statement is effective, unless otherwise
6 prescribed by order. A registration statement may not be
7 withdrawn after its effective date if any of the securities
8 has been sold in this state, unless permitted by rule or order
9 of the administrator. A registration statement is not
10 effective during the time a stop order is in effect under
11 section 502.209. A registration statement which never became
12 effective may be withdrawn without prejudice to the issuer
13 upon request and for good cause as determined at the
14 discretion of the administrator.

15 Sec. 9. Section 502.208, subsection 11, Code 1993, is
16 amended by striking the subsection and inserting in lieu
17 thereof the following:

18 11. Except for face-amount certificate companies, open-end
19 management investment companies, and unit investment trusts,
20 as defined by the Investment Company Act of 1940, registration
21 statements may be amended during the registration period to
22 increase the amount of registered securities to be offered for
23 sale to persons in this state.

24 a. The amendment to the registration statement becomes
25 effective on the date ordered by the administrator.

26 b. Filing fees shall be calculated as specified by
27 subsection 2, paragraph "a", and subsection 13.

28 Sec. 10. Section 502.208, subsection 13, Code 1993, is
29 amended by striking the subsection and inserting in lieu
30 thereof the following:

31 13. a. With the exception of face-amount certificate
32 companies, open-end management investment companies, and unit
33 investment trusts, a registrant who sold securities to persons
34 in this state in excess of the amount of securities registered
35 in this state at the time of the sale may file an amendment to

1 its registration statement to register the additional
2 securities. The following requirements shall apply:

3 (1) If a registrant proposes to sell securities to persons
4 in this state pursuant to a registration statement that is
5 currently effective in this state in an amount that exceeds
6 the amount registered in this state, the registrant must do
7 both of the following:

8 (a) File an amendment to register the additional
9 securities.

10 (b) Pay an additional filing fee in the same amount as
11 specified by subsection 2, paragraph "a", as though the
12 amendment constitutes a separate issue.

13 (2) If a registrant sold securities to persons in this
14 state in excess of the amount registered in this state at that
15 time, the registrant must do both of the following:

16 (a) File an amendment to register the additional
17 securities.

18 (b) Pay an additional filing fee that is three times the
19 amount specified in subsection 2, paragraph "a", as though the
20 amendment constitutes a separate issue.

21 (3) The administrator may order the amendment effective
22 retroactively as of the effective date of the registration
23 statement that is being amended.

24 Sec. 11. Section 502.209, subsection 1, paragraphs i and
25 j, Code 1993, are amended by striking the paragraphs and
26 inserting in lieu thereof the following:

27 i. A person who is an issuer, correspondent, or applicant,
28 as listed on the uniform application to register securities
29 form known as "Form U-1", failed to pay the proper filing fee.
30 The administrator may enter only a denial order pursuant to
31 this paragraph, and shall vacate any such order when the
32 deficiency has been corrected.

33 j. A person who is an issuer, correspondent, or applicant,
34 as listed on the uniform application to register securities
35 form known as "Form U-1", has abandoned the registration

1 statement. The administrator may enter an order pursuant to
2 this paragraph if a notice of abandonment is sent to the last
3 known address of each person, and the person fails to take
4 corrective action within the time specified by the
5 administrator. The notice of abandonment shall state the
6 reasons for the administrator's action, specify the corrective
7 action required, and specify the time period for submitting a
8 response. However, the time specified shall not be less than
9 fifteen days.

10 Sec. 12. Section 502.209, subsection 1, Code 1993, is
11 amended by adding the following new paragraph:

12 NEW PARAGRAPH. k. A person who is an issuer,
13 correspondent, or applicant has failed to file a sales report
14 with the administrator within ninety days after the
15 registration statement's annual anniversary of its
16 effectiveness or latest renewal.

17 Sec. 13. Section 502.209, subsection 3, Code 1993, is
18 amended to read as follows:

19 3. The administrator may issue a summary order revoking,
20 withdrawing, postponing, suspending, or denying the
21 effectiveness of a registration statement pending a final
22 ~~determination of any proceeding under this section.~~ Upon the
23 entry of the order, the administrator shall promptly notify
24 the persons who are the issuer, correspondent, and applicant
25 ~~or registrant, the issuer, and the person on whose behalf the~~
26 ~~securities are to be or have been offered by restricted~~
27 certified mail, sent to the last known address of each person.
28 The notice shall state that the order has been entered and of,
29 the reasons therefor for the administrator's action, and that
30 the matter will be set down for a hearing within fifteen days
31 ~~after the receipt of a written request the matter will be set~~
32 ~~down for hearing, if the request is received by the~~
33 administrator within fifteen days after receipt of the notice
34 by the persons. The hearing shall be held within forty-five
35 days after the date of the notice of hearing unless continued

1 by the administrative law judge for good cause with at least
2 fifteen days' notice to the parties. If ~~no~~ a hearing is
3 requested ~~and none is~~ or ordered, by the administrator, after
4 notice of an opportunity for a hearing to each of the persons,
5 may modify, extend, or vacate the order. If a hearing is not
6 requested or ordered by the administrator, the order will
7 remain in effect until it is modified or vacated by the
8 administrator. ~~If a hearing is requested or ordered, the~~
9 ~~administrator, after notice of and opportunity for hearing to~~
10 ~~each of the aforementioned persons, may modify or vacate the~~
11 ~~order or extend it until final determination.~~

12 Sec. 14. Section 502.302, subsection 5, Code 1993, is
13 amended by striking the subsection.

14 Sec. 15. Section 502.304, subsection 1, Code 1993, is
15 amended by adding the following new paragraph:

16 NEW PARAGRAPH. m. Does any of the following:

17 (1) Has willfully violated the law of a foreign
18 jurisdiction governing or regulating any aspect of the
19 business of securities or banking.

20 (2) Within the past five years, has been the subject of an
21 action of a securities regulator of a foreign jurisdiction
22 denying, revoking, or suspending the right to engage in the
23 business of securities as a broker-dealer or agent.

24 (3) Is the subject of an action of any securities exchange
25 or self-regulatory organization operating under the authority
26 of the securities regulator of a foreign jurisdiction
27 suspending or expelling such person from membership in such
28 exchange or self-regulatory organization.

29 Sec. 16. Section 502.603, subsection 1, paragraph c, Code
30 1993, is amended to read as follows:

31 c. ~~Keep~~ Notwithstanding chapter 22, keep confidential the
32 information obtained in the course of an investigation.

33 However, if the administrator determines that it is necessary
34 or appropriate in the public interest or for the protection of
35 investors, the administrator may share information with other

1 securities administrators, regulatory authorities, or
2 governmental agencies or may publish information concerning a
3 violation of this chapter or a rule or order under this
4 chapter.

5 Sec. 17. Section 502.604A, unnumbered paragraph 1, Code
6 1993, is amended to read as follows:

7 If a person fails or refuses to file any statement or
8 report or to produce any books, papers, correspondence,
9 memoranda, agreements, or other documents or records, or to
10 obey any subpoena issued by the administrator, the
11 administrator may refer the matter to the attorney general,
12 who, ~~after notice,~~ may apply to a district court to enforce
13 compliance. The court may order any or all of the following:

14 Sec. 18. Section 523C.12, Code 1993, is amended to read as
15 follows:

16 523C.12 OPTIONAL EXAMINATION.

17 The commissioner or a designee of the commissioner may make
18 an examination of the books and records of a service company,
19 including copies of contracts and records of claims and
20 expenditures, and verify its assets, liabilities, and
21 reserves. The actual costs of the examination shall be borne
22 by the service company.

23 Sec. 19. NEW SECTION. 523C.20 SERVICE OF PROCESS.

24 The commissioner shall be the agent for service of process
25 upon a service company.

26 Sec. 20. NEW SECTION. 523C.21 CLAIM PROCEDURES.

27 A service company shall promptly provide a written
28 explanation to the residential customer, describing the
29 reasons for denying a claim or for the offer of a compromise
30 settlement, based on all relevant facts or legal requirements
31 and referring to applicable provisions of the residential
32 service contract.

33 Sec. 21. CONDITIONAL IMPLEMENTATION -- PROVISIONS OF THE
34 INVENTION DEVELOPMENT SERVICES ACT. Sections 523G.6, 523G.10,
35 and 523G.11, relating to the duties and authority of the

1 commissioner of insurance under the invention development
2 services Act, shall only be implemented if and when the
3 general assembly makes an appropriation of at least ten
4 thousand dollars and provides for the retention of one part-
5 time clerk for a total of at least one-half full-time
6 equivalent position devoted to the insurance division of the
7 department of commerce for the implementation of those
8 sections.

9 Sec. 22. INSTRUCTIONS TO CODE EDITOR. The Code editor
10 shall reverse the order that section 523B.13, subsections 3
11 and 4, appear in the Code.

12 EXPLANATION

13 This bill amends a number of provisions related to
14 securities.

15 The bill amends chapter 321I, relating to motor vehicle
16 service contracts, which are agreements covering repairs,
17 replacement services, or indemnification for motor vehicles.
18 Section 321I.5 requires information to be contained in such
19 contracts. The bill requires contractors to include
20 additional information in contracts relating to persons liable
21 under the contract, and to explain reasons for denying or
22 settling claims. The bill provides that the commissioner of
23 insurance may issue an order directed at a person to cease and
24 desist from engaging in the act or practice resulting in the
25 violation of the chapter. The bill provides that a violation
26 of the chapter or rules adopted by the commissioner is
27 considered a consumer fraud as provided in section 714.16.
28 The bill allows the commissioner to refer violations of the
29 chapter to the attorney general or the county attorney for
30 criminal prosecution. The bill provides that a person who
31 willfully and knowingly violates chapter 321I is, upon
32 conviction, guilty of a class "D" felony.

33 The bill makes a number of amendments to chapter 502, the
34 Iowa uniform securities Act. The bill amends section 502.208
35 by amending provisions relating to registration fees required

1 to be filed with general registration statements. The bill
2 provides for filing sales reports and fees for persons defined
3 as certificate companies, open-end management investment
4 companies, or unit investment trusts according to the federal
5 Investment Company Act of 1940. The bill provides that a
6 person may file a registration statement for an indefinite
7 amount or a fixed amount. The bill provides for paying
8 initial fees and additional fees based on the type of
9 registration statement filed. The administrator shall retain
10 the filing fee even if the registration is withdrawn, denied,
11 suspended, revoked, or abandoned. The bill amends provisions
12 relating to face-amount certificate companies, open-end
13 management investment companies, and unit investment trusts.
14 The bill amends provisions for filing such fees. The bill
15 adds causes for the administrator to deny, suspend, or revoke
16 a registration, or penalize a registrant, including willfully
17 violating banking or securities laws in a foreign
18 jurisdiction, or becoming subject to the disciplinary action
19 by a securities regulator in a foreign jurisdiction. The bill
20 provides for revoking, withdrawing, postponing, suspending, or
21 denying the effectiveness of a registration statement pending
22 a final determination of a case or controversy. The bill
23 provides that the public records law (chapter 22) does not
24 apply to investigations conducted under the Iowa uniform
25 securities Act (chapter 502). Currently, section 502.603
26 requires that information obtained in the course of an
27 investigation be kept confidential, without referring
28 specifically to chapter 22.

29 The bill amends chapter 523C, relating to residential
30 service contracts in which a service company is under contract
31 to maintain and repair residential dwellings. The bill
32 provides that the commissioner of insurance is the agent for
33 service of process upon a service company. The bill provides
34 for the examination of books and records of a service company.
35 The bill provides that service companies must provide a

1 written explanation to the residential customer, describing
2 the reasons for denying a claim or for the offer of a
3 compromise settlement.

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Hahnerson of Clayton, Ch.
Cataldo
Gill
Larson
Miller

HSB 593

Commerce

SENATE/HOUSE FILE 2385
BY (PROPOSED DEPARTMENT OF
COMMERCE/INSURANCE DIVI-
SION BILL)

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

A BILL FOR

1 An Act relating to entities and subject matter under the
2 regulatory authority of the division of insurance, including
3 securities, motor vehicle service contracts, residential
4 service contracts, business opportunities, and invention
5 developers, and providing for fees, making appropriations, and
6 establishing penalties.

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

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1 Section 1. Section 321I.5, subsection 2, paragraph m, is
2 amended to read as follows:

3 m. Sets forth any and all conditions on which the service
4 contract may be canceled ~~and any and all~~, the terms and
5 conditions for the refund of any portion of the purchase
6 price, the identity of the person primarily liable to provide
7 any refund, and the identity of any other person liable to
8 provide any portion of the refund.

9 Sec. 2. Section 321I.8, Code 1993, is amended to read as
10 follows:

11 321I.8 EXEMPTION.

12 This chapter does not apply to a motor vehicle service
13 contract issued by the manufacturer or importer of the motor
14 vehicle covered by the service contract or to any third-party
15 administrator acting in an administrative capacity on the
16 manufacturer's behalf in connection with that service
17 contract.

18 Sec. 3. Section 321I.12, Code 1993, is amended by adding
19 the following new subsection:

20 NEW SUBSECTION. 4. A motor vehicle service contract
21 provider shall promptly deliver a written explanation to the
22 service contract holder, describing the reasons for denying a
23 claim or for the offer of a compromise settlement, based on
24 all relevant facts or legal requirements and referring to
25 applicable provisions of the service contract.

26 Sec. 4. Section 321I.14, Code 1993, is amended by adding
27 the following new subsection:

28 NEW SUBSECTION. 4. If an investigation provides
29 reasonable evidence that a person violated this chapter or a
30 rule adopted pursuant to this chapter, the commissioner may
31 issue an order directed at the person to cease and desist from
32 engaging in the act or practice resulting in the violation.

33 Sec. 5. NEW SECTION. 321I.16 VIOLATIONS.

34 1. A violation of this chapter or a rule adopted pursuant
35 to this chapter is a violation of section 714.16, subsection

1 2, paragraph "a". The remedies and penalties provided by
2 section 714.16, including but not limited to injunctive relief
3 and civil penalties, apply to violations of this chapter.

4 2. If the commissioner believes that grounds exist for the
5 criminal prosecution of persons subject to this chapter for
6 violations of this chapter or any other law of this state, the
7 commissioner may forward to the attorney general or the county
8 attorney the grounds for the belief, including all evidence in
9 the commissioner's possession, in order that the attorney
10 general or the county attorney may proceed with the matter as
11 deemed appropriate. At the request of the attorney general,
12 the county attorney shall appear and prosecute the action when
13 brought in the county served by the county attorney.

14 3. A person who willfully and knowingly violates this
15 chapter or a rule adopted pursuant to this chapter is, upon
16 conviction, guilty of a class "D" felony.

17 Sec. 6. Section 502.102, subsection 11, Code 1993, is
18 amended to read as follows:

19 11. "Person" means an individual, a corporation, a limited
20 liability company, a partnership, an association, a joint
21 stock company, a trust, a fiduciary, an unincorporated
22 organization, a government, or a political subdivision of a
23 government.

24 Sec. 7. Section 502.208, subsection 2, Code 1993, is
25 amended by striking the subsection and inserting in lieu
26 thereof the following:

27 2. a. Except as provided in subsection 13 and section
28 502.207A, subsection 3, paragraph "g", a person who files a
29 registration statement shall pay a filing fee of one-tenth of
30 one percent of the proposed aggregate sales price of the
31 securities to be offered to persons in this state pursuant to
32 the registration statement. However, except as provided in
33 paragraph "c", subsection 13, and section 502.207A, subsection
34 3, paragraph "g", the annual filing fee shall not be less than
35 fifty dollars or more than one thousand dollars.

1 b. The administrator shall retain the filing fee even if
2 the registration is withdrawn, denied, suspended, revoked, or
3 abandoned.

4 c. A person who is a face-amount certificate company,
5 open-end management investment company, or a unit investment
6 trust, as defined in the Investment Company Act of 1940, shall
7 initially register and annually renew a registration statement
8 in this state for an indefinite amount or a fixed amount. The
9 fixed amount must be for two hundred fifty thousand dollars.
10 A registrant shall pay a filing fee when the statement is
11 filed. If the registration statement amount is indefinite,
12 the registrant shall pay a filing fee of one thousand dollars.
13 If the registration statement amount is fixed, the registrant
14 shall pay a filing fee of two hundred fifty dollars, and the
15 following shall apply:

16 (1) The registrant shall file a sales report with the
17 administrator or pay an additional filing fee of one thousand
18 two hundred fifty dollars within ninety days after the regis-
19 tration statement's annual renewal date. If the registrant
20 files a sales report with the administrator, the registrant
21 shall pay an additional filing fee of one-tenth of one percent
22 of the amount of securities sold in excess of two hundred
23 fifty thousand dollars. The additional filing fee must be
24 paid within ninety days after the registration statement's
25 annual renewal date.

26 (2) The administrator shall order the registration of the
27 additional securities effective retroactively as of the
28 effective date of the registration statement that is being
29 amended.

30 Sec. 8. Section 502.208, subsection 9, paragraph a, Code
31 1993, is amended to read as follows:

32 a. A registration statement shall remain effective for one
33 year from its effective date unless it is renewed, extended,
34 or amended by rule or order of the administrator. All
35 outstanding securities of the same class as a registered

1 security are considered to be registered for the purpose of
2 any transaction by or on behalf of a person who is not the
3 issuer, and who is not in control of the issuer or controlled
4 by the issuer or under common control with the issuer, so long
5 as the registration statement is effective, unless otherwise
6 prescribed by order. A registration statement may not be
7 withdrawn after its effective date if any of the securities
8 has been sold in this state, unless permitted by rule or order
9 of the administrator. A registration statement is not
10 effective during the time a stop order is in effect under
11 section 502.209. A registration statement which never became
12 effective may be withdrawn without prejudice to the issuer
13 upon request and for good cause as determined at the
14 discretion of the administrator.

15 Sec. 9. Section 502.208, subsection 11, Code 1993, is
16 amended by striking the subsection and inserting in lieu
17 thereof the following:

18 11. Except for face-amount certificate companies, open-end
19 management investment companies, and unit investment trusts,
20 as defined by the Investment Company Act of 1940, registration
21 statements may be amended during the registration period to
22 increase the amount of registered securities to be offered for
23 sale to persons in this state.

24 a. The amendment to the registration statement becomes
25 effective on the date ordered by the administrator.

26 b. Filing fees shall be calculated as specified by
27 subsection 2, paragraph "a", and subsection 13.

28 Sec. 10. Section 502.208, subsection 13, Code 1993, is
29 amended by striking the subsection and inserting in lieu
30 thereof the following:

31 13. a. With the exception of face-amount certificate
32 companies, open-end management investment companies, and unit
33 investment trusts, a registrant who sold securities to persons
34 in this state in excess of the amount of securities registered
35 in this state at the time of the sale may file an amendment to

1 its registration statement to register the additional
2 securities. The following requirements shall apply:

3 (1) If a registrant proposes to sell securities to persons
4 in this state pursuant to a registration statement that is
5 currently effective in this state in an amount that exceeds
6 the amount registered in this state, the registrant must do
7 both of the following:

8 (a) File an amendment to register the additional
9 securities.

10 (b) Pay an additional filing fee in the same amount as
11 specified by subsection 2, paragraph "a", as though the
12 amendment constitutes a separate issue.

13 (2) If a registrant sold securities to persons in this
14 state in excess of the amount registered in this state at that
15 time, the registrant must do both of the following:

16 (a) File an amendment to register the additional
17 securities.

18 (b) Pay an additional filing fee that is three times the
19 amount specified in subsection 2, paragraph "a", as though the
20 amendment constitutes a separate issue.

21 (3) The administrator may order the amendment effective
22 retroactively as of the effective date of the registration
23 statement that is being amended.

24 Sec. 11. Section 502.209, subsection 1, paragraphs i and
25 j, Code 1993, are amended by striking the paragraphs and
26 inserting in lieu thereof the following:

27 i. A person who is an issuer, correspondent, or applicant,
28 as listed on the uniform application to register securities
29 form known as "Form U-1", failed to pay the proper filing fee.
30 The administrator may enter only a denial order pursuant to
31 this paragraph, and shall vacate any such order when the
32 deficiency has been corrected.

33 j. A person who is an issuer, correspondent, or applicant,
34 as listed on the uniform application to register securities
35 form known as "Form U-1", has abandoned the registration

1 statement. The administrator may enter an order pursuant to
2 this paragraph if a notice of abandonment is sent to the last
3 known address of each person, and the person fails to take
4 corrective action within the time specified by the
5 administrator. The notice of abandonment shall state the
6 reasons for the administrator's action, specify the corrective
7 action required, and specify the time period for submitting a
8 response. However, the time specified shall not be less than
9 fifteen days.

10 Sec. 12. Section 502.209, subsection 1, Code 1993, is
11 amended by adding the following new paragraph:

12 NEW PARAGRAPH. k. A person who is an issuer,
13 correspondent, or applicant has failed to file a sales report
14 with the administrator within ninety days after the
15 registration statement's annual anniversary of its
16 effectiveness or latest renewal.

17 Sec. 13. Section 502.209, subsection 3, Code 1993, is
18 amended to read as follows:

19 3. The administrator may issue a summary order revoking,
20 withdrawing, postponing, suspending, or denying the
21 effectiveness of a registration statement pending a final
22 determination of-any-proceeding-under-this-section. Upon the
23 entry of the order, the administrator shall promptly notify
24 the persons who are the issuer, correspondent, and applicant
25 or-registrant,-the-issuer,-and-the-person-on-whose-behalf-the
26 securities-are-to-be-or-have-been-offered by restricted
27 certified mail, sent to the last known address of each person.
28 The notice shall state that the order has been entered and-of,
29 the reasons therefor for the administrator's action, and that
30 the matter will be set down for a hearing within fifteen days
31 after the receipt of a written request the-matter-will-be-set
32 down-for-hearing, if the request is received by the
33 administrator within fifteen days after receipt of the notice
34 by the persons. The hearing shall be held within forty-five
35 days after the date of the notice of hearing unless continued

1 by the administrative law judge for good cause with at least
2 fifteen days' notice to the parties. If no a hearing is
3 requested and none is or ordered, by the administrator, after
4 notice of an opportunity for a hearing to each of the persons,
5 may modify, extend, or vacate the order. If a hearing is not
6 requested or ordered by the administrator, the order will
7 remain in effect until it is modified or vacated by the
8 administrator. ~~If a hearing is requested or ordered, the~~
9 ~~administrator, after notice of and opportunity for hearing to~~
10 ~~each of the aforementioned persons, may modify or vacate the~~
11 ~~order or extend it until final determination.~~

12 Sec. 14. Section 502.302, subsection 5, Code 1993, is
13 amended by striking the subsection.

14 Sec. 15. Section 502.304, subsection 1, Code 1993, is
15 amended by adding the following new paragraph:

16 NEW PARAGRAPH. m. Does any of the following:

17 (1) Has willfully violated the law of a foreign
18 jurisdiction governing or regulating any aspect of the
19 business of securities or banking.

20 (2) Within the past five years, has been the subject of an
21 action of a securities regulator of a foreign jurisdiction
22 denying, revoking, or suspending the right to engage in the
23 business of securities as a broker-dealer or agent.

24 (3) Is the subject of an action of any securities exchange
25 or self-regulatory organization operating under the authority
26 of the securities regulator of a foreign jurisdiction
27 suspending or expelling such person from membership in such
28 exchange or self-regulatory organization.

29 Sec. 16. Section 502.603, subsection 1, paragraph c, Code
30 1993, is amended to read as follows:

31 c. Keep Notwithstanding chapter 22, keep confidential the
32 information obtained in the course of an investigation.

33 However, if the administrator determines that it is necessary
34 or appropriate in the public interest or for the protection of
35 investors, the administrator may share information with other

1 securities administrators, regulatory authorities, or
2 governmental agencies or may publish information concerning a
3 violation of this chapter or a rule or order under this
4 chapter.

5 Sec. 17. Section 502.604A, unnumbered paragraph 1, Code
6 1993, is amended to read as follows:

7 If a person fails or refuses to file any statement or
8 report or to produce any books, papers, correspondence,
9 memoranda, agreements, or other documents or records, or to
10 obey any subpoena issued by the administrator, the
11 administrator may refer the matter to the attorney general,
12 who, after notice, may apply to a district court to enforce
13 compliance. The court may order any or all of the following:

14 Sec. 18. Section 523C.12, Code 1993, is amended to read as
15 follows:

16 523C.12 OPTIONAL EXAMINATION.

17 The commissioner or a designee of the commissioner may make
18 an examination of the books and records of a service company,
19 including copies of contracts and records of claims and
20 expenditures, and verify its assets, liabilities, and
21 reserves. The actual costs of the examination shall be borne
22 by the service company.

23 Sec. 19. NEW SECTION. 523C.20 SERVICE OF PROCESS.

24 The commissioner shall be the agent for service of process
25 upon a service company.

26 Sec. 20. NEW SECTION. 523C.21 CLAIM PROCEDURES.

27 A service company shall promptly provide a written
28 explanation to the residential customer, describing the
29 reasons for denying a claim or for the offer of a compromise
30 settlement, based on all relevant facts or legal requirements
31 and referring to applicable provisions of the residential
32 service contract.

33 Sec. 21. CONDITIONAL IMPLEMENTATION -- PROVISIONS OF THE
34 INVENTION DEVELOPMENT SERVICES ACT. Sections 523G.6, 523G.10,
35 and 523G.11, relating to the duties and authority of the

1 commissioner of insurance under the invention development
2 services Act, shall only be implemented if and when the
3 general assembly makes an appropriation of at least ten
4 thousand dollars and provides for the retention of one part-
5 time clerk for a total of at least one-half full-time
6 equivalent position devoted to the insurance division of the
7 department of commerce for the implementation of those
8 sections.

9 Sec. 22. APPROPRIATION. There is appropriated from the
10 general fund of the state to the insurance division of the
11 department of commerce, for the fiscal year beginning July 1,
12 1994, and ending June 30, 1995, the following amount, or so
13 much thereof as is necessary, to be used for the purposes
14 designated:

15 For purposes of supporting the regulated industries unit of
16 the insurance division, including salaries, support,
17 maintenance, miscellaneous purposes, and for not more than the
18 following full-time equivalent position:

19	\$	10,000
20	FTEs	.50

21 Sec. 23. INSTRUCTIONS TO CODE EDITOR. The Code editor
22 shall reverse the order that section 523B.13, subsections 3
23 and 4, appear in the Code.

24 EXPLANATION

25 This bill amends a number of provisions related to
26 securities.

27 The bill amends chapter 321I, relating to motor vehicle
28 service contracts, which are agreements covering repairs,
29 replacement services, or indemnification for motor vehicles.
30 Section 321I.5 requires information to be contained in such
31 contracts. The bill requires contractors to include
32 additional information in contracts relating to persons liable
33 under the contract, and to explain reasons for denying or
34 settling claims. The bill provides that the commissioner of
35 insurance may issue an order directed at a person to cease and

1 desist from engaging in the act or practice resulting in the
2 violation of the chapter. The bill provides that a violation
3 of the chapter or rules adopted by the commissioner is
4 considered a consumer fraud as provided in section 714.16.
5 The bill allows the commissioner to refer violations of the
6 chapter to the attorney general or the county attorney for
7 criminal prosecution. The bill provides that a person who
8 willfully and knowingly violates chapter 321I is, upon
9 conviction, guilty of a class "D" felony.

10 The bill makes a number of amendments to chapter 502, the
11 Iowa uniform securities Act. The bill amends section 502.208
12 by amending provisions relating to registration fees required
13 to be filed with general registration statements. The bill
14 provides for filing sales reports and fees for persons defined
15 as certificate companies, open-end management investment
16 companies, or unit investment trusts according to the federal
17 Investment Company Act of 1940. The bill provides that a
18 person may file a registration statement for an indefinite
19 amount or a fixed amount. The bill provides for paying
20 initial fees and additional fees based on the type of
21 registration statement filed. The administrator shall retain
22 the filing fee even if the registration is withdrawn, denied,
23 suspended, revoked, or abandoned. The bill amends provisions
24 relating to face-amount certificate companies, open-end
25 management investment companies, and unit investment trusts.
26 The bill amends provisions for filing such fees. The bill
27 adds causes for the administrator to deny, suspend, or revoke
28 a registration, or penalize a registrant, including willfully
29 violating banking or securities laws in a foreign
30 jurisdiction, or becoming subject to the disciplinary action
31 by a securities regulator in a foreign jurisdiction. The bill
32 provides for revoking, withdrawing, postponing, suspending, or
33 denying the effectiveness of a registration statement pending
34 a final determination of a case or controversy. The bill
35 provides that the public records law (chapter 22) does not

1 apply to investigations conducted under the Iowa uniform
2 securities Act (chapter 502). Currently, section 502.603
3 requires that information obtained in the course of an
4 investigation be kept confidential, without referring
5 specifically to chapter 22.

6 The bill amends chapter 523C, relating to residential
7 service contracts in which a service company is under contract
8 to maintain and repair residential dwellings. The bill
9 provides that the commissioner of insurance is the agent for
10 service of process upon a service company. The bill provides
11 for the examination of books and records of a service company.
12 The bill provides that service companies must provide a
13 written explanation to the residential customer, describing
14 the reasons for denying a claim or for the offer of a
15 compromise settlement.

16 The bill provides that certain provisions relating to the
17 duties and authority of the insurance commissioner under the
18 invention development services Act are only to be implemented
19 if and when the general assembly makes an appropriation of at
20 least \$10,000 and provides for the retention of one part-time
21 clerk for a total of at least one-half full-time equivalent
22 position devoted to the insurance division of the department
23 of commerce for the implementation of those provisions.

24 The bill appropriates moneys from the general fund of the
25 state to the insurance division of the department of commerce,
26 for the fiscal year beginning July 1, 1994, and ending June
27 30, 1995, for purposes of supporting the regulated industries
28 unit of the insurance division, including salaries, support,
29 maintenance, and miscellaneous purposes.

30 BACKGROUND STATEMENT

31 SUBMITTED BY THE AGENCY

32 Due to legislation and rulemaking in 1991, the number of
33 registration filings by investment companies has increased by
34 more than 400 percent. In order to handle the paper flow, the
35 securities bureau is revising the registration requirements to

1 provide for no more than one amendment filing to increase the
2 amount registered for sale. The amendments also clarify the
3 filing fee schedules for face-amount certificate companies,
4 open-end management companies, and unit investment trusts.
5 The provisions for an indefinite registration amount allow
6 companies to prevent inadvertent oversales. The administrator
7 is empowered to take licensing action based upon violations of
8 foreign securities laws. Other minor clarifications are made
9 to the Iowa uniform securities Act.

10 This bill amends several provisions relating to subject
11 matter under the authority of the regulated industries unit of
12 the division of insurance, including motor vehicle service
13 contracts, business opportunity promotions, residential
14 service contracts, and invention development services. Under
15 the motor vehicle service contracts Act, language is added to
16 clarify the exemption for manufacturers and importers and
17 prevent abuse by persons claiming to sell on behalf of a
18 manufacturer or importer. Contract disclosure requirements
19 have been added to prevent confusion about refund provisions.
20 A requirement has been added to allow consumers to receive
21 written explanations when claims are denied. Also,
22 enforcement provisions providing for cease and desist orders
23 and penalties have been added to address continued enforcement
24 problems that the division has encountered. The business
25 opportunity statute is being amended for greater clarity and
26 organization. The residential service contracts Act is being
27 amended to add provisions for service of process and a
28 requirement to allow consumers to request written explanations
29 when claims are denied. The division is also proposing an
30 appropriation that will implement the bond and cash deposits,
31 registration, and administration and enforcement provisions of
32 chapter 523G by the insurance division. Chapter 523G is the
33 invention development services Act adopted in the 1992
34 legislative session.

35

HOUSE FILE 2385

AN ACT

RELATING TO ENTITIES AND SUBJECT MATTER UNDER THE REGULATORY AUTHORITY OF THE DIVISION OF INSURANCE, INCLUDING SECURITIES, MOTOR VEHICLE SERVICE CONTRACTS, RESIDENTIAL SERVICE CONTRACTS, BUSINESS OPPORTUNITIES, AND INVENTION DEVELOPERS, AND PROVIDING FOR FEES, AND ESTABLISHING PENALTIES.

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

Section 1. Section 3211.5, subsection 2, paragraph m, Code 1993, is amended to read as follows:

m. Sets forth any and all conditions on which the service contract may be canceled ~~and any and all~~, the terms and conditions for the refund of any portion of the purchase price, the identity of the person primarily liable to provide any refund, and the identity of any other person liable to provide any portion of the refund.

Sec. 2. Section 3211.8, Code 1993, is amended to read as follows:

3211.8 EXEMPTION.

This chapter does not apply to a motor vehicle service contract issued by the manufacturer or importer of the motor vehicle covered by the service contract or to any ~~third-party administrator~~ third party acting in an administrative capacity on the manufacturer's behalf in connection with that service contract.

Sec. 3. Section 3211.12, Code 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 4. A motor vehicle service contract provider shall promptly deliver a written explanation to the service contract holder, describing the reasons for denying a claim or for the offer of a compromise settlement, based on all relevant facts or legal requirements and referring to applicable provisions of the service contract.

Sec. 4. Section 3211.14, Code 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 4. If an investigation provides reasonable evidence that a person violated this chapter or a rule adopted pursuant to this chapter, the commissioner may issue an order directed at the person to cease and desist from engaging in the act or practice resulting in the violation.

Sec. 5. NEW SECTION. 3211.16 VIOLATIONS.

1. A violation of this chapter or a rule adopted pursuant to this chapter is a violation of section 714.16, subsection 2, paragraph "a". The remedies and penalties provided by section 714.16, including but not limited to injunctive relief and civil penalties, apply to violations of this chapter.

2. If the commissioner believes that grounds exist for the criminal prosecution of persons subject to this chapter for violations of this chapter or any other law of this state, the commissioner may forward to the attorney general or the county attorney the grounds for the belief, including all evidence in the commissioner's possession, in order that the attorney general or the county attorney may proceed with the matter as deemed appropriate. At the request of the attorney general, the county attorney shall appear and prosecute the action when brought in the county served by the county attorney.

3. A person who willfully and knowingly violates this chapter or a rule adopted pursuant to this chapter is, upon conviction, guilty of a class "D" felony.

Sec. 6. Section 502.102, subsection 11, Code 1993, is amended to read as follows:

11. "Person" means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a trust, a fiduciary, an unincorporated organization, a government, or a political subdivision of a government.

Sec. 7. Section 502.208, subsection 2, Code 1993, is amended by striking the subsection and inserting in lieu thereof the following:

2. a. Except as provided in subsection 13 and section 502.207A, subsection 3, paragraph "g", a person who files a registration statement shall pay a filing fee of one-tenth of one percent of the proposed aggregate sales price of the securities to be offered to persons in this state pursuant to the registration statement. However, except as provided in paragraph "c", subsection 13, and section 502.207A, subsection 3, paragraph "g", the annual filing fee shall not be less than fifty dollars or more than one thousand dollars.

b. The administrator shall retain the filing fee even if the registration is withdrawn, denied, suspended, revoked, or abandoned.

c. A person who is a face-amount certificate company, open-end management investment company, or a unit investment trust, as defined in the Investment Company Act of 1940, shall initially register and annually renew a registration statement in this state for an indefinite amount or a fixed amount. The fixed amount must be for two hundred fifty thousand dollars. A registrant shall pay a filing fee when the statement is filed. If the registration statement amount is indefinite, the registrant shall pay a filing fee of one thousand dollars. If the registration statement amount is fixed, the registrant shall pay a filing fee of two hundred fifty dollars, and the following shall apply:

(1) The registrant shall file a sales report with the administrator or pay an additional filing fee of one thousand two hundred fifty dollars within ninety days after the registration statement's annual renewal date. If the registrant files a sales report with the administrator, the registrant shall pay an additional filing fee of one-tenth of one percent of the amount of securities sold in excess of two hundred fifty thousand dollars. The additional filing fee must be paid within ninety days after the registration statement's annual renewal date.

(2) The administrator shall order the registration of the additional securities effective retroactively as of the effective date of the registration statement that is being amended.

Sec. 8. Section 502.208, subsection 9, paragraph a, Code 1993, is amended to read as follows:

a. A registration statement shall remain effective for one year from its effective date unless it is renewed, extended, or amended by rule or order of the administrator. All outstanding securities of the same class as a registered security are considered to be registered for the purpose of any transaction by or on behalf of a person who is not the issuer, and who is not in control of the issuer or controlled by the issuer or under common control with the issuer, so long as the registration statement is effective, unless otherwise prescribed by order. A registration statement may not be withdrawn after its effective date if any of the securities has been sold in this state, unless permitted by rule or order of the administrator. A registration statement is not effective during the time a stop order is in effect under section 502.209. A registration statement which never became effective may be withdrawn without prejudice to the issuer upon request and for good cause as determined at the discretion of the administrator.

Sec. 9. Section 502.208, subsection 11, Code 1993, is amended by striking the subsection and inserting in lieu thereof the following:

11. Except for face-amount certificate companies, open-end management investment companies, and unit investment trusts, as defined by the Investment Company Act of 1940, registration statements may be amended during the registration period to increase the amount of registered securities to be offered for sale to persons in this state.

a. The amendment to the registration statement becomes effective on the date ordered by the administrator.

b. Filing fees shall be calculated as specified by subsection 2, paragraph "a", and subsection 13.

Sec. 10. Section 502.208, subsection 13, Code 1993, is amended by striking the subsection and inserting in lieu thereof the following:

13. a. With the exception of face-amount certificate companies, open-end management investment companies, and unit investment trusts, a registrant who sold securities to persons in this state in excess of the amount of securities registered in this state at the time of the sale may file an amendment to its registration statement to register the additional securities. The following requirements shall apply:

(1) If a registrant proposes to sell securities to persons in this state pursuant to a registration statement that is currently effective in this state in an amount that exceeds the amount registered in this state, the registrant must do both of the following:

(a) File an amendment to register the additional securities.

(b) Pay an additional filing fee in the same amount as specified by subsection 2, paragraph "a", as though the amendment constitutes a separate issue.

(2) If a registrant sold securities to persons in this state in excess of the amount registered in this state at that time, the registrant must do both of the following:

(a) File an amendment to register the additional securities.

(b) Pay an additional filing fee that is three times the amount specified in subsection 2, paragraph "a", as though the amendment constitutes a separate issue.

(3) The administrator may order the amendment effective retroactively as of the effective date of the registration statement that is being amended.

Sec. 11. Section 502.209, subsection 1, paragraphs 1 and j, Code 1993, are amended by striking the paragraphs and inserting in lieu thereof the following:

1. A person who is an issuer, correspondent, or applicant, as listed on the uniform application to register securities form known as "Form U-1", failed to pay the proper filing fee. The administrator may enter only a denial order pursuant to this paragraph, and shall vacate any such order when the deficiency has been corrected.

j. A person who is an issuer, correspondent, or applicant, as listed on the uniform application to register securities form known as "Form U-1", has abandoned the registration statement. The administrator may enter an order pursuant to this paragraph if a notice of abandonment is sent to the last known address of each person, and the person fails to take corrective action within the time specified by the administrator. The notice of abandonment shall state the reasons for the administrator's action, specify the corrective action required, and specify the time period for submitting a response. However, the time specified shall not be less than fifteen days.

Sec. 12. Section 502.209, subsection 1, Code 1993, is amended by adding the following new paragraph:

NEW PARAGRAPH. k. A person who is an issuer, correspondent, or applicant has failed to file a sales report with the administrator within ninety days after the registration statement's annual anniversary of its effectiveness or latest renewal.

Sec. 13. Section 502.209, subsection 3, Code 1993, is amended to read as follows:

3. The administrator may issue a summary order revoking, withdrawing, postponing, suspending, or denying the effectiveness of a registration statement pending a final determination of any proceeding under this section. Upon the entry of the order, the administrator shall promptly notify the persons who are the issuer, correspondent, and applicant or registrant, the issuer, and the person on whose behalf the securities are to be or have been offered by restricted certified mail, sent to the last known address of each person. The notice shall state that the order has been entered and of the reasons therefor for the administrator's action, and that the matter will be set down for a hearing within fifteen days after the receipt of a written request the matter will be set down for hearing, if the request is received by the administrator within fifteen days after receipt of the notice by the persons. The hearing shall be held within forty-five

~~days after the date of the notice of hearing unless continued by the administrative law judge for good cause with at least fifteen days' notice to the parties. If no hearing is requested and none is ordered, by the administrator, after notice of an opportunity for a hearing to each of the persons, may modify, extend, or vacate the order. If a hearing is not requested or ordered by the administrator, the order will remain in effect until it is modified or vacated by the administrator. If a hearing is requested or ordered, the administrator, after notice of and opportunity for hearing to each of the aforementioned persons, may modify or vacate the order or extend it until final determination.~~

Sec. 14. Section 502.302, subsection 5, Code 1993, is amended by striking the subsection.

Sec. 15. Section 502.304, subsection 1, Code 1993, is amended by adding the following new paragraph:

NEW PARAGRAPH. m. Does any of the following:

- (1) Has willfully violated the law of a foreign jurisdiction governing or regulating any aspect of the business of securities or banking.
- (2) Within the past five years, has been the subject of an action of a securities regulator of a foreign jurisdiction denying, revoking, or suspending the right to engage in the business of securities as a broker-dealer or agent.
- (3) Is the subject of an action of any securities exchange or self-regulatory organization operating under the authority of the securities regulator of a foreign jurisdiction suspending or expelling such person from membership in such exchange or self-regulatory organization.

Sec. 16. Section 502.603, subsection 1, paragraph c, Code 1993, is amended to read as follows:

c. Keep Notwithstanding chapter 22, keep confidential the information obtained in the course of an investigation. However, if the administrator determines that it is necessary or appropriate in the public interest or for the protection of investors, the administrator may share information with other securities administrators, regulatory authorities, or

governmental agencies or may publish information concerning a violation of this chapter or a rule or order under this chapter.

Sec. 17. Section 502.604A, unnumbered paragraph 1, Code 1993, is amended to read as follows:

If a person fails or refuses to file any statement or report or to produce any books, papers, correspondence, memoranda, agreements, or other documents or records, or to obey any subpoena issued by the administrator, the administrator may refer the matter to the attorney general, who, after notice may apply to a district court to enforce compliance. The court may order any or all of the following:

Sec. 18. Section 523C.12, Code 1993, is amended to read as follows:

523C.12 OPTIONAL EXAMINATION.

The commissioner or a designee of the commissioner may make an examination of the books and records of a service company, including copies of contracts and records of claims and expenditures, and verify its assets, liabilities, and reserves. The actual costs of the examination shall be borne by the service company.

Sec. 19. NEW SECTION. 523C.20 SERVICE OF PROCESS.

The commissioner shall be the agent for service of process upon a service company.

Sec. 20. NEW SECTION. 523C.21 CLAIM PROCEDURES.

A service company shall promptly provide a written explanation to the residential customer, describing the reasons for denying a claim or for the offer of a compromise settlement, based on all relevant facts or legal requirements and referring to applicable provisions of the residential service contract.

Sec. 21. CONDITIONAL IMPLEMENTATION -- PROVISIONS OF THE INVENTION DEVELOPMENT SERVICES ACT. Sections 523G.6, 523G.10, and 523G.11, relating to the duties and authority of the commissioner of insurance under the invention development services Act, shall only be implemented if and when the general assembly makes an appropriation of at least ten

thousand dollars and provides for the retention of one part-time clerk for a total of at least one-half full-time equivalent position devoted to the insurance division of the department of commerce for the implementation of those sections.

Sec. 22. INSTRUCTIONS TO CODE EDITOR. The Code editor shall reverse the order that section 523B.13, subsections 3 and 4, appear in the Code.

HAROLD VAN MAANEN
Speaker of the House

LEONARD L. BOSWELL
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2385, Seventy-fifth General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved March 31, 1994

TERRY E. BRANSTAD
Governor