

Substituted *Joe*
HF 2405 3-17-94
(P. 692)

(P. 500) 3-9-94 House Commerce
(P. 962) 3/20/94 Motion to Reconsider

FILED MAR 4 1994

SENATE FILE 2282

BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 2231)

(COMPANION TO LSB 3248HV)

Passed Senate, Date 3/8/94 (P. 569)

(P. 960)
Passed House, Date 3/29/94

Vote: Ayes 50 Nays 0

Vote: Ayes 76 Nays 21

Approved May 13, 1994

Passed 4-14-94
vote 96-0 (P. 1626)

A BILL FOR

1 An Act relating to the regulation of insurance including
2 provisions concerning the disclosure of confidential
3 information, the standard valuation of certain insurance
4 policies and contracts and annuities and endowments, and the
5 disclosure of certain transactions of insurers domiciled in
6 this state.

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

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

S.F. 2282

1 Section 1. NEW SECTION. 505.17 CONFIDENTIAL INFORMATION.

2 The disclosure of confidential information, administrative
3 or judicial orders which contain confidential information, or
4 information regarding other action of the division which is
5 not a public record subject to disclosure, to regulatory
6 officials from this or other states may be permitted by the
7 commissioner provided that those officials are subject to, or
8 agree to comply with, standards of confidentiality comparable
9 to those imposed on the commissioner.

10 Sec. 2. Section 508.36, subsection 1, Code 1993, is
11 amended to read as follows:

12 1. RESERVE VALUATION. The commissioner shall annually
13 value, or cause to be valued, the reserve liabilities
14 ~~(hereinafter-called-reserves)~~, referred to in this section as
15 reserves, for all outstanding life insurance policies and
16 annuity and pure endowment contracts of every life insurance
17 company doing business in this state, ~~except-that-in-the-case~~
18 ~~of-an-alien-company,-such-valuation-shall-be-limited-to-its~~
19 ~~United-States-business,~~ and may certify the amount of any such
20 reserves, specifying the mortality table or tables, rate or
21 rates of interest, ~~and methods-{the net level premium method~~
22 ~~or other}~~ methods used in the calculation of such reserves.
23 In calculating such the reserves, the commissioner may use
24 group methods and approximate averages for fractions of a year
25 or otherwise. ~~For-the-purpose-of-making-such-valuation-the~~
26 ~~commissioner-may-employ-a-competent-actuary-who-shall-be-paid~~
27 ~~by-the-company-for-which-the-service-is-rendered,-but-a~~
28 ~~domestic-company-may-make-such-valuation-and-it-shall-be~~
29 ~~received-by-the-commissioner-upon-satisfactory-proof-of-its~~
30 ~~correctness.~~ In lieu of the valuation of the reserves herein
31 required in this section of any foreign or alien company, the
32 commissioner may accept any valuation made, or caused to be
33 made, by the insurance supervisory official of any state or
34 other jurisdiction when such valuation complies with the
35 minimum standard herein provided for in this section and if

1 the official of such state or jurisdiction accepts as
2 sufficient and valid for all legal purposes the certificate of
3 valuation of the commissioner when such certificate states the
4 valuation to have been made in a specified manner according to
5 which the aggregate reserves would be at least as large as if
6 they had been computed in the manner prescribed by the law of
7 that state or jurisdiction.

8 ~~Any such company which at any time shall have adopted any~~
9 ~~standard of valuation producing greater aggregate reserves~~
10 ~~than those calculated according to the minimum standard herein~~
11 ~~provided may, with the approval of the commissioner, adopt any~~
12 ~~lower standard of valuation, but not lower than the minimum~~
13 ~~herein provided.~~

14 Sec. 3. Section 508.36, subsection 2, Code 1993, is
15 amended by striking the subsection and inserting in lieu
16 thereof the following:

17 2. ACTUARIAL OPINION OF RESERVES. This subsection is
18 effective January 1, 1996.

19 a. GENERAL. A life insurance company doing business in
20 this state shall annually submit the written opinion of a
21 qualified actuary as to whether the reserves and related
22 actuarial items held in support of the policies and contracts
23 specified by the commissioner by regulation are computed
24 appropriately, are based on assumptions which satisfy
25 contractual provisions, are consistent with prior reported
26 amounts, and are in compliance with applicable laws of this
27 state. The commissioner shall define by rule the requirements
28 and content of this opinion and add any other items deemed to
29 be necessary.

30 b. ACTUARIAL ANALYSIS OF RESERVES AND ASSETS SUPPORTING
31 SUCH RESERVES.

32 (1) Unless exempted by rule, a life insurance company
33 shall also annually include in the opinion required by
34 paragraph "a", an opinion of the same qualified actuary as to
35 whether the reserves and related actuarial items held in

1 support of policies and contracts specified by the
2 commissioner by rule, when considered with respect to the
3 assets held by the company associated with the reserves and
4 related actuarial items, including, but not limited to, the
5 investment earnings on the assets and the considerations
6 anticipated to be received and retained under the policies and
7 contracts, are sufficient for the company's obligations under
8 the policies and contracts, including but not limited to the
9 benefits under and expenses associated with the policies and
10 contracts.

11 (2) The commissioner may provide by rule for a transition
12 period for establishing any higher reserves which the
13 qualified actuary may deem necessary in order to render the
14 opinion required by this section.

15 c. REQUIREMENTS FOR ACTUARIAL ANALYSIS. An opinion
16 required by paragraph "b" shall be governed by the following
17 provisions:

18 (1) A memorandum, in form and substance acceptable to the
19 commissioner as specified by rule, shall be prepared to
20 support each actuarial opinion.

21 (2) If the insurance company fails to provide a supporting
22 memorandum at the request of the commissioner within a period
23 specified by rule or the commissioner determines that the
24 supporting memorandum provided by the insurance company fails
25 to meet the standards prescribed by the regulations or is
26 otherwise unacceptable to the commissioner, the commissioner
27 may engage a qualified actuary at the expense of the company
28 to review the opinion and the basis for the opinion and
29 prepare such supporting memorandum as is required by the
30 commissioner.

31 d. REQUIREMENT FOR ALL OPINIONS. An opinion required
32 under this section is governed by the following provisions:

33 (1) The opinion shall be submitted with the annual
34 statement reflecting the valuation of such reserve liabilities
35 for each year ending on or after December 31, 1995.

1 (2) The opinion shall apply to all business in force,
2 including individual and group health insurance plans, in form
3 and substance acceptable to the commissioner as specified by
4 rule.

5 (3) The opinion shall be based on standards adopted from
6 time to time by the actuarial standards board and on such
7 additional standards as the commissioner may by rule
8 prescribe.

9 (4) In the case of an opinion required to be submitted by
10 a foreign or alien company, the commissioner may accept the
11 opinion filed by that company with the insurance supervisory
12 official of another state if the commissioner determines that
13 the opinion reasonably meets the requirements applicable to a
14 company domiciled in this state.

15 (5) For the purposes of this section, "qualified actuary"
16 means a member in good standing of the American academy of
17 actuaries who meets the requirements of the commissioner as
18 specified by rule.

19 (6) Except in cases of fraud or willful misconduct, a
20 qualified actuary is not liable for damages to any person,
21 other than to the insurance company and the commissioner, for
22 any act, error, omission, decision, or conduct with respect to
23 the actuary's opinion.

24 (7) Disciplinary action which may be taken by the
25 commissioner against the company or the qualified actuary
26 shall be defined in rules adopted by the commissioner.

27 (8) Any memorandum in support of the opinion, and any
28 other material provided by the company to the commissioner in
29 connection with the opinion, shall be kept confidential by the
30 commissioner and shall not be made public and shall not be
31 subject to subpoena, other than for the purpose of defending
32 an action seeking damages from any person by reason of any
33 action required by this section or by rules adopted pursuant
34 to this section. Notwithstanding this subparagraph, the
35 memorandum or other material may be released by the

1 commissioner if either of the following apply:

2 (a) The commissioner receives the written consent of the
3 company with which the opinion is associated.

4 (b) The American academy of actuaries requests that the
5 memorandum or other material is required for the purpose of
6 professional disciplinary proceedings and setting forth
7 procedures satisfactory to the commissioner for preserving the
8 confidentiality of the memorandum or other material. Once any
9 portion of the confidential memorandum is cited by the company
10 in its marketing, is cited before any governmental agency
11 other than a state insurance department, or is released by the
12 company to the news media, all portions of the confidential
13 memorandum are no longer confidential.

14 3. COMPUTATIONS OF MINIMUM STANDARDS. Except as otherwise
15 provided in subsections 4, 5, and 12, the minimum standard for
16 the valuation of all such policies and contracts issued prior
17 to July 1, 1994, shall be that provided by the laws in effect
18 immediately prior to such date. Except as otherwise provided
19 in subsections 4, 5, and 12, the minimum standard for the
20 valuation of all such policies and contracts shall be the
21 commissioner's reserve valuation methods defined in
22 subsections 6, 7, 10, and 11, five percent interest for group
23 annuity and pure endowment contracts and three and one-half
24 percent interest for all other policies and contracts, or in
25 the case of policies and contracts, other than annuity and
26 pure endowment contracts, issued on or after July 1, 1974,
27 four percent interest for such policies issued prior to
28 January 1, 1980, five and one-half percent interest for single
29 premium life insurance policies and four and one-half percent
30 interest for all other such policies issued on and after
31 January 1, 1980, and the following tables:

32 a. For all ordinary policies of life insurance issued on
33 the standard basis, excluding any disability and accidental
34 death benefits in the policies, the following:

35 (1) The commissioners 1941 standard ordinary mortality

1 table for policies issued prior to the operative date of
2 section 508.37, subsection 5, paragraph "a".

3 (2) The commissioners 1958 standard ordinary mortality
4 table for such policies issued on or after the operative date
5 of section 508.37, subsection 5, paragraph "c", provided that
6 for any category of policies issued on female risks, all
7 modified net premiums and present values referred to in this
8 section may be calculated according to an age not more than
9 six years younger than the actual age of the insured.

10 (3) For policies issued on or after the operative date of
11 section 508.37, subsection 5, paragraph "c", any of the
12 following:

13 (a) The commissioners 1980 standard ordinary mortality
14 table.

15 (b) At the election of the company for any one or more
16 specified plans of life insurance, the commissioners 1980
17 standard ordinary mortality table with ten-year select
18 mortality factors.

19 (c) Any ordinary mortality table, adopted after 1980 by
20 the national association of insurance commissioners, that is
21 approved by rule adopted by the commissioner for use in
22 determining the minimum standard of valuation for such
23 policies.

24 b. For all industrial life insurance policies issued on
25 the standard basis, excluding any disability and accidental
26 death benefits in the policies, the following:

27 (1) For policies issued prior to the operative date of
28 section 508.37, subsection 5, paragraph "b", the 1941 standard
29 industrial mortality table.

30 (2) For policies issued on or after the operative date of
31 section 508.37, subsection 5, paragraph "b", the commissioners
32 1961 standard industrial mortality table, or any industrial
33 mortality table adopted after 1980 by the national association
34 of insurance commissioners, that is approved by rule adopted
35 by the commissioner for use in determining the minimum

1 standard of valuation for such policies.

2 c. For individual annuity and pure endowment contracts,
3 excluding any disability and accidental death benefits in such
4 policies the 1937 standard annuity mortality table or, at the
5 option of the company, the annuity mortality table for 1949,
6 ultimate, or any modification of either of these tables
7 approved by the commissioner.

8 d. For group annuity and pure endowment contracts,
9 excluding any disability and accidental death benefits in such
10 policies, the group annuity mortality table for 1951, or a
11 modification of the table approved by the commissioner, or at
12 the option of the company, any of the tables or modifications
13 of tables specified for individual annuity and pure endowment
14 contracts.

15 e. For total and permanent disability benefits in or
16 supplementary to ordinary policies or contracts, the
17 following:

18 (1) For policies or contracts issued on or after January
19 1, 1966, the tables of period 2 disablement rates and the 1930
20 to 1950 termination rates of the 1952 disability study of the
21 society of actuaries, with due regard to the type of benefit,
22 or any tables of disablement rates and termination rates
23 adopted after 1980 by the national association of insurance
24 commissioners and approved by rule adopted by the commissioner
25 for use in determining the minimum standard of valuation for
26 such policies.

27 (2) For policies or contracts issued on or after January
28 1, 1961, and prior to January 1, 1966, either of the tables
29 identified under subparagraph (1), or at the option of the
30 company, the class (3) disability table (1926).

31 (3) For policies issued prior to January 1, 1961, the
32 class (3) disability table (1926).

33 A table used under this paragraph "e" shall, for active
34 lives, be combined with a mortality table permitted for
35 calculating the reserves for life insurance policies.

1 f. For accidental death benefits in or supplementary to
2 policies, the following:

3 (1) For policies issued on or after January 1, 1966, the
4 1959 accidental death benefits table, or any accidental death
5 benefits table adopted after 1980 by the national association
6 of insurance commissioners and approved by rule adopted by the
7 commissioner for use in determining the minimum standard of
8 valuation for such policies.

9 (2) For policies issued on or after January 1, 1961, and
10 prior to January 1, 1966, either of the tables identified
11 under subparagraph (1), or at the option of the company, the
12 inter-company double indemnity mortality table.

13 (3) For policies issued prior to January 1, 1961, the
14 inter-company double indemnity mortality table.

15 A table used under this paragraph "f" shall be combined
16 with a mortality table for calculating the reserves for life
17 insurance policies.

18 g. For group life insurance, life insurance issued on the
19 substandard basis, and other special benefits, tables approved
20 by the commissioner.

21 4. COMPUTATION FOR MINIMUM STANDARDS FOR ANNUITIES.

22 Except as provided in subsection 5, the minimum standard for
23 the valuation of all individual annuity and pure endowment
24 contracts issued on or after the operative date of this
25 subsection, and for all annuities and pure endowments
26 purchased on or after the operative date of this subsection
27 under group annuity and pure endowment contracts, shall be the
28 commissioner's reserve valuation methods defined in
29 subsections 6 and 7, and the following tables and interest
30 rates:

31 a. For individual annuity and pure endowment contracts
32 issued prior to January 1, 1980, excluding any disability and
33 accidental death benefits in such contracts, both of the
34 following:

35 (1) The 1971 individual annuity mortality table, or any

1 modification of this table approved by the commissioner.

2 (2) Six percent interest for single premium immediate
3 annuity contracts, and four percent interest for all other
4 individual annuity and pure endowment contracts.

5 b. For individual single premium immediate annuity
6 contracts issued on or after January 1, 1980, excluding any
7 disability and accidental death benefits in such contracts,
8 both of the following:

9 (1) One of the following tables:

10 (a) The 1971 individual annuity mortality table.

11 (b) An individual annuity mortality table, adopted after
12 1980 by the national association of insurance commissioners
13 and approved by rule adopted by the commissioner for use in
14 determining the minimum standard of valuation for such
15 contracts.

16 (c) A modification of the tables identified in
17 subparagraph subdivisions (a) and (b) approved by the
18 commissioner.

19 (2) Seven and one-half percent interest.

20 c. For individual annuity and pure endowment contracts
21 issued on or after January 1, 1980, other than single premium
22 immediate annuity contracts, excluding any disability and
23 accidental death benefits in such contracts, both of the
24 following:

25 (1) One of the following tables:

26 (a) The 1971 individual annuity mortality table.

27 (b) An individual annuity mortality table adopted after
28 1980 by the national association of insurance commissioners
29 and approved by rule adopted by the commissioner for use in
30 determining the minimum standard of valuation for such
31 contracts.

32 (c) A modification of the tables identified in
33 subparagraph subdivisions (a) and (b) approved by the
34 commissioner.

35 (2) Five and one-half percent interest for single premium

1 deferred annuity and pure endowment contracts and four and
2 one-half percent interest for all other such individual
3 annuity and pure endowment contracts.

4 d. For all annuities and pure endowments purchased prior
5 to January 1, 1980, under group annuity and pure endowment
6 contracts, excluding any disability and accidental death
7 benefits purchased under such contracts, both of the
8 following:

9 (1) The 1971 group annuity mortality table or any
10 modification of this table approved by the commissioner.

11 (2) Six percent interest.

12 e. For all annuities and pure endowments purchased on or
13 after January 1, 1980, under group annuity and pure endowment
14 contracts, excluding any disability and accidental death
15 benefits purchased under such contracts, both of the
16 following:

17 (1) One of the following tables:

18 (a) The 1971 group annuity mortality table.

19 (b) A group annuity mortality table adopted after 1980 by
20 the national association of insurance commissioners and
21 approved by rule adopted by the commissioner for use in
22 determining the minimum standard of valuation for such
23 annuities and pure endowments.

24 (c) A modification of the tables identified in
25 subparagraph subdivisions (a) and (b) approved by the
26 commissioner.

27 (2) Seven and one-half percent interest.

28 After July 1, 1973, a company may file with the
29 commissioner a written notice of its election to comply with
30 the provisions of this subsection after a specified date
31 before January 1, 1979, which shall be the operative date of
32 this section for such company, provided, if a company makes no
33 election, the effective date of this section for a company is
34 January 1, 1979.

35 5. COMPUTATION OF MINIMUM STANDARD BY CALENDAR YEAR OF

1 ISSUE.

2 a. APPLICABILITY OF THIS SUBSECTION. The calendar year
3 statutory valuation interest rates, as defined in this
4 subsection, shall be used in determining the minimum standard
5 for the valuation of all of the following:

6 (1) All life insurance policies issued in a particular
7 calendar year, on or after the operative date of section
8 508.37, subsection 5, paragraph "c".

9 (2) All individual annuity and pure endowment contracts
10 issued in a particular calendar year on or after January 1,
11 1995.

12 (3) All annuities and pure endowments purchased in a
13 particular calendar year on or after January 1, 1995, under
14 group annuity and pure endowment contracts.

15 (4) The net increase, if any, in a particular calendar
16 year on or after January 1, 1995, in amounts held under
17 guaranteed interest contracts.

18 b. CALENDAR YEAR STATUTORY VALUATION INTEREST RATES.

19 (1) The calendar year statutory valuation interest rates,
20 referred to in this paragraph as "I", shall be determined as
21 follows and the results rounded to the nearer one-quarter of
22 one percent:

23 (a) For life insurance,

24
$$I = .03 + W(R_1 - .03) + W(R_2 - .09),$$

25 where R_1 is the lesser of R and $.09$, R_2 is the greater of R
26 and $.09$, R is the reference interest rate defined in paragraph
27 "d" of this subsection, and W is the weighting factor defined
28 in paragraph "c" of this subsection.

29 (b) For single premium immediate annuities and for annuity
30 benefits involving life contingencies arising from other
31 annuities with cash settlement options and from guaranteed
32 interest contracts with cash settlement options,

33
$$I = .03 + W(R - .03),$$

34 where R_1 is the lesser of R and $.09$, R_2 is the greater of R

1 and .09, R is the reference interest rate defined in paragraph
2 "d" of this subsection, and W is the weighting factor defined
3 in paragraph "c" of this subsection.

4 (c) For other annuities with cash settlement options and
5 guaranteed interest contracts with cash settlement options,
6 valued on an issue year basis, except as stated in
7 subparagraph subdivision (b), the formula for life insurance
8 stated in subparagraph subdivision (a) applies to annuities
9 and guaranteed interest contracts with guarantee durations in
10 excess of ten years, and the formula for single premium
11 immediate annuities stated in subparagraph subdivision (b)
12 applies to annuities and guaranteed interest contracts with
13 guarantee durations of ten years or less.

14 (d) For other annuities with no cash settlement options
15 and for guaranteed interest contracts with no cash settlement
16 options, the formula for single premium immediate annuities
17 stated in subparagraph subdivision (b) applies.

18 (e) For other annuities with cash settlement options and
19 guaranteed interest contracts with cash settlement options,
20 valued on a change in fund basis, the formula for single
21 premium immediate annuities stated in subparagraph subdivision
22 (b) applies.

23 (2) However, if the calendar year statutory valuation
24 interest rate for any life insurance policies issued in any
25 calendar year determined under subparagraph (1), subparagraph
26 subdivision (a) without reference to this sentence differs
27 from the corresponding actual rate for similar policies issued
28 in the immediately preceding calendar year by less than one-
29 half of one percent, the calendar year statutory valuation
30 interest rate for the life insurance policies is equal to the
31 corresponding actual rate for the immediately preceding
32 calendar year. For purposes of applying the immediately
33 preceding sentence, the calendar year statutory valuation
34 interest rate for life insurance policies issued in a calendar
35 year shall be determined for 1980, using the reference

1 interest rate defined in 1979, and shall be determined for
2 each subsequent calendar year regardless of the operative date
3 of section 508.37, subsection 5, paragraph "c".

4 c. WEIGHTING FACTORS.

5 (1) The weighting factors referred to in paragraph "b" are
6 given in the following tables:

7 (a) Weighting Factors for Life Insurance:

8 Guarantee Duration (Years)	Weighting Factors
9 10 or less	.50
10 More than 10, but not more than 20	.45
11 More than 20	.35

12 For life insurance, the guarantee duration is the maximum
13 number of years the life insurance can remain in force on a
14 basis guaranteed in the policy or under options to convert to
15 plans of life insurance with premium rates or nonforfeiture
16 values or both which are guaranteed in the original policy.

17 (b) The weighting factors for single premium immediate
18 annuities and for annuity benefits involving life
19 contingencies arising from other annuities with cash
20 settlement options and guaranteed interest contracts with cash
21 settlement options is .80.

22 (c) Weighting factors for other annuities and for
23 guaranteed interest contracts, except as stated in
24 subparagraph subdivision (b), shall be as specified in
25 subparagraph subdivision parts (i), (ii) and (iii) of this
26 subparagraph subdivision, according to the rules and
27 definitions in subparagraph subdivision parts (iv), (v), and
28 (vi) of this subparagraph subdivision:

29 (i) For annuities and guaranteed interest contracts valued
30 on an issue year basis:

31 Guarantee Duration (Years)	Weighting Factor		
	for Plan Type		
	A	B	C
32 5 or less	.80	.60	.50
33 More than 5, but not more than 10	.75	.60	.50

1	More than 10, but not more than 20	.65	.50	.45
2	More than 20	.45	.35	.35

3 (ii) For annuities and guaranteed interest contracts
 4 valued on a change in fund basis, the factors shown in
 5 subparagraph subdivision part (i) of this subparagraph
 6 subdivision increased by:

7		Plan Type		
8		A	B	C
9		.15	.25	.05

10 (iii) For annuities and guaranteed interest contracts
 11 valued on an issue-year basis, other than those with no cash
 12 settlement options, which do not guarantee interest on
 13 considerations received more than one year after issue or
 14 purchase and for annuities and guaranteed interest contracts
 15 valued on a change in fund basis which do not guarantee
 16 interest rates on considerations received more than twelve
 17 months beyond the valuation date, the factors shown in
 18 subparagraph subdivision part (i) of this subparagraph
 19 subdivision or derived in subparagraph subdivision part (ii)
 20 of this subparagraph subdivision increased by:

21		Plan Type		
22		A	B	C
23		.05	.05	.05

24 (iv) For other annuities with cash settlement options and
 25 guaranteed interest contracts with cash settlement options,
 26 the guarantee duration is the number of years for which the
 27 contract guarantees interest rates in excess of the calendar
 28 year statutory valuation interest rate for life insurance
 29 policies with guarantee durations in excess of twenty years.
 30 For other annuities with no cash settlement options and for
 31 guaranteed interest contracts with no cash settlement options,
 32 the guarantee duration is the number of years from the date of
 33 issue or date of purchase to the date annuity benefits are
 34 scheduled to commence.

35 (v) "Plan type", as used in subparagraph subdivision parts

1 (i), (ii), and (iii) of this subparagraph subdivision, is
2 defined as follows:

3 "Plan Type A": At any time, the policyholder may withdraw
4 funds only with an adjustment to reflect changes in interest
5 rates or asset values since receipt of the funds by the
6 insurance company, or may withdraw funds without that
7 adjustment but in installments over five years or more, or may
8 withdraw funds as in immediate life annuity; or no withdrawal
9 is permitted.

10 "Plan Type B": Before expiration of the interest rate
11 guarantee, the policyholder may withdraw funds only with an
12 adjustment to reflect changes in interest rates or asset
13 values since receipt of the funds by the insurance company, or
14 may withdraw funds without that adjustment but in installments
15 over five years or more; or no withdrawal is permitted. At
16 the end of interest rate guarantee, funds may be withdrawn
17 without adjustment in a single sum or installments over less
18 than five years.

19 "Plan Type C": The policyholder may withdraw funds before
20 expiration of interest rate guarantee in a single sum or
21 installments over less than five years either without
22 adjustment to reflect changes in interest rates or asset
23 values since receipt of the funds by the insurance company, or
24 subject only to a fixed surrender charge stipulated in the
25 contract as a percentage of the fund.

26 (vi) A company may elect to value guaranteed interest
27 contracts with cash settlement options and annuities with cash
28 settlement options on either an issue-year basis or on a
29 change-in-fund basis. Guaranteed interest contracts with no
30 cash settlement options and other annuities with no cash
31 settlement options must be valued on an issue-year basis. As
32 used in this section, an issue-year basis of valuation refers
33 to a valuation basis under which the interest rate used to
34 determine the minimum valuation standard for the entire
35 duration of the annuity or guaranteed interest contract is the

1 calendar year valuation interest rate for the year of issue or
2 year of purchase of the annuity or guaranteed interest
3 contract, and the change-in-fund basis of valuation refers to
4 a valuation basis under which the interest rate used to
5 determine the minimum valuation standard applicable to each
6 change in the fund held under the annuity or guaranteed
7 interest contract is the calendar year valuation interest rate
8 for the year of the change in the fund.

9 d. REFERENCE INTEREST RATE. The reference interest rate
10 referred to in paragraph "b" is defined as follows:

11 (1) For all life insurance, the lesser of the average over
12 a period of thirty-six months and the average over a period of
13 twelve months, ending on June 30 of the calendar year next
14 preceding the year of issue, of the monthly average of the
15 composite yield on seasoned corporate bonds, as published by
16 moody's investors service, inc.

17 (2) For single premium immediate annuities and for annuity
18 benefits involving life contingencies arising from other
19 annuities with cash settlement options and guaranteed interest
20 contracts with cash settlement options, the average over a
21 period of twelve months, ending on June 30 of the calendar
22 year of issue or year of purchase, of the monthly average of
23 the composite yield on seasoned corporate bonds, as published
24 by moody's investors service, inc.

25 (3) For other annuities with cash settlement options and
26 guaranteed interest contracts with cash settlement options,
27 valued on an issue-year basis, except as stated in
28 subparagraph (2), with guarantee duration in excess of ten
29 years, the lesser of the average over a period of thirty-six
30 months and the average over a period of twelve months, ending
31 on June 30 of the calendar year of issue or purchase, of the
32 monthly average of the composite yield on seasoned corporate
33 bonds, as published by moody's investors service, inc.

34 (4) For other annuities with cash settlement options and
35 guaranteed interest contracts with cash settlement options,

1 valued on an issue-year basis, except as stated in
2 subparagraph (2), with guarantee duration of ten years or
3 less, the average over a period of twelve months, ending on
4 June 30 of the calendar year of issue or purchase, of the
5 monthly average of the composite yield on seasoned corporate
6 bonds, as published by moody's investors service, inc.

7 (5) For other annuities with no cash settlement options
8 and for guaranteed interest contracts with no cash settlement
9 options, the average over a period of twelve months, ending on
10 June 30 of the calendar year of issue or purchase, of the
11 monthly average of the composite yield on seasoned corporate
12 bonds, as published by moody's investors service, inc.

13 (6) For other annuities with cash settlement options and
14 guaranteed interest contracts with cash settlement options,
15 valued on a change-in-fund basis, except as stated in
16 subparagraph (2), the average over a period of twelve months,
17 ending on June 30 of the calendar year of the change in the
18 fund, of the monthly average of the composite yield on
19 seasoned corporate bonds, as published by moody's investors
20 service, inc.

21 e. ALTERNATIVE METHOD FOR DETERMINING REFERENCE INTEREST
22 RATES. In the event that the monthly average of the composite
23 yield on seasoned corporate bonds is no longer published by
24 moody's investors service, inc., or in the event that the
25 national association of insurance commissioners determines
26 that the monthly average of the composite yield on seasoned
27 corporate bonds as published by moody's investors service,
28 inc. is no longer appropriate for the determination of the
29 reference interest rate, an alternative method for
30 determination of the reference interest rate, which is adopted
31 by the national association of insurance commissioners and
32 approved by rule adopted by the commissioner, may be
33 substituted.

34 6. RESERVE VALUATION METHOD -- LIFE INSURANCE AND
35 ENDOWMENT BENEFITS.

1 a. Except as otherwise provided in subsections 7, 10, and
2 12, reserves calculated according to the commissioner's
3 reserve valuation method, for the life insurance and endowment
4 benefits of policies providing for a uniform amount of
5 insurance and requiring the payment of uniform premiums, shall
6 be the excess, if any, of the present value, at the date of
7 valuation, of future guaranteed benefits provided for by such
8 policies, over the present value, at the date of valuation, of
9 any future modified net premiums for such policies. The
10 modified net premiums for such policy is the uniform
11 percentage of the respective contract premiums for the
12 benefits such that the present value, at the date of issue of
13 the policy, of all modified net premiums shall be equal to the
14 sum of the present value, at the date of valuation, of such
15 benefits provided for by the policy and the excess of the
16 amount determined in subparagraph (1) over the amount
17 determined in subparagraph (2), as follows:

18 (1) A net level annual premium equal to the present value
19 at the date of issue, of the benefits provided for after the
20 first policy year, divided by the present value at the date of
21 issue, of an annuity of one per annum payable on the first,
22 and each subsequent, anniversary of the policy on which a
23 premium falls due. However, the net level annual premium
24 shall not exceed the net level annual premium on the nineteen-
25 year premium whole life plan for insurance of the same amount
26 at an age one year more than the age of the insured at issue
27 of the policy.

28 (2) A net one-year term premium for the benefits provided
29 for in the first policy year.

30 b. However, for a life insurance policy issued on or after
31 January 1, 1998, for which the contract premium in the first
32 policy year exceeds that of the second year and for which no
33 comparable additional benefit is provided in the first year
34 for such additional premium and which provides an endowment
35 benefit or a cash surrender value or a combination of such

1 benefit or value in an amount greater than the additional
2 premium, the reserve according to the commissioner's reserve
3 valuation method as of any policy anniversary occurring on or
4 before the assumed ending date defined as the first policy
5 anniversary on which the sum of any endowment benefit and any
6 cash surrender value then available is greater than such
7 additional premium shall be, except as otherwise provided in
8 subsection 10, the greater of the reserve as of such policy
9 anniversary calculated as described in paragraph "a" and the
10 reserve as of such policy anniversary calculated as described
11 in paragraph "a", but with the following modifications:

12 (i) The value defined in paragraph "a" being reduced by
13 fifteen percent of the amount of such excess first year
14 premium.

15 (ii) All present values of benefits and premiums being
16 determined without reference to premiums or benefits provided
17 for by the policy after the assumed ending date.

18 (iii) The policy being assumed to mature on such date as
19 an endowment.

20 (iv) The cash surrender value provided on such date being
21 considered as an endowment benefit.

22 In making the above comparison the mortality and interest
23 bases stated in subsections 4 and 5 shall be used.

24 c. Reserves according to the commissioner's reserve
25 valuation method shall be calculated pursuant to a method
26 consistent with this subsection for all of the following:

27 (1) Life insurance policies providing for a varying amount
28 of insurance or requiring the payment of varying premiums.

29 (2) Group annuity and pure endowment contracts purchased
30 under a retirement plan or plan of deferred compensation
31 established or maintained by an employer, including a
32 partnership or sole proprietorship, or by an employee
33 organization, or by both, other than a plan providing
34 individual retirement accounts or individual retirement
35 annuities under section 408 of the Internal Revenue Code.

1 (3) Disability and accidental death benefits in all
2 policies and contracts.

3 (4) All other benefits, except life insurance and
4 endowment benefits in life insurance policies and benefits
5 provided by all other annuity and pure endowment contracts.

6 7. RESERVE VALUATION METHOD -- ANNUITY AND PURE ENDOWMENT
7 BENEFITS. This subsection applies to all annuity and pure
8 endowment contracts other than group annuity and pure
9 endowment contracts purchased under a retirement plan or plan
10 of deferred compensation established or maintained by an
11 employer, including a partnership or sole proprietorship, or
12 by an employee organization, or by both, other than a plan
13 providing individual retirement accounts or individual
14 retirement annuities under section 408 of the Internal Revenue
15 Code.

16 Reserves according to the commissioner's annuity reserve
17 method for benefits under annuity or pure endowment contracts,
18 excluding any disability and accidental death benefits in such
19 contracts, shall be the greatest of the respective excesses of
20 the present values, at the date of valuation, of the future
21 guaranteed benefits, including guaranteed nonforfeiture
22 benefits, provided for by such contracts at the end of each
23 respective contract year, over the present value, at the date
24 of valuation, of any future valuation considerations derived
25 from future gross considerations, required by the terms of
26 such contract, that become payable prior to the end of such
27 respective contract year. The future guaranteed benefits
28 shall be determined by using the mortality table, if any, and
29 the interest rate or rates, specified in such contracts for
30 determining guaranteed benefits. The valuation considerations
31 are the portions of the respective gross considerations
32 applied under the terms of such contracts to determine
33 nonforfeiture values.

34 8. MINIMUM RESERVES.

35 a. A company's aggregate reserves for all life insurance

1 policies, excluding disability and accidental death benefits,
2 the operative date of section 508.37, shall not be less than
3 the aggregate reserves calculated in accordance with the
4 methods set forth in subsections 6, 7, 10, and 11, and the
5 mortality table or tables and rate or rates of interest used
6 in calculating nonforfeiture benefits for such policies.

7 b. A company's aggregate reserves for all policies,
8 contracts, and benefits shall not be less than the aggregate
9 reserves determined by the qualified actuary to be necessary
10 to render the opinion required by subsection 2.

11 9. OPTIONAL RESERVE CALCULATION. Reserves for all
12 policies and contracts issued prior to the operative date of
13 section 508.37, may be calculated, at the option of the
14 company, according to any standards which produce greater
15 aggregate reserves for all such policies and contracts than
16 the minimum reserves required prior to July 1, 1994.

17 Reserves for any category of policies, contracts, or
18 benefits, as established by the commissioner, issued on or
19 after the operative date of section 508.37, may be calculated,
20 at the option of the company, according to any standards which
21 produce greater aggregate reserves for such category than
22 those calculated according to the minimum standard as provided
23 in this section, but the rate or rates of interest used for
24 policies and contracts, other than annuity and pure endowment
25 contracts, shall not be higher than the corresponding rate or
26 rates of interest used in calculating any nonforfeiture
27 benefits as provided in this section.

28 A company which at any time adopts a standard of valuation
29 producing greater aggregate reserves than those calculated
30 according to the minimum standard as provided in this section
31 may adopt, with the approval of the commissioner, any lower
32 standard of valuation, not to be lower than the minimum as
33 provided in this section, provided, however, that, for
34 purposes of this section, the holding of additional reserves
35 previously determined by a qualified actuary to be necessary

1 to render the opinion required by subsection 2 shall not be
2 deemed to be the adoption of a higher standard of valuation.

3 10. RESERVE CALCULATION -- VALUATION NET PREMIUM EXCEEDING
4 THE GROSS PREMIUM CHARGE.

5 a. If in any contract year the gross premium charged by a
6 life insurance company on a policy or contract is less than
7 the valuation net premium for the policy or contract, as
8 calculated by the method used in calculating the reserve for
9 such policy or contract but using the minimum valuation
10 standards of mortality and rate of interest, the minimum
11 reserve required for such policy or contract is the greater of
12 either the reserve calculated according to the mortality
13 table, rate of interest, and method actually used for such
14 policy or contract, or the reserve calculated by the method
15 actually used for such policy or contract but using the
16 minimum valuation standards of mortality and rate of interest
17 and replacing the valuation net premium by the actual gross
18 premium in each contract year for which the valuation net
19 premium exceeds the actual gross premium. The minimum
20 valuation standards of mortality and rate of interest referred
21 to in this section are those standards established in
22 subsections 4 and 5.

23 b. However, for any life insurance policy issued on or
24 after January 1, 1998, for which the gross premium in the
25 first policy year exceeds that of the second year and for
26 which no comparable additional benefit is provided in the
27 first year for such excess and which provides an endowment
28 benefit or a cash surrender value, or a combination of such
29 benefit and value, in an amount greater than the excess
30 premium, the provisions of paragraph "a" apply as if the
31 method actually used in calculating the reserve for such
32 policy is the method established in subsection 6, excluding
33 paragraph "b" of that subsection. The minimum reserve of the
34 policy at each policy anniversary shall be the greater of the
35 minimum reserve calculated pursuant to subsection 6 and the

1 minimum reserve calculated in accordance with this subsection.

2 11. RESERVE CALCULATION -- INDETERMINATE PREMIUM PLANS.

3 In the case of any plan of life insurance which provides for
4 future premium determination, the amounts of such premium
5 which are to be determined by the insurance company based on
6 estimates of future experience, or in the case of any plan of
7 life insurance or annuity, the minimum reserves of which
8 cannot be determined by the methods established in subsections
9 6, 7, and 10, the reserves which are held under the plan must
10 be appropriate in relation to the benefits and the pattern of
11 premiums for that plan, and shall be computed by a method
12 which is consistent with this section, as determined by rules
13 adopted by the commissioner.

14 12. MINIMUM STANDARDS FOR HEALTH (DISABILITY, ACCIDENT,
15 AND SICKNESS) PLANS. The commissioner shall adopt rules
16 containing the minimum standards applicable to the valuation
17 of health, disability, and sickness and accident plans.

18 Sec. 4. Section 521C.2, subsection 8, paragraph c, Code
19 1993, is amended to read as follows:

20 c. An underwriting manager who, pursuant to contract,
21 manages all or part of the reinsurance operations of the
22 reinsurer, who is under common control with the reinsurer,
23 subject to chapter 521A relating to the regulation of
24 insurance holding company systems, and who is not compensated
25 based upon the volume of premiums written.

26 Sec. 5. Section 521C.11, Code 1993, is amended to read as
27 follows:

28 521C.11 PENALTIES AND LIABILITIES.

29 1. A reinsurance intermediary, ~~insurer, or reinsurer~~ or
30 other person found by the commissioner, after a hearing
31 conducted in accordance with chapter 17A, to be ~~in violation~~
32 of have not materially complied with a provision of this
33 chapter is subject to one or more of the following:

34 a. For each separate violation, a civil penalty in an
35 amount not exceeding ~~ten~~ five thousand dollars.

1 b. Revocation or suspension of the license of the
2 reinsurance intermediary.

3 ~~c. -- If a violation was committed by the reinsurance
4 intermediary, a civil action brought by the commissioner
5 seeking restitution by the reinsurance intermediary to the
6 insurer, reinsurer, rehabilitator, or liquidator of the
7 insurer or reinsurer for the net losses incurred by the
8 insurer or reinsurer attributable to the violation.~~

9 If the commissioner finds that such noncompliance has
10 resulted in a loss or damage to the insurer or reinsurer, the
11 commissioner may bring a civil action on behalf of the insurer
12 or reinsurer, and the policyholders and creditors of the
13 insurer or reinsurer, seeking the recovery of compensatory
14 damages for the benefit of the insurer or reinsurer, and the
15 policyholders and creditors of the insurer or reinsurer, or
16 seeking other relief as appropriate.

17 If an order of rehabilitation or liquidation has been
18 entered pursuant to chapter 507C, and the receiver appointed
19 under the order determines that the reinsurance intermediary
20 or any other person has not materially complied with a
21 provision of this chapter and such noncompliance has resulted
22 in a loss or damage to the insurer or reinsurer, the receiver
23 may bring a civil action on behalf of the insurer or reinsurer
24 seeking the recovery of damages for the benefit of the insurer
25 or reinsurer, or seeking other appropriate sanction or relief.

26 2. A decision, determination, or order of the commissioner
27 made or entered pursuant to subsection 1 is subject to
28 judicial review pursuant to chapter 17A.

29 3. This section does not affect the right of the
30 commissioner to impose any other penalties provided in this
31 subtitle.

32 4. This chapter shall not in any manner limit or restrict
33 the rights of policyholders, claimants, creditors, or other
34 third parties, or confer any rights to such persons.

35 Sec. 6. NEW SECTION. 521D.1 TITLE.

1 This chapter shall be known and may be cited as the
2 "Disclosure of Material Transactions Act".

3 Sec. 7. NEW SECTION. 521D.2 REPORT.

4 1. An insurer domiciled in this state shall file a report
5 with the commissioner disclosing material acquisitions and
6 dispositions of assets, or material nonrenewals,
7 cancellations, or revisions of ceded reinsurance agreements
8 unless such acquisitions and dispositions of assets, or
9 material nonrenewals, cancellations, or revisions of ceded
10 reinsurance agreements have been submitted to the commissioner
11 for review, approval, or information purposes pursuant to
12 other provisions of this subtitle or pursuant to other
13 requirements. The report shall be filed not later than
14 fifteen days after the end of the calendar year in which the
15 material acquisition or disposition of assets, or material
16 nonrenewal, cancellation, or revision of ceded reinsurance
17 agreements occurs.

18 2. The insurer shall also file a copy of the report
19 required to be filed with the commissioner pursuant to
20 subsection 1, including any exhibits or other attachments
21 filed as part of the report, with the national association of
22 insurance commissioners.

23 3. All reports obtained by or disclosed to the
24 commissioner and the national association of insurance
25 commissioners pursuant to this chapter are confidential and
26 shall not be subject to subpoena and shall not be made public
27 by the commissioner, the national association of insurance
28 commissioners, or any other person without the prior written
29 consent of the insurer to which it pertains, unless the
30 commissioner, after giving such insurer notice and providing
31 an opportunity to be heard, determines that the interest of
32 policyholders, shareholders, or the public will be served by
33 the publication or disclosure of the report, in which event
34 the commissioner may publish or disclose all or any part of
35 the report as deemed appropriate.

1 Notwithstanding this subsection, the commissioner or the
2 national association of insurance commissioners may provide
3 the report to the insurance regulatory agencies of other
4 states.

5 Sec. 8. NEW SECTION. 521D.3 REPORT OF ACQUISITION AND
6 DISPOSITION OF ASSETS -- INFORMATION REQUIRED -- SCOPE.

7 1. An acquisition or disposition of assets need not be
8 reported pursuant to section 521D.2 if the acquisition or
9 disposition is not material. For purposes of this chapter, a
10 material acquisition, or the aggregate of any series of
11 related acquisitions, or a disposition, or the aggregate of
12 any series of related dispositions, during any thirty-day
13 period, is one that is nonrecurring, is not in the ordinary
14 course of business, and involves more than five percent of the
15 reporting insurer's total admitted assets as reported in its
16 most recent statutory statement filed with the insurance
17 division of the insurer's state of domicile.

18 2. For purposes of this chapter, an asset acquisition
19 includes every purchase, lease, exchange, merger,
20 consolidation, succession, or other acquisition, other than
21 the construction or development of real property by or for the
22 reporting insurer or the acquisition of materials for such
23 purpose. For purposes of this chapter, an asset disposition
24 includes every sale, lease, exchange, merger, consolidation,
25 mortgage, hypothecation, assignment, whether for the benefit
26 of creditors or otherwise, abandonment, destruction, or other
27 disposition.

28 3. A report of a material acquisition or disposition of
29 assets shall include all of the following:

- 30 a. Date of the transaction.
31 b. Manner of the acquisition or disposition.
32 c. Description of the assets involved.
33 d. Nature and amount of the consideration given or
34 received.
35 e. Purpose of, or reason for, the transaction.

1 f. Manner by which the amount of consideration was
2 determined.

3 g. Gain or loss recognized or realized as a result of the
4 transaction.

5 h. Name or names of the person or persons from whom the
6 assets were acquired or to whom they were disposed.

7 4. An insurer is required to report material acquisitions
8 and dispositions on a nonconsolidated basis unless the insurer
9 is part of a consolidated group of insurers which utilizes a
10 pooling arrangement or one hundred percent reinsurance
11 agreement that affects the solvency and integrity of the
12 insurer's reserves, and such insurer ceded substantially all
13 of its direct and assumed business to the pool. An insurer is
14 deemed to have ceded substantially all of its direct and
15 assumed business to a pool if the insurer has less than one
16 million dollars total direct plus assumed written premiums
17 during a calendar year that are not subject to a pooling
18 arrangement, and the net income of the business not subject to
19 the pooling arrangement represents less than five percent of
20 the insurer's capital and surplus.

21 Sec. 9. NEW SECTION. 521D.4 REPORT OF NONRENEWAL,
22 CANCELLATION, REVISION OF CEDED REINSURANCE AGREEMENTS --
23 INFORMATION REQUIRED -- SCOPE.

24 1. A nonrenewal, cancellation, or revision of a ceded
25 reinsurance agreement need not be reported pursuant to section
26 521D.2 if the nonrenewal, cancellation, or revision is not
27 material. For purposes of this chapter, a material
28 nonrenewal, cancellation, or revision of a ceded reinsurance
29 agreement is one that does the following:

30 a. For property and casualty business including accident
31 and health business when written as such, affects more than
32 fifty percent of an insurer's ceded written premium on an
33 annualized basis as indicated in the insurer's most recently
34 filed statutory statement.

35 b. For life, annuity, and accident and health business,

1 affects more than fifty percent of the total reserve credit
2 taken for business ceded on an annualized basis as indicated
3 in the insurer's most recently filed statutory statement.

4 2. Notwithstanding subsection 1, a filing is not required
5 if the insurer's ceded written premium represents, on an
6 annualized basis, less than ten percent of direct plus assumed
7 written premium, or the total reserve credit taken for
8 business ceded represents, on an annualized basis, less than
9 ten percent of the statutory reserve requirement prior to any
10 cession.

11 3. A report required to be filed pursuant to this chapter
12 is to be filed regardless of who has initiated the nonrenewal,
13 cancellation, or revision of the ceded reinsurance agreement
14 whenever one or more of the following conditions exist:

15 a. The entire cession has been canceled, nonrenewed, or
16 revised and ceded indemnity and loss adjustment expense
17 reserves, after any nonrenewal, cancellation, or revision,
18 represent less than fifty percent of the comparable reserves
19 that would have been ceded had the nonrenewal, cancellation,
20 or revision not occurred.

21 b. An authorized or accredited reinsurer has been replaced
22 on an existing cession by an unauthorized reinsurer.

23 c. Collateral requirements previously established for
24 unauthorized reinsurers have been reduced.

25 4. A report of a material nonrenewal, cancellation, or
26 revision of a ceded reinsurance agreement required to be filed
27 shall include all of the following:

28 a. The effective date of the nonrenewal, cancellation, or
29 revision.

30 b. The description of the transaction including the
31 identification of the initiator of the transaction.

32 c. The purpose of, or reason for, the transaction.

33 d. The identity of the replacement reinsurers, if
34 applicable.

35 5. Insurers are required to report all material

1 nonrenewals, cancellations, or revisions of ceded reinsurance
2 agreements on a nonconsolidated basis unless the insurer is
3 part of a consolidated group of insurers which utilizes an
4 intercompany pooling agreement or arrangement or a one hundred
5 percent reinsurance agreement under which the ceding company
6 has ceded substantially one hundred percent of its direct and
7 assumed business to a pool. An insurer is deemed to have
8 ceded substantially one hundred percent of its direct and
9 assumed business to a pool if the insurer has less than one
10 million dollars of total direct plus assumed written premiums
11 during a calendar year that are not subject to the pooling
12 agreement or arrangement and the net income of the business
13 not subject to the pooling agreement or arrangement represents
14 less than five percent of the insurer's capital and surplus.
15 If a group of insurers reports on a consolidated basis, the
16 report shall identify the individual insurers that are members
17 of the group.

18 EXPLANATION

19 This bill relates to insurance regulation and includes
20 provisions relating to the release of confidential
21 information, the standard valuation of certain insurance
22 policies and contracts and annuities and endowments, and the
23 disclosure of certain transactions of insurers domiciled in
24 this state.

25 New section 505.17 is created which provides that
26 disclosure of confidential information, administrative or
27 judicial orders which are closed, or other action of the
28 division which is not an open record, to other state
29 regulatory officials may be permitted by the commissioner if
30 those officials are subject to, or agree to comply with,
31 standards of confidentiality comparable to those imposed on
32 the commissioner.

33 Sections 2 and 3 amend the standard valuation provisions
34 related to life insurance policies and contracts, and annuity
35 and endowment contracts.

1 Sections 4 and 5 amend provisions relating to reinsurance
2 intermediaries. Section 521C.2, subsection 8, is amended to
3 provide that an underwriting manager who manages part of the
4 reinsurance operations of a reinsurer and who is under common
5 control with the reinsurer, is not a reinsurance intermediary-
6 manager. Currently, only an underwriting manager who manages
7 all of the reinsurance operations of the reinsurer and who is
8 under common control with the reinsurer is excluded from the
9 definition of a reinsurance intermediary-manager.

10 Sections 6 through 9 create a new chapter 521D which
11 requires the disclosure of certain material transactions.

12 Section 521D.1 establishes the title of the chapter.

13 Section 521D.2 requires an insurer domiciled in this state
14 to file a report with the commissioner and the national
15 association of insurance commissioners disclosing material
16 acquisitions and dispositions of assets, or material
17 nonrenewals, cancellations, or revisions of ceded reinsurance
18 agreements unless such acquisitions and dispositions of
19 assets, or material nonrenewals, cancellations, or revisions
20 of ceded reinsurance agreements have been submitted to the
21 commissioner for review, approval, or information purposes
22 pursuant to other provisions.

23 Section 521D.3 provides that a report of acquisition and
24 disposition of assets need not be filed if the acquisition or
25 disposition is not material. The section also sets forth the
26 information which must be included in such report.

27 Section 521D.4 provides that a report of a nonrenewal,
28 cancellation, or revision of a ceded reinsurance agreement
29 need not be filed if the nonrenewal, cancellation, or revision
30 of the ceded reinsurance agreement is not material. The
31 section also sets forth the information which must be included
32 in such report.

33

34

35

SENATE FILE 2282

H-5715

1 Amend Senate File 2282, as passed by the Senate, as
2 follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. Section 505.7, subsection 1, Code
6 Supplement 1993, is amended to read as follows:

7 1. All fees and charges which are required by law
8 to be paid by insurance companies, and associations,
9 and other regulated entities shall be payable to the
10 commissioner of the insurance division of the
11 department of commerce or department of revenue and
12 finance, as provided by law, whose duty it shall be to
13 account for and pay over the same to the treasurer of
14 state at the time and in the manner provided by law
15 for deposit in the general fund of the state.

16 Sec. _____. Section 505.7, Code Supplement 1993, is
17 amended by adding the following new subsection:

18 NEW SUBSECTION. 8. The commissioner may assess
19 the costs of an audit or examination to a health
20 insurance purchasing cooperative, in the same manner
21 as provided for insurance companies under sections
22 507.7 through 507.9, and may establish by rule
23 reasonable filing fees to fund the cost of regulatory
24 oversight.

25 Sec. _____. Section 505.8, Code 1993, is amended by
26 adding the following new subsection:

27 NEW SUBSECTION. 6. The commissioner shall
28 supervise all health insurance purchasing cooperatives
29 providing services or operating within the state and
30 the organization of domestic cooperatives. The
31 commissioner may admit nondomestic health insurance
32 purchasing cooperatives under the same standards as
33 domestic cooperatives."

34 2. Page 1, by inserting after line 9 the
35 following:

36 "Sec. _____. NEW SECTION. 505.20 HEALTH ACCOUNTING
37 STANDARDS -- DUTIES OF COMMISSIONER.

38 The commissioner, in conjunction with the community
39 health management information system established in
40 chapter 144C, if enacted by the Seventy-fifth General
41 Assembly, shall adopt rules establishing health
42 accounting standards to be enforced statewide. The
43 community health management information system board
44 shall propose accounting standards for cost and
45 quality to the commissioner for approval. The
46 commissioner shall enforce the standards in
47 conjunction with the community health management
48 information system board.

49 Sec. 101. NEW SECTION. 505.21 HEALTH CARE ACCESS
50 -- DUTIES OF COMMISSIONER -- PENALTIES.

H-5715

-1-

H-5715

Page 2

1 1. The commissioner shall adopt rules establishing
2 a requirement that an employer provide access to
3 health care to the employees of the employer. The
4 rules shall provide that an employer doing business
5 within this state shall offer each employee, at a
6 minimum, access to health insurance. The requirement
7 contained in this section may be satisfied by offering
8 any of the following:

9 a. Health care coverage through an insurer or
10 health maintenance organization authorized to do
11 business in this state.

12 b. Access to health benefits through a health
13 benefits plan qualified under the federal Employee
14 Retirement Income Security Act of 1974.

15 c. Enrollment in an Iowa-licensed health insurance
16 purchasing cooperative. A cooperative may require
17 payroll deduction of employee contributions and direct
18 deposit of premium payments to the account of the
19 cooperative.

20 2. An employer is not required to financially
21 contribute toward the employee's health plan.

22 3. A violation of this section may be reported to
23 the consumer and legal affairs bureau in the insurance
24 division. The division may issue, upon a finding that
25 an employer has failed to offer an employee access to
26 health insurance, any of the following:

27 a. A cease and desist order instructing the
28 employer to cure the failure and desist from future
29 violations of this section.

30 b. An order requiring an employer who has
31 previously been the subject of a cease and desist
32 order to pay an employee's reasonable health insurance
33 premiums necessary to prevent or cure a lapse in
34 health care coverage arising out of the employer's
35 failure to offer as required.

36 c. An order upon the employer assessing the
37 reasonable costs of the division's investigation and
38 enforcement action."

39 3. Page 23, by inserting after line 17 the
40 following:

41 "Sec. ____ . Section 513B.2, subsection 16, Code
42 Supplement 1993, is amended to read as follows:

43 16. "Small employer" means a person actively
44 engaged in business who, on at least fifty percent of
45 the employer's working days during the preceding year,
46 employed not less than two and not more than ~~twenty-~~
47 five fifty full-time equivalent eligible employees.
48 In determining the number of eligible employees,
49 companies which are affiliated companies or which are
50 eligible to file a combined tax return for purposes of

E-5715

H-5715

Page 3

1 state taxation are considered one employer.

2 Sec. _____. Section 513B.4, Code Supplement 1993, is
3 amended by adding the following new subsection:

4 NEW SUBSECTION. 1A. Notwithstanding subsection 1,
5 there shall be no variance in premium rates for a
6 basic or standard benefit plan offered pursuant to
7 this chapter for health status or claim experience.

8 Sec. _____. Section 513B.4, subsection 2, unnumbered
9 paragraph 2, Code Supplement 1993, is amended by
10 striking the paragraph and inserting in lieu thereof
11 the following:

12 Case characteristics other than age, geographic
13 area, family composition, and group size shall not be
14 used by a small employer carrier without the prior
15 approval of the commissioner. Case characteristics
16 which may be used with the prior approval of the
17 commissioner include but are not limited to health
18 choices.

19 Sec. _____. Section 513B.4, Code Supplement 1993, is
20 amended by adding the following new subsection:

21 NEW SUBSECTION. 5. Notwithstanding subsection 1,
22 the commissioner, with the concurrence of the board of
23 the Iowa small employer health reinsurance program
24 established in section 513B.13, may by order reduce or
25 eliminate the allowed rating bands provided under
26 subsection 1, paragraphs "a", "b", and "c", or
27 otherwise limit or eliminate the use of experience
28 rating."

29 4. Page 29, by inserting after line 17 the
30 following:

31 "Sec. _____. Section 101 of this Act, which creates
32 new section 505.21, relating to health care access, is
33 effective January 1, 1995."

34 5. Title page, line 6, by inserting after the
35 word "state" the following: ", and providing an
36 effective date".

37 6. By renumbering as necessary.

By HALVORSON of Clayton
HAVERLAND of Polk
PLASIER of Sioux

H-5715 FILED MARCH 25, 1994

*adapted 4-14-94
(P. 1625)*

SENATE FILE 2282

H-5421

1 Amend Senate File 2282, as passed by the Senate, as
2 follows:

3 1. Page 3, line 25, by striking the word
4 "regulations" and inserting the following: "rules".

5 2. Page 5, by striking line 8 and inserting the
6 following: "confidentiality of the memorandum or
7 other material.

8 Once any".

9 3. Page 11, by striking lines 24 and 25 and
10 inserting the following:

11 "W
12 I equals .03 + W(R1-.03) + $\frac{1}{2}$ (R2-.09),".

13 4. Page 28, by inserting after line 24 the
14 following:

15 "Subject to the materiality criteria, for purposes
16 of paragraphs "b" and "c", a report shall be filed if
17 the result of the revision affects more than ten
18 percent of the session."

By HALVORSON of Clayton

H-5421 FILED MARCH 16, 1994

adopted
3-17-94
(p.693)

SENATE FILE 2282

H-5756

1 Amend Senate File 2282, as passed by the Senate, as
2 follows:

3 1. Page 23, by inserting after line 17 the fol-
4 lowing:

5 "Sec. ____ . Section 513B.2, subsection 12,
6 unnumbered paragraph 1, Code Supplement 1993, is
7 amended to read as follows:

8 "Late enrollee" means an eligible employee or
9 dependent who requests enrollment in a health benefit
10 plan of a small employer following the initial
11 enrollment period for which such individual is
12 entitled to enroll under the terms of the health
13 benefit plan, provided the initial enrollment period
14 is a period of at least thirty one hundred eighty
15 days. An eligible employee or dependent shall not be
16 considered a late enrollee if any of the following
17 apply:

18 Sec. ____ . Section 513B.2, subsection 12, paragraph
19 a, subparagraph (3), Code Supplement 1993, is amended
20 to read as follows:

21 (3) The individual requests enrollment within
22 thirty one hundred eighty days after termination of
23 the qualifying previous coverage.

24 Sec. ____ . Section 513B.2, subsection 12, paragraph
25 c, Code Supplement 1993, is amended to read as
26 follows:

27 c. A court has ordered that coverage be provided
28 for a spouse or minor or dependent child under a
29 covered employee's health benefit plan and the request
30 for enrollment is made within thirty one hundred
31 eighty days after issuance of the court order."

32 2. Renumber as necessary.

By MURPHY of Dubuque

H-5756 FILED MARCH 28, 1994

414-94 (P. 1626)
WITHDRAWN

SENATE FILE 2282

H-5735

1 Amend the amendment, H-5715, to Senate File 2282,
2 as passed by the Senate as follows:

3 1. Page 3, by striking lines 15 through 18 and
4 inserting the following: "approval of the
5 commissioner."

By HALVORSON of Clayton
HAVERLAND of Polk
PLASIER of Sioux

H-5735 FILED MARCH 28, 1994

Adopted 4-14-94

(P. 1625)

SENATE FILE 2282

H-5755

1 Amend Senate File 2282, as passed by the Senate, as
2 follows:

3 1. Page 23, by inserting after line 17 the
4 following:

5 "Sec. ____ . Section 513B.10, subsection 3,
6 paragraph a, unnumbered paragraph 1, Code Supplement
7 1993, is amended to read as follows:

8 The plan shall not deny, exclude, or limit
9 benefits for a covered individual for losses incurred
10 more than ~~twelve~~ six months following the effective
11 date of the individual's coverage due to a preexisting
12 condition. A health benefit plan shall not define a
13 preexisting condition more restrictively than the
14 following:

15 Sec. ____ . Section 513B.37, subsection 1, paragraph
16 a, Code Supplement 1993, is amended to read as
17 follows:

18 a. What benefits or direct pay requirements must
19 be minimally included in a basic or standard benefit
20 coverage policy or subscription contract.

21 Sec. ____ . Section 513B.38, Code Supplement 1993,
22 is amended by adding the following new subsection:

23 NEW SUBSECTION. 4. Upon the determination of the
24 commissioner pursuant to section 513B.37, subsection
25 1, paragraph "a", to include expanded preventative
26 care services and mental health and substance abuse
27 treatment coverage, the commissioner shall do all of
28 the following:

29 a. Adopt by rule, with all due diligence,
30 requirements for the provision of expanded coverage
31 for benefits for expanded preventative care services.

32 b. Adopt by rule, with all due diligence,
33 requirements for the provision of coverage for
34 benefits for mental health and substance abuse
35 services, which shall be on the same terms and
36 conditions as such coverage is provided for other
37 illnesses and diseases."

38 2. Renumber as necessary.

By HAMMOND of Story

H-5755 FILED MARCH 28, 1994

WITHDRAWN

4-14-94 (p. 1626)

SENATE FILE 2282

H-5799

1 Amend the amendment, H-5715, to Senate File 2282,
2 as passed by the Senate, as follows:

3 1. Page 3, line 31, by striking the word "'Sec."
4 and inserting the following:

5 "'Sec. ____ . UNIVERSAL COVERAGE -- DUTIES OF
6 GENERAL ASSEMBLY.

7 1. The general assembly shall provide for
8 universal health care benefit coverage by no later
9 than January 1, 1998.

10 a. Coverage shall include, at a minimum, all of
11 the following benefits:

12 (1) Preventative health services.

13 (2) Hospital services.

14 (3) Physician services.

15 (4) Services provided by other licensed providers,
16 including essential community providers.

17 (5) Long-term care, including home care aide
18 services and community-based services.

19 (6) Prescriptions and biologicals.

20 (7) Dental.

21 (8) Mental health and substance abuse services,
22 which shall be provided the same as benefits for
23 physical illness.

24 b. The general assembly shall do all of the
25 following:

26 (1) Develop budget and expenditure targets for
27 health care spending.

28 (2) Establish limits on insurance administrative
29 costs.

30 (3) Review single payor, managed competition, and
31 other structures for administering health benefit
32 coverages.

33 (4) Develop other health cost containment
34 mechanisms that ensure accessibility to quality,
35 affordable health care by all Iowans.

36 Additionally, the general assembly shall examine
37 and evaluate, as part of the study of health care cost
38 containment, the benefits of establishing a single
39 mandatory, nonprofit health insurance purchasing
40 cooperative for all Iowans, granted the authority to
41 negotiate premium limits with insurers and managed
42 care plans.

43 c. The general assembly shall develop a fair and
44 appropriate financing mechanism for providing the
45 comprehensive set of such benefits included as
46 provided in paragraph "a", which may include a level
47 of contribution by each employer, and the
48 identification of additional funding sources
49 sufficient to allow for the development of sliding
50 scale subsidies for businesses with low-wage workers,

H-5799

H-5799

Page 2

- 1 self-employed individuals, and other persons.
- 2 Sec."
- 3 2. By renumbering as necessary.

By HAMMOND of Story

H-5799 FILED MARCH 29, 1994

out of order 4/14/94 (p. 1625)

SENATE FILE 2282

H-5804

- 1 Amend the amendment, H-5715, to Senate File 2282,
- 2 as passed by the Senate, as follows:
- 3 1. Page 3, by striking lines 15 through 18 and
- 4 inserting the following: "approval of the
- 5 commissioner."

By GILL of Woodbury

H-5804 FILED MARCH 29, 1994

out of order 4-14-94 (p. 1625)

SENATE FILE 2282

H-5805

1 Amend the amendment, H-5715, to Senate File 2282,
2 as passed by the Senate as follows:
3 1. Page 3, line 28, by striking the word
4 "rating." and inserting the following: "rating.
5 Sec. ____ . NEW SECTION. 514I.1 NONPROFIT HEALTH
6 INSURANCE PURCHASING COOPERATIVES.
7 1. The commissioner of insurance shall adopt rules
8 and a licensing procedure for authorizing the
9 establishment of a nonprofit health insurance
10 purchasing cooperative. The rules shall include, at a
11 minimum, all of the following:
12 a. Procedures to sanction voluntary agreements
13 between competitors within the service region of a
14 nonprofit health insurance purchasing cooperative,
15 upon a finding by the commissioner that the agreement
16 will improve the quality of, access to, or
17 affordability of health care, but which agreement
18 might be a violation of antitrust laws if undertaken
19 without government direction and approval.
20 b. Procedures to assure ongoing supervision of
21 contracts sanctioned under this subsection, in order
22 to assure that the contracts do in fact improve health
23 care quality, access, or affordability. Approval may
24 be withdrawn on a prospective basis at the discretion
25 of the commissioner if necessary to improve health
26 care quality, access, and affordability.
27 c. A requirement to review the plan of operation
28 of a nonprofit health insurance purchasing
29 cooperative, and standards for approval or disapproval
30 of a plan.
31 d. A requirement that a plan of operation include
32 guaranteed access and rating practices no more
33 restrictive than those required of competitors within
34 a market segment, such as small group health insurers
35 regulated under chapter 513B, or individual or large
36 group insurers regulated under chapter 514A or 514D.
37 The commissioner shall regulate all health plans and
38 nonprofit health insurance purchasing cooperatives to
39 assure that to the greatest extent possible all health
40 insurance or health benefit marketing channels within
41 a market segment are subject to the same rules of
42 access, underwriting, risk spreading, and rate
43 regulation.
44 e. A requirement that the nonprofit health
45 insurance purchasing cooperative be governed by a
46 board of directors consisting of twelve members,
47 including seven members who are consumers.
48 f. A requirement that the members of the board of
49 directors be free of conflicts of interest and that
50 the members of the board file an annual financial

H-5805

-1-

H-5805

Page 2

- 1 disclosure report with the commissioner.
2 g. A requirement that the board of directors
3 conduct all meetings of the board pursuant to chapter
4 21.
5 h. A requirement that the nonprofit health
6 insurance purchasing cooperative shall have a consumer
7 ombudsman whose exclusive duties shall be to assist
8 and advocate for subscribers enrolled in the
9 cooperative.
10 i. An annual report to be submitted to the general
11 assembly no later than February 1, describing the
12 operations of all nonprofit health insurance
13 purchasing cooperatives, and permitting review of the
14 success of nonprofit health insurance purchasing
15 cooperatives in furthering the goals of improved
16 health care quality, access, or affordability. The
17 report shall include any recommendations on whether
18 additional nonprofit health insurance purchasing
19 cooperatives should be established.
20 2. This section does not prevent the development
21 of any other health insurance or pooled purchasing
22 arrangements otherwise permitted by law.
23 3. This section and rules adopted pursuant to this
24 section are intended to provide immunity from federal
25 antitrust law under the state action doctrine
26 exemption.""
27 2. By renumbering as necessary.

By JOCHUM of Dubuque

H-5805 FILED MARCH 29, 1994

WITHDRAWN
4-14-94 (P. 1625)

SENATE FILE 2282

H-5812

- 1 Amend the amendment, H-5715, to Senate File 2282,
2 as passed by the Senate, as follows:
3 1. Page 3, line 24, by striking the word "may"
4 and inserting the following: "shall".

By HAMMOND of Story
HAVERLAND of Polk

H-5812 FILED MARCH 29, 1994

WITHDRAWN
4-14-94
(P. 1625)

SENATE FILE 2282

H-5819

1 Amend the amendment, H-5715, to Senate File 2282,
2 as passed by the Senate, as follows:
3 1. Page 2, by striking lines 6 and 7, and
4 inserting the following: "minimum, access to health
5 insurance. The employer shall satisfy this
6 requirement by enrolling in a health insurance
7 purchasing cooperative licensed to do business in this
8 state, if one is available. The employer may also
9 offer, and, if a health insurance purchasing
10 cooperative is not available, satisfy the requirement
11 of this section by offering".

By HAVERLAND of Polk

H-5819 FILED MARCH 29, 1994

WITHDRAWN
4-14-94

SENATE FILE 2282

H-5820

1 Amend the amendment, H-5715, to Senate File 2282,
2 as passed by the Senate, as follows:
3 1. Page 2, line 6, by inserting after the word
4 "insurance." the following:
5 "The rules shall provide that a managed care health
6 plan or indemnity plan with a limited provider network
7 shall provide patients direct access to providers
8 licensed under chapter 148, 150, 150A, or 151. Access
9 to such provider shall not be made conditional upon a
10 referral by a provider licensed under another chapter.
11 Referral to a specialist may be conditioned upon
12 referral by a primary care provider licensed under the
13 same chapter. Access to a class of providers licensed
14 under one chapter shall not be subject to a copayment,
15 deductible, or premium rate different than provided
16 for access to a class of providers licensed under
17 another chapter. Access to a specialist may be
18 subject to a different copayment or deductible than
19 access to a primary care provider. Access to a
20 nonparticipating provider may be restricted; may be
21 subject to different copayments, deductibles, or
22 premium rates; or may be excluded. For purposes of
23 this section, "managed care health plan or indemnity
24 plan with a limited provider network" means a health
25 maintenance organization, accountable health plan,
26 preferred provider organization, exclusive provider
27 organization, point of service plan, or similar health
28 plan."

By SCHRADER of Marion
BERNAU of Story

H-5820 FILED MARCH 29, 1994

WITHDRAWN

4-14-94

SENATE FILE 2282

H-5789

1 Amend the amendment, H-5715, to Senate File 2282,
 2 as passed by the Senate, as follows:
 3 1. Page 2, line 38, by striking the word
 4 "action." and inserting the following: "action."
 5 4. The insurance division shall annually provide a
 6 written report to the general assembly beginning
 7 January 1, 1995, which evaluates the effects of this
 8 section on providing universal coverage for all
 9 Iowans. If the division determines that the state has
 10 not achieved a level of individuals without health
 11 care coverage of less than three percent of total
 12 population through voluntary means by June 30, 1999,
 13 the division shall make recommendations for the
 14 implementation of and a financing mechanism for a
 15 requirement that all individuals in this state procure
 16 and maintain health care coverage for themselves and
 17 their dependents."

By HAVERLAND of Polk

H-5789 FILED MARCH 29, 1994

adopted 4-14-94
(P. 1425)

SENATE FILE 2282

H-5790

1 Amend the amendment, H-5715, to Senate File 2282,
 2 as passed by the Senate, as follows:
 3 1. Page 2, by striking lines 15 through 21 and
 4 inserting the following:
 5 "2. An employer may financially contribute toward
 6 the employee's health benefit plan. The employer
 7 shall offer payroll deduction of employee
 8 contributions and direct deposit of premium payments
 9 related to a health insurance purchasing cooperative
 10 or other health care coverage."

By HAVERLAND of Polk

H-5790 FILED MARCH 29, 1994

adopted 4-14-94
(P. 1624)

SENATE FILE 2282

H-5796

1 Amend the amendment, H-5715, to Senate File 2282,
 2 as passed by the Senate, as follows:
 3 1. Page 3, lines 12 and 13, by striking the words
 4 "age, geographic area, family composition," and
 5 inserting the following: "family composition".

By HARPER of Black Hawk
 NELSON of Pottawattamie
 WEIGEL of Chickasaw

H-5796 FILED MARCH 29, 1994

WVACCTW

WITHDRAWN

4-14-94

SENATE FILE 2282

H-5856

1 Amend the amendment, H-5715, to Senate File 2282,
 2 as passed by the Senate, as follows:
 3 1. Page 1, line 5, by striking the word and
 4 figure "Section 1" and inserting the following:
 5 "Section 101. Section 422.7, Code Supplement 1993,
 6 is amended by adding the following new subsection:
 7 NEW SUBSECTION. 29. Subtract, to the extent not
 8 otherwise deducted in computing adjusted gross income,
 9 the amount of medical expenses, not reimbursed by
 10 insurance or otherwise, spent for the taxpayer or
 11 taxpayer's spouse or dependent.
 12 Sec. 102. section 422.9, subsection 2, unnumbered
 13 paragraph 1, Code 1993, is amended to read as follows:
 14 The total of contributions, interest, taxes,
 15 ~~medical-expense~~, nonbusiness losses, miscellaneous
 16 expenses and moving expenses deductible for federal
 17 income tax purposes under the Internal Revenue Code,
 18 with the following adjustments:
 19 Sec. ____."
 20 2. Page 3, by inserting after line 28 the
 21 following:
 22 " ____ . Page 29, by inserting after line 17 the
 23 following:
 24 "Sec. ____ . MEDICAL EXPENSE DEDUCTION. Sections
 25 101 and 102 of this Act, which amend section 422.7 by
 26 adding a new subsection 29 and section 422.9, take
 27 effect upon enactment and apply retroactively to
 28 January 1, 1994, for tax years beginning on or after
 29 that date.""

By MERTZ of Kossuth
 WEIGEL of Chickasaw

H-5856 FILED MARCH 30, 1994

not germane 4-14-94
 (P 1624)

SENATE FILE 2282

H-6008

1 Amend the Senate File 2282, as passed by the Senate
 2 as follows:
 3 1. Page 23, by inserting after line 17 the
 4 following:
 5 "Sec. ____ . Section 515A.13, Code 1993, is amended
 6 by adding the following new subsection:
 7 NEW SUBSECTION. 5. PROHIBITED RELEASE. A person
 8 other than the commissioner or the commissioner's
 9 designee shall not release to another person, other
 10 than to the servicing insurer of the policy or to the
 11 commissioner or the commissioner's designee,
 12 experience, payroll, loss data, expiration date of a
 13 policy, or classification information without the
 14 prior written approval of the policy holder. A
 15 violation of this section shall be considered an
 16 unfair trade practice pursuant to chapter 507B."
 17 2. By renumbering as necessary.

By HALVORSON of Clayton

H-6008 FILED APRIL 6, 1994

adopted 4-14-94

SENATE FILE 2282

H-6042

1 Amend the amendment, H-5715, to Senate File 2282,
2 as passed by the Senate as follows:

3 1. Page 3, line 28, by striking the word
4 "rating." and inserting the following: "rating.

5 Sec. ____ . NEW SECTION. 514I.1 NONPROFIT HEALTH
6 INSURANCE PURCHASING COOPERATIVES.

7 1. The commissioner of insurance shall adopt rules
8 and a licensing procedure for authorizing the
9 establishment of nonprofit health insurance purchasing
10 cooperatives. The rules shall include, at a minimum,
11 all of the following:

12 a. Procedures to sanction voluntary agreements
13 between competitors within the service region of a
14 nonprofit health insurance purchasing cooperative,
15 upon a finding by the commissioner that the agreement
16 will improve the quality of, access to, or
17 affordability of health care, but which agreement
18 might be a violation of antitrust laws if undertaken
19 without government direction and approval.

20 b. Procedures to assure ongoing supervision of
21 contracts sanctioned under this subsection, in order
22 to assure that the contracts do in fact improve health
23 care quality, access, or affordability. Approval may
24 be withdrawn on a prospective basis at the discretion
25 of the commissioner if necessary to improve health
26 care quality, access, and affordability.

27 c. A requirement to review the plan of operation
28 of a nonprofit health insurance purchasing
29 cooperative, and standards for approval or disapproval
30 of a plan.

31 d. A requirement that a plan of operation include
32 guaranteed access and rating practices no more
33 restrictive than those required of competitors within
34 a market segment, such as small group health insurers
35 regulated under chapter 513B, or individual or large
36 group insurers regulated under chapter 514A or 514D.
37 The commissioner shall regulate all health plans and
38 nonprofit health insurance purchasing cooperatives to
39 assure that to the greatest extent possible all health
40 insurance or health benefit marketing channels within
41 a market segment are subject to the same rules of
42 access, underwriting, risk spreading, and rate
43 regulation.

44 e. A requirement that a nonprofit health insurance
45 purchasing cooperative be governed by a board of
46 directors consisting of twelve members, including
47 seven members who are consumers.

48 f. A requirement that the members of the board of
49 directors be free of conflicts of interest and that
50 the members of the board file an annual financial

H-6042

-1-

H-6042

Page 2

1 disclosure report with the commissioner.

2 g. A requirement that the board of directors
3 conduct all meetings of the board pursuant to chapter
4 21.

5 h. A requirement that a nonprofit health insurance
6 purchasing cooperative shall have a consumer ombudsman
7 whose exclusive duties shall be to assist and advocate
8 for subscribers enrolled in the cooperative.

9 i. An annual report to be submitted to the general
10 assembly no later than February 1, describing the
11 operations of all nonprofit health insurance
12 purchasing cooperatives, and permitting review of the
13 success of nonprofit health insurance purchasing
14 cooperatives in furthering the goals of improved
15 health care quality, access, or affordability. The
16 report shall include any recommendations on whether
17 additional nonprofit health insurance purchasing
18 cooperatives should be established.

19 2. This section does not prevent the development
20 of any other health insurance or pooled purchasing
21 arrangements otherwise permitted by law.

22 3. This section and rules adopted pursuant to this
23 section are intended to provide immunity from federal
24 antitrust law under the state action doctrine
25 exemption.""

26 2. By renumbering as necessary.

By JOCHUM of Dubuque

H-6042 FILED APRIL 7, 1994

WITHDRAWN
4-14-94

SENATE FILE 2282

S-5657

1 Amend Senate File 2282, as passed by the Senate, as
2 follows:

3 1. Page 1, by inserting before line 1 the
4 following:

5 "Section 1. Section 505.7, subsection 1, Code
6 Supplement 1993, is amended to read as follows:

7 1. All fees and charges which are required by law
8 to be paid by insurance companies, and associations,
9 and other regulated entities shall be payable to the
10 commissioner of the insurance division of the
11 department of commerce or department of revenue and
12 finance, as provided by law, whose duty it shall be to
13 account for and pay over the same to the treasurer of
14 state at the time and in the manner provided by law
15 for deposit in the general fund of the state.

16 Sec. _____. Section 505.7, Code Supplement 1993, is
17 amended by adding the following new subsection:

18 NEW SUBSECTION. 8. The commissioner may assess
19 the costs of an audit or examination to a health
20 insurance purchasing cooperative, in the same manner
21 as provided for insurance companies under sections
22 507.7 through 507.9, and may establish by rule
23 reasonable filing fees to fund the cost of regulatory
24 oversight.

25 Sec. _____. Section 505.8, Code 1993, is amended by
26 adding the following new subsection:

27 NEW SUBSECTION. 6. The commissioner shall
28 supervise all health insurance purchasing cooperatives
29 providing services or operating within the state and
30 the organization of domestic cooperatives. The
31 commissioner may admit nondomestic health insurance
32 purchasing cooperatives under the same standards as
33 domestic cooperatives."

34 2. Page 1, by inserting after line 9 the
35 following:

36 "Sec. _____. NEW SECTION. 505.20 HEALTH ACCOUNTING
37 STANDARDS -- DUTIES OF COMMISSIONER.

38 The commissioner, in conjunction with the community
39 health management information system established in
40 chapter 144C, if enacted by the Seventy-fifth General
41 Assembly, shall adopt rules establishing health
42 accounting standards to be enforced statewide. The
43 community health management information system board
44 shall propose accounting standards for cost and
45 quality to the commissioner for approval. The
46 commissioner shall enforce the standards in
47 conjunction with the community health management
48 information system board.

49 Sec. 101. NEW SECTION. 505.21 HEALTH CARE ACCESS
50 - -DUTIES OF COMMISSIONER -- PENALTIES.

S-5657

S-5657

Page 2

1 1. The commissioner shall adopt rules establishing
2 a requirement that an employer provide access to
3 health care to the employees of the employer. The
4 rules shall provide that an employer doing business
5 within this state shall offer each employee, at a
6 minimum, access to health insurance. The requirement
7 contained in this section may be satisfied by offering
8 any of the following:

9 a. Health care coverage through an insurer or
10 health maintenance organization authorized to do
11 business in this state.

12 b. Access to health benefits through a health
13 benefits plan qualified under the federal Employee
14 Retirement Income Security Act of 1974.

15 2. An employer may financially contribute toward
16 the employee's health benefit plan. The employer
17 shall offer payroll deduction of employee
18 contributions and direct deposit of premium payments
19 related to a health insurance purchasing cooperative
20 or other health care coverage.

21 3. A violation of this section may be reported to
22 the consumer and legal affairs bureau in the insurance
23 division. The division may issue, upon a finding that
24 an employer has failed to offer an employee access to
25 health insurance, any of the following:

26 a. A cease and desist order instructing the
27 employer to cure the failure and desist from future
28 violations of this section.

29 b. An order requiring an employer who has
30 previously been the subject of a cease and desist
31 order to pay an employee's reasonable health insurance
32 premiums necessary to prevent or cure a lapse in
33 health care coverage arising out of the employer's
34 failure to offer as required.

35 c. An order upon the employer assessing the
36 reasonable costs of the division's investigation and
37 enforcement action.

38 4. The insurance division shall annually provide a
39 written report to the general assembly beginning
40 January 1, 1995, which evaluates the effects of this
41 section on providing universal coverage for all
42 Iowans. If the division determines that the state has
43 not achieved a level of individuals without health
44 care coverage of less than three percent of total
45 population through voluntary means by June 30, 1999,
46 the division shall make recommendations for the
47 implementation of and a financing mechanism for a
48 requirement that all individuals in this state procure
49 and maintain health care coverage for themselves and
50 their dependents.""

S-5657

-2-

S-5657

Page 3

1 3. Page 3, line 25, by striking the word
2 "regulations" and inserting the following: "rules".

3 4. Page 5, by striking line 8 and inserting the
4 following: "confidentiality of the memorandum or
5 other material.

6 Once any".

7 5. Page 11, by striking lines 24 and 25 and
8 inserting the following:

9
$$I \text{ equals } .03 + \frac{W}{2} (R1-.03) + \frac{W}{2} (R2-.09),"$$

10 I equals .03 + W(R1-.03) + $\frac{W}{2}$ (R2-.09),".
11 6. Page 23, by inserting after line 17 the
12 following:

13 "Sec. _____. Section 513B.2, subsection 16, Code
14 Supplement 1993, is amended to read as follows:

15 16. "Small employer" means a person actively
16 engaged in business who, on at least fifty percent of
17 the employer's working days during the preceding year,
18 employed not less than two and not more than ~~twenty-~~
19 ~~five~~ fifty full-time equivalent eligible employees.
20 In determining the number of eligible employees,
21 companies which are affiliated companies or which are
22 eligible to file a combined tax return for purposes of
23 state taxation are considered one employer.

24 Sec. _____. Section 513B.4, Code Supplement 1993, is
25 amended by adding the following new subsection:

26 NEW SUBSECTION. 1A. Notwithstanding subsection 1,
27 there shall be no variance in premium rates for a
28 basic or standard benefit plan offered pursuant to
29 this chapter for health status or claim experience.

30 Sec. _____. Section 513B.4, subsection 2, unnumbered
31 paragraph 2, Code Supplement 1993, is amended by
32 striking the paragraph and inserting in lieu thereof
33 the following:

34 Case characteristics other than age, geographic
35 area, family composition, and group size shall not be
36 used by a small employer carrier without the prior
37 approval of the commissioner.

38 Sec. _____. Section 513B.4, Code Supplement 1993, is
39 amended by adding the following new subsection:

40 NEW SUBSECTION. 5. Notwithstanding subsection 1,
41 the commissioner, with the concurrence of the board of
42 the Iowa small employer health reinsurance program
43 established in section 513B.13, may by order reduce or
44 eliminate the allowed rating bands provided under
45 subsection 1, paragraphs "a", "b", and "c", or
46 otherwise limit or eliminate the use of experience
47 rating."

48 7. Page 23, by inserting after line 17 the
49 following:

50 "Sec. _____. Section 515A.13, Code 1993, is amended

S-5657

-3-

S-5657

Page 4

1 by adding the following new subsection:
 2 NEW SUBSECTION. 5. PROHIBITED RELEASE. A person
 3 other than the commissioner or the commissioner's
 4 designee shall not release to another person, other
 5 than to the servicing insurer of the policy or to the
 6 commissioner or the commissioner's designee,
 7 experience, payroll, loss data, expiration date of a
 8 policy, or classification information without the
 9 prior written approval of the policy holder. A
 10 violation of this section shall be considered an
 11 unfair trade practice pursuant to chapter 507B."

12 8. Page 28, by inserting after line 24 the
 13 following:

14 "Subject to the materiality criteria, for purposes
 15 of paragraphs "b" and "c", a report shall be filed if
 16 the result of the revision affects more than ten
 17 percent of the cession."

18 9. Page 29, by inserting after line 17 the
 19 following:

20 "Sec. ____ . Section 101 of this Act, which creates
 21 new section 505.21, relating to health care access, is
 22 effective January 1, 1995."

23 10. Title page, line 6, by inserting after the
 24 word "state" the following: ", and providing an
 25 effective date".

26 11. By renumbering, relettering, or redesignating
 27 and correcting internal references as necessary.

RECEIVED FROM THE HOUSE

S-5657 FILED APRIL 15, 1994 *Senate concurred 4/18/94*
(p.1340)

SSB-2231

Commerce

Gronstedt - Chair
Disignano
Palmer
Jensen
Kersten

SENATE FILE 2282
BY (PROPOSED DEPARTMENT OF
COMMERCE/INSURANCE
DIVISION BILL)

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 including
2 provisions concerning the disclosure of confidential
3 information, the standard valuation of certain insurance
4 policies and contracts and annuities and endowments, and the
5 disclosure of certain transactions of insurers domiciled in
6 this state.

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

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

1 Section 1. NEW SECTION. 505.17 CONFIDENTIAL INFORMATION.

2 The disclosure of confidential information, administrative
3 or judicial orders which contain confidential information, or
4 information regarding other action of the division which is
5 not a public record subject to disclosure, to regulatory
6 officials from this or other states may be permitted by the
7 commissioner provided that those officials are subject to, or
8 agree to comply with, standards of confidentiality comparable
9 to those imposed on the commissioner.

10 Sec. 2. Section 508.36, subsection 1, Code 1993, is
11 amended to read as follows:

12 1. RESERVE VALUATION. The commissioner shall annually
13 value, or cause to be valued, the reserve liabilities
14 ~~{hereinafter-called-reserves}~~, referred to in this section as
15 reserves, for all outstanding life insurance policies and
16 annuity and pure endowment contracts of every life insurance
17 company doing business in this state, ~~except-that-in-the-case~~
18 ~~of-an-alien-company, such-valuation-shall-be-limited-to-its~~
19 ~~United-States-business,~~ and may certify the amount of any such
20 reserves, specifying the mortality table or tables, rate or
21 rates of interest, and ~~methods-{the net level premium method~~
22 ~~or other}~~ methods used in the calculation of such reserves.
23 In calculating such the reserves, the commissioner may use
24 group methods and approximate averages for fractions of a year
25 or otherwise. ~~For-the-purpose-of-making-such-valuation-the~~
26 ~~commissioner-may-employ-a-competent-actuary-who-shall-be-paid~~
27 ~~by-the-company-for-which-the-service-is-rendered, but-a~~
28 ~~domestic-company-may-make-such-valuation-and-it-shall-be~~
29 ~~received-by-the-commissioner-upon-satisfactory-proof-of-its~~
30 ~~correctness.~~ In lieu of the valuation of the reserves herein
31 required in this section of any foreign or alien company, the
32 commissioner may accept any valuation made, or caused to be
33 made, by the insurance supervisory official of any state or
34 other jurisdiction when such valuation complies with the
35 minimum standard herein provided for in this section and if

1 the official of such state or jurisdiction accepts as
2 sufficient and valid for all legal purposes the certificate of
3 valuation of the commissioner when such certificate states the
4 valuation to have been made in a specified manner according to
5 which the aggregate reserves would be at least as large as if
6 they had been computed in the manner prescribed by the law of
7 that state or jurisdiction.

8 ~~Any such company which at any time shall have adopted any~~
9 ~~standard of valuation producing greater aggregate reserves~~
10 ~~than those calculated according to the minimum standard herein~~
11 ~~provided may, with the approval of the commissioner, adopt any~~
12 ~~lower standard of valuation, but not lower than the minimum~~
13 ~~herein provided.~~

14 Sec. 3. Section 508.36, subsection 2, Code 1993, is
15 amended by striking the subsection and inserting in lieu
16 thereof the following:

17 2. ACTUARIAL OPINION OF RESERVES. This subsection is
18 effective January 1, 1996.

19 a. GENERAL. A life insurance company doing business in
20 this state shall annually submit the written opinion of a
21 qualified actuary as to whether the reserves and related
22 actuarial items held in support of the policies and contracts
23 specified by the commissioner by regulation are computed
24 appropriately, are based on assumptions which satisfy
25 contractual provisions, are consistent with prior reported
26 amounts, and are in compliance with applicable laws of this
27 state. The commissioner shall define by rule the requirements
28 and content of this opinion and add any other items deemed to
29 be necessary.

30 b. ACTUARIAL ANALYSIS OF RESERVES AND ASSETS SUPPORTING
31 SUCH RESERVES.

32 (1) Unless exempted by rule, a life insurance company
33 shall also annually include in the opinion required by
34 paragraph "a", an opinion of the same qualified actuary as to
35 whether the reserves and related actuarial items held in

1 support of policies and contracts specified by the
2 commissioner by rule, when considered with respect to the
3 assets held by the company associated with the reserves and
4 related actuarial items, including, but not limited to, the
5 investment earnings on the assets and the considerations
6 anticipated to be received and retained under the policies and
7 contracts, are sufficient for the company's obligations under
8 the policies and contracts, including but not limited to the
9 benefits under and expenses associated with the policies and
10 contracts.

11 (2) The commissioner may provide by rule for a transition
12 period for establishing any higher reserves which the
13 qualified actuary may deem necessary in order to render the
14 opinion required by this section.

15 c. REQUIREMENTS FOR ACTUARIAL ANALYSIS. An opinion
16 required by paragraph "b" shall be governed by the following
17 provisions:

18 (1) A memorandum, in form and substance acceptable to the
19 commissioner as specified by rule, shall be prepared to
20 support each actuarial opinion.

21 (2) If the insurance company fails to provide a supporting
22 memorandum at the request of the commissioner within a period
23 specified by rule or the commissioner determines that the
24 supporting memorandum provided by the insurance company fails
25 to meet the standards prescribed by the regulations or is
26 otherwise unacceptable to the commissioner, the commissioner
27 may engage a qualified actuary at the expense of the company
28 to review the opinion and the basis for the opinion and
29 prepare such supporting memorandum as is required by the
30 commissioner.

31 d. REQUIREMENT FOR ALL OPINIONS. An opinion required
32 under this section is governed by the following provisions:

33 (1) The opinion shall be submitted with the annual
34 statement reflecting the valuation of such reserve liabilities
35 for each year ending on or after December 31, 1995.

1 (2) The opinion shall apply to all business in force,
2 including individual and group health insurance plans, in form
3 and substance acceptable to the commissioner as specified by
4 rule.

5 (3) The opinion shall be based on standards adopted from
6 time to time by the actuarial standards board and on such
7 additional standards as the commissioner may by rule
8 prescribe.

9 (4) In the case of an opinion required to be submitted by
10 a foreign or alien company, the commissioner may accept the
11 opinion filed by that company with the insurance supervisory
12 official of another state if the commissioner determines that
13 the opinion reasonably meets the requirements applicable to a
14 company domiciled in this state.

15 (5) For the purposes of this section, "qualified actuary"
16 means a member in good standing of the American academy of
17 actuaries who meets the requirements of the commissioner as
18 specified by rule.

19 (6) Except in cases of fraud or willful misconduct, a
20 qualified actuary is not liable for damages to any person,
21 other than to the insurance company and the commissioner, for
22 any act, error, omission, decision, or conduct with respect to
23 the actuary's opinion.

24 (7) Disciplinary action which may be taken by the
25 commissioner against the company or the qualified actuary
26 shall be defined in rules adopted by the commissioner.

27 (8) Any memorandum in support of the opinion, and any
28 other material provided by the company to the commissioner in
29 connection with the opinion, shall be kept confidential by the
30 commissioner and shall not be made public and shall not be
31 subject to subpoena, other than for the purpose of defending
32 an action seeking damages from any person by reason of any
33 action required by this section or by rules adopted pursuant
34 to this section. Notwithstanding this subparagraph, the
35 memorandum or other material may be released by the

1 commissioner if either of the following apply:

2 (a) The commissioner receives the written consent of the
3 company with which the opinion is associated.

4 (b) The American academy of actuaries requests that the
5 memorandum or other material is required for the purpose of
6 professional disciplinary proceedings and setting forth
7 procedures satisfactory to the commissioner for preserving the
8 confidentiality of the memorandum or other material. Once any
9 portion of the confidential memorandum is cited by the company
10 in its marketing, is cited before any governmental agency
11 other than a state insurance department, or is released by the
12 company to the news media, all portions of the confidential
13 memorandum are no longer confidential.

14 3. COMPUTATIONS OF MINIMUM STANDARDS. Except as otherwise
15 provided in subsections 4, 5, and 12, the minimum standard for
16 the valuation of all such policies and contracts issued prior
17 to July 1, 1994, shall be that provided by the laws in effect
18 immediately prior to such date. Except as otherwise provided
19 in subsections 4, 5, and 12, the minimum standard for the
20 valuation of all such policies and contracts shall be the
21 commissioner's reserve valuation methods defined in
22 subsections 6, 7, 10, and 11, five percent interest for group
23 annuity and pure endowment contracts and three and one-half
24 percent interest for all other policies and contracts, or in
25 the case of policies and contracts, other than annuity and
26 pure endowment contracts, issued on or after July 1, 1974,
27 four percent interest for such policies issued prior to
28 January 1, 1980, five and one-half percent interest for single
29 premium life insurance policies and four and one-half percent
30 interest for all other such policies issued on and after
31 January 1, 1980, and the following tables:

32 a. For all ordinary policies of life insurance issued on
33 the standard basis, excluding any disability and accidental
34 death benefits in the policies, the following:

35 (1) The commissioners 1941 standard ordinary mortality

1 table for policies issued prior to the operative date of
2 section 508.37, subsection 5, paragraph "a".

3 (2) The commissioners 1958 standard ordinary mortality
4 table for such policies issued on or after the operative date
5 of section 508.37, subsection 5, paragraph "c", provided that
6 for any category of policies issued on female risks, all
7 modified net premiums and present values referred to in this
8 section may be calculated according to an age not more than
9 six years younger than the actual age of the insured.

10 (3) For policies issued on or after the operative date of
11 section 508.37, subsection 5, paragraph "c", any of the
12 following:

13 (a) The commissioners 1980 standard ordinary mortality
14 table.

15 (b) At the election of the company for any one or more
16 specified plans of life insurance, the commissioners 1980
17 standard ordinary mortality table with ten-year select
18 mortality factors.

19 (c) Any ordinary mortality table, adopted after 1980 by
20 the national association of insurance commissioners, that is
21 approved by rule adopted by the commissioner for use in
22 determining the minimum standard of valuation for such
23 policies.

24 b. For all industrial life insurance policies issued on
25 the standard basis, excluding any disability and accidental
26 death benefits in the policies, the following:

27 (1) For policies issued prior to the operative date of
28 section 508.37, subsection 5, paragraph "b", the 1941 standard
29 industrial mortality table.

30 (2) For policies issued on or after the operative date of
31 section 508.37, subsection 5, paragraph "b", the commissioners
32 1961 standard industrial mortality table, or any industrial
33 mortality table adopted after 1980 by the national association
34 of insurance commissioners, that is approved by rule adopted
35 by the commissioner for use in determining the minimum

1 standard of valuation for such policies.

2 c. For individual annuity and pure endowment contracts,
3 excluding any disability and accidental death benefits in such
4 policies the 1937 standard annuity mortality table or, at the
5 option of the company, the annuity mortality table for 1949,
6 ultimate, or any modification of either of these tables
7 approved by the commissioner.

8 d. For group annuity and pure endowment contracts,
9 excluding any disability and accidental death benefits in such
10 policies, the group annuity mortality table for 1951, or a
11 modification of the table approved by the commissioner, or at
12 the option of the company, any of the tables or modifications
13 of tables specified for individual annuity and pure endowment
14 contracts.

15 e. For total and permanent disability benefits in or
16 supplementary to ordinary policies or contracts, the
17 following:

18 (1) For policies or contracts issued on or after January
19 1, 1966, the tables of period 2 disablement rates and the 1930
20 to 1950 termination rates of the 1952 disability study of the
21 society of actuaries, with due regard to the type of benefit,
22 or any tables of disablement rates and termination rates
23 adopted after 1980 by the national association of insurance
24 commissioners and approved by rule adopted by the commissioner
25 for use in determining the minimum standard of valuation for
26 such policies.

27 (2) For policies or contracts issued on or after January
28 1, 1961, and prior to January 1, 1966, either of the tables
29 identified under subparagraph (1), or at the option of the
30 company, the class (3) disability table (1926).

31 (3) For policies issued prior to January 1, 1961, the
32 class (3) disability table (1926).

33 A table used under this paragraph "e" shall, for active
34 lives, be combined with a mortality table permitted for
35 calculating the reserves for life insurance policies.

1 f. For accidental death benefits in or supplementary to
2 policies, the following:

3 (1) For policies issued on or after January 1, 1966, the
4 1959 accidental death benefits table, or any accidental death
5 benefits table adopted after 1980 by the national association
6 of insurance commissioners and approved by rule adopted by the
7 commissioner for use in determining the minimum standard of
8 valuation for such policies.

9 (2) For policies issued on or after January 1, 1961, and
10 prior to January 1, 1966, either of the tables identified
11 under subparagraph (1), or at the option of the company, the
12 inter-company double indemnity mortality table.

13 (3) For policies issued prior to January 1, 1961, the
14 inter-company double indemnity mortality table.

15 A table used under this paragraph "f" shall be combined
16 with a mortality table for calculating the reserves for life
17 insurance policies.

18 g. For group life insurance, life insurance issued on the
19 substandard basis, and other special benefits, tables approved
20 by the commissioner.

21 4. COMPUTATION FOR MINIMUM STANDARDS FOR ANNUITIES.

22 Except as provided in subsection 5, the minimum standard for
23 the valuation of all individual annuity and pure endowment
24 contracts issued on or after the operative date of this
25 subsection, and for all annuities and pure endowments
26 purchased on or after the operative date of this subsection
27 under group annuity and pure endowment contracts, shall be the
28 commissioner's reserve valuation methods defined in
29 subsections 6 and 7, and the following tables and interest
30 rates:

31 a. For individual annuity and pure endowment contracts
32 issued prior to January 1, 1980, excluding any disability and
33 accidental death benefits in such contracts, both of the
34 following:

35 (1) The 1971 individual annuity mortality table, or any

1 modification of this table approved by the commissioner.

2 (2) Six percent interest for single premium immediate
3 annuity contracts, and four percent interest for all other
4 individual annuity and pure endowment contracts.

5 b. For individual single premium immediate annuity
6 contracts issued on or after January 1, 1980, excluding any
7 disability and accidental death benefits in such contracts,
8 both of the following:

9 (1) One of the following tables:

10 (a) The 1971 individual annuity mortality table.

11 (b) An individual annuity mortality table, adopted after
12 1980 by the national association of insurance commissioners
13 and approved by rule adopted by the commissioner for use in
14 determining the minimum standard of valuation for such
15 contracts.

16 (c) A modification of the tables identified in
17 subparagraph subdivisions (a) and (b) approved by the
18 commissioner.

19 (2) Seven and one-half percent interest.

20 c. For individual annuity and pure endowment contracts
21 issued on or after January 1, 1980, other than single premium
22 immediate annuity contracts, excluding any disability and
23 accidental death benefits in such contracts, both of the
24 following:

25 (1) One of the following tables:

26 (a) The 1971 individual annuity mortality table.

27 (b) An individual annuity mortality table adopted after
28 1980 by the national association of insurance commissioners
29 and approved by rule adopted by the commissioner for use in
30 determining the minimum standard of valuation for such
31 contracts.

32 (c) A modification of the tables identified in
33 subparagraph subdivisions (a) and (b) approved by the
34 commissioner.

35 (2) Five and one-half percent interest for single premium

1 deferred annuity and pure endowment contracts and four and
2 one-half percent interest for all other such individual
3 annuity and pure endowment contracts.

4 d. For all annuities and pure endowments purchased prior
5 to January 1, 1980, under group annuity and pure endowment
6 contracts, excluding any disability and accidental death
7 benefits purchased under such contracts, both of the
8 following:

9 (1) The 1971 group annuity mortality table or any
10 modification of this table approved by the commissioner.

11 (2) Six percent interest.

12 e. For all annuities and pure endowments purchased on or
13 after January 1, 1980, under group annuity and pure endowment
14 contracts, excluding any disability and accidental death
15 benefits purchased under such contracts, both of the
16 following:

17 (1) One of the following tables:

18 (a) The 1971 group annuity mortality table.

19 (b) A group annuity mortality table adopted after 1980 by
20 the national association of insurance commissioners and
21 approved by rule adopted by the commissioner for use in
22 determining the minimum standard of valuation for such
23 annuities and pure endowments.

24 (c) A modification of the tables identified in
25 subparagraph subdivisions (a) and (b) approved by the
26 commissioner.

27 (2) Seven and one-half percent interest.

28 After July 1, 1973, a company may file with the
29 commissioner a written notice of its election to comply with
30 the provisions of this subsection after a specified date
31 before January 1, 1979, which shall be the operative date of
32 this section for such company, provided, if a company makes no
33 election, the effective date of this section for a company is
34 January 1, 1979.

35 5. COMPUTATION OF MINIMUM STANDARD BY CALENDAR YEAR OF

1 ISSUE.

2 a. APPLICABILITY OF THIS SUBSECTION. The calendar year
3 statutory valuation interest rates, as defined in this
4 subsection, shall be used in determining the minimum standard
5 for the valuation of all of the following:

6 (1) All life insurance policies issued in a particular
7 calendar year, on or after the operative date of section
8 508.37, subsection 5, paragraph "c".

9 (2) All individual annuity and pure endowment contracts
10 issued in a particular calendar year on or after January 1,
11 1995.

12 (3) All annuities and pure endowments purchased in a
13 particular calendar year on or after January 1, 1995, under
14 group annuity and pure endowment contracts.

15 (4) The net increase, if any, in a particular calendar
16 year on or after January 1, 1995, in amounts held under
17 guaranteed interest contracts.

18 b. CALENDAR YEAR STATUTORY VALUATION INTEREST RATES.

19 (1) The calendar year statutory valuation interest rates,
20 referred to in this paragraph as "I", shall be determined as
21 follows and the results rounded to the nearer one-quarter of
22 one percent:

23 (a) For life insurance,

24
$$I = .03 + \frac{W}{R_1 - .03} + W(R_2 - .09),$$

25 where R_1 is the lesser of R and $.09$, R_2 is the greater of R
26 and $.09$, R is the reference interest rate defined in paragraph
27 "d" of this subsection, and W is the weighting factor defined
28 in paragraph "c" of this subsection.

29 (b) For single premium immediate annuities and for annuity
30 benefits involving life contingencies arising from other
31 annuities with cash settlement options and from guaranteed
32 interest contracts with cash settlement options,

33
$$I = .03 + W(R - .03),$$

34 where R_1 is the lesser of R and $.09$, R_2 is the greater of R

1 and .09, R is the reference interest rate defined in paragraph
2 "d" of this subsection, and W is the weighting factor defined
3 in paragraph "c" of this subsection.

4 (c) For other annuities with cash settlement options and
5 guaranteed interest contracts with cash settlement options,
6 valued on an issue year basis, except as stated in
7 subparagraph subdivision (b), the formula for life insurance
8 stated in subparagraph subdivision (a) applies to annuities
9 and guaranteed interest contracts with guarantee durations in
10 excess of ten years, and the formula for single premium
11 immediate annuities stated in subparagraph subdivision (b)
12 applies to annuities and guaranteed interest contracts with
13 guarantee durations of ten years or less.

14 (d) For other annuities with no cash settlement options
15 and for guaranteed interest contracts with no cash settlement
16 options, the formula for single premium immediate annuities
17 stated in subparagraph subdivision (b) applies.

18 (e) For other annuities with cash settlement options and
19 guaranteed interest contracts with cash settlement options,
20 valued on a change in fund basis, the formula for single
21 premium immediate annuities stated in subparagraph subdivision
22 (b) applies.

23 (2) However, if the calendar year statutory valuation
24 interest rate for any life insurance policies issued in any
25 calendar year determined under subparagraph (1), subparagraph
26 subdivision (a) without reference to this sentence differs
27 from the corresponding actual rate for similar policies issued
28 in the immediately preceding calendar year by less than one-
29 half of one percent, the calendar year statutory valuation
30 interest rate for the life insurance policies is equal to the
31 corresponding actual rate for the immediately preceding
32 calendar year. For purposes of applying the immediately
33 preceding sentence, the calendar year statutory valuation
34 interest rate for life insurance policies issued in a calendar
35 year shall be determined for 1980, using the reference

1 interest rate defined in 1979, and shall be determined for
 2 each subsequent calendar year regardless of the operative date
 3 of section 508.37, subsection 5, paragraph "c".

4 c. WEIGHTING FACTORS.

5 (1) The weighting factors referred to in paragraph "b" are
 6 given in the following tables:

7 (a) Weighting Factors for Life Insurance:

8 Guarantee Duration (Years)	Weighting Factors
9 10 or less	.50
10 More than 10, but not more than 20	.45
11 More than 20	.35

12 For life insurance, the guarantee duration is the maximum
 13 number of years the life insurance can remain in force on a
 14 basis guaranteed in the policy or under options to convert to
 15 plans of life insurance with premium rates or nonforfeiture
 16 values or both which are guaranteed in the original policy.

17 (b) The weighting factors for single premium immediate
 18 annuities and for annuity benefits involving life
 19 contingencies arising from other annuities with cash
 20 settlement options and guaranteed interest contracts with cash
 21 settlement options is .80.

22 (c) Weighting factors for other annuities and for
 23 guaranteed interest contracts, except as stated in
 24 subparagraph subdivision (b), shall be as specified in
 25 subparagraph subdivision parts (i), (ii) and (iii) of this
 26 subparagraph subdivision, according to the rules and
 27 definitions in subparagraph subdivision parts (iv), (v), and
 28 (vi) of this subparagraph subdivision:

29 (i) For annuities and guaranteed interest contracts valued
 30 on an issue year basis:

31	Weighting Factor		
32	for Plan Type		
33 Guarantee Duration (Years)	A	B	C
34 5 or less	.80	.60	.50
35 More than 5, but not more than 10	.75	.60	.50

1 More than 10, but not more than 20 .65 .50 .45
 2 More than 20 .45 .35 .35

3 (ii) For annuities and guaranteed interest contracts
 4 valued on a change in fund basis, the factors shown in
 5 subparagraph subdivision part (i) of this subparagraph
 6 subdivision increased by:

7		Plan Type		
8		A	B	C
9		.15	.25	.05

10 (iii) For annuities and guaranteed interest contracts
 11 valued on an issue-year basis, other than those with no cash
 12 settlement options, which do not guarantee interest on
 13 considerations received more than one year after issue or
 14 purchase and for annuities and guaranteed interest contracts
 15 valued on a change in fund basis which do not guarantee
 16 interest rates on considerations received more than twelve
 17 months beyond the valuation date, the factors shown in
 18 subparagraph subdivision part (i) of this subparagraph
 19 subdivision or derived in subparagraph subdivision part (ii)
 20 of this subparagraph subdivision increased by:

21		Plan Type		
22		A	B	C
23		.05	.05	.05

24 (iv) For other annuities with cash settlement options and
 25 guaranteed interest contracts with cash settlement options,
 26 the guarantee duration is the number of years for which the
 27 contract guarantees interest rates in excess of the calendar
 28 year statutory valuation interest rate for life insurance
 29 policies with guarantee duration in excess of twenty years.
 30 For other annuities with no cash settlement options and for
 31 guaranteed interest contracts with no cash settlement options,
 32 the guarantee duration is the number of years from the date of
 33 issue or date of purchase to the date annuity benefits are
 34 scheduled to commence.

35 (v) "Plan type", as used in subparagraph subdivision parts

1 (i), (ii), and (iii) of this subparagraph subdivision, is
2 defined as follows:

3 "Plan Type A": At any time, the policyholder may withdraw
4 funds only with an adjustment to reflect changes in interest
5 rates or asset values since receipt of the funds by the
6 insurance company, or may withdraw funds without that
7 adjustment but in installments over five years or more, or may
8 withdraw funds as in immediate life annuity; or no withdrawal
9 is permitted.

10 "Plan Type B": Before expiration of the interest rate
11 guarantee, the policyholder may withdraw funds only with an
12 adjustment to reflect changes in interest rates or asset
13 values since receipt of the funds by the insurance company, or
14 may withdraw funds without that adjustment but in installments
15 over five years or more; or no withdrawal is permitted. At
16 the end of interest rate guarantee, funds may be withdrawn
17 without adjustment in a single sum or installments over less
18 than five years.

19 "Plan Type C": The policyholder may withdraw funds before
20 expiration of interest rate guarantee in a single sum or
21 installments over less than five years either without
22 adjustment to reflect changes in interest rates or asset
23 values since receipt of the funds by the insurance company, or
24 subject only to a fixed surrender charge stipulated in the
25 contract as a percentage of the fund.

26 (vi) A company may elect to value guaranteed interest
27 contracts with cash settlement options and annuities with cash
28 settlement options on either an issue-year basis or on a
29 change-in-fund basis. Guaranteed interest contracts with no
30 cash settlement options and other annuities with no cash
31 settlement options must be valued on an issue-year basis. As
32 used in this section, an issue-year basis of valuation refers
33 to a valuation basis under which the interest rate used to
34 determine the minimum valuation standard for the entire
35 duration of the annuity or guaranteed interest contract is the

1 calendar year valuation interest rate for the year of issue or
2 year of purchase of the annuity or guaranteed interest
3 contract, and the change-in-fund basis of valuation refers to
4 a valuation basis under which the interest rate used to
5 determine the minimum valuation standard applicable to each
6 change in the fund held under the annuity or guaranteed
7 interest contract is the calendar year valuation interest rate
8 for the year of the change in the fund.

9 d. REFERENCE INTEREST RATE. The reference interest rate
10 referred to in paragraph "b" is defined as follows:

11 (1) For all life insurance, the lesser of the average over
12 a period of thirty-six months and the average over a period of
13 twelve months, ending on June 30 of the calendar year next
14 preceding the year of issue, of the monthly average of the
15 composite yield on seasoned corporate bonds, as published by
16 moody's investors service, inc.

17 (2) For single premium immediate annuities and for annuity
18 benefits involving life contingencies arising from other
19 annuities with cash settlement options and guaranteed interest
20 contracts with cash settlement options, the average over a
21 period of twelve months, ending on June 30 of the calendar
22 year of issue or year of purchase, of the monthly average of
23 the composite yield on seasoned corporate bonds, as published
24 by moody's investors service, inc.

25 (3) For other annuities with cash settlement options and
26 guaranteed interest contracts with cash settlement options,
27 valued on an issue-year basis, except as stated in
28 subparagraph (2), with guarantee duration in excess of ten
29 years, the lesser of the average over a period of thirty-six
30 months and the average over a period of twelve months, ending
31 on June 30 of the calendar year of issue or purchase, of the
32 monthly average of the composite yield on seasoned corporate
33 bonds, as published by moody's investors service, inc.

34 (4) For other annuities with cash settlement options and
35 guaranteed interest contracts with cash settlement options,

1 valued on an issue-year basis, except as stated in
2 subparagraph (2), with guarantee duration of ten years or
3 less, the average over a period of twelve months, ending on
4 June 30 of the calendar year of issue or purchase, of the
5 monthly average of the composite yield on seasoned corporate
6 bonds, as published by moody's investors service, inc.

7 (5) For other annuities with no cash settlement options
8 and for guaranteed interest contracts with no cash settlement
9 options, the average over a period of twelve months, ending on
10 June 30 of the calendar year of issue or purchase, of the
11 monthly average of the composite yield on seasoned corporate
12 bonds, as published by moody's investors service, inc.

13 (6) For other annuities with cash settlement options and
14 guaranteed interest contracts with cash settlement options,
15 valued on a change-in-fund basis, except as stated in
16 subparagraph (2), the average over a period of twelve months,
17 ending on June 30 of the calendar year of the change in the
18 fund, of the monthly average of the composite yield on
19 seasoned corporate bonds, as published by moody's investors
20 service, inc.

21 e. ALTERNATIVE METHOD FOR DETERMINING REFERENCE INTEREST
22 RATES. In the event that the monthly average of the composite
23 yield on seasoned corporate bonds is no longer published by
24 moody's investors service, inc., or in the event that the
25 national association of insurance commissioners determines
26 that the monthly average of the composite yield on seasoned
27 corporate bonds as published by moody's investors service,
28 inc. is no longer appropriate for the determination of the
29 reference interest rate, an alternative method for
30 determination of the reference interest rate, which is adopted
31 by the national association of insurance commissioners and
32 approved by rule adopted by the commissioner, may be
33 substituted.

34 6. RESERVE VALUATION METHOD -- LIFE INSURANCE AND
35 ENDOWMENT BENEFITS.

1 a. Except as otherwise provided in subsections 7, 10, and
2 12, reserves calculated according to the commissioner's
3 reserve valuation method, for the life insurance and endowment
4 benefits of policies providing for a uniform amount of
5 insurance and requiring the payment of uniform premiums, shall
6 be the excess, if any, of the present value, at the date of
7 valuation, of future guaranteed benefits provided for by such
8 policies, over the present value, at the date of valuation, of
9 any future modified net premiums for such policies. The
10 modified net premiums for such policy is the uniform
11 percentage of the respective contract premiums for the
12 benefits such that the present value, at the date of issue of
13 the policy, of all modified net premiums shall be equal to the
14 sum of the present value, at the date of valuation, of such
15 benefits provided for by the policy and the excess of the
16 amount determined in subparagraph (1) over the amount
17 determined in subparagraph (2), as follows:

18 (1) A net level annual premium equal to the present value
19 at the date of issue, of the benefits provided for after the
20 first policy year, divided by the present value at the date of
21 issue, of an annuity of one per annum payable on the first,
22 and each subsequent, anniversary of the policy on which a
23 premium falls due. However, the net level annual premium
24 shall not exceed the net level annual premium on the nineteen-
25 year premium whole life plan for insurance of the same amount
26 at an age one year more than the age of the insured at issue
27 of the policy.

28 (2) A net one-year term premium for the benefits provided
29 for in the first policy year.

30 b. However, for a life insurance policy issued on or after
31 January 1, 1998, for which the contract premium in the first
32 policy year exceeds that of the second year and for which no
33 comparable additional benefit is provided in the first year
34 for such additional premium and which provides an endowment
35 benefit or a cash surrender value or a combination of such

1 benefit or value in an amount greater than the additional
2 premium, the reserve according to the commissioner's reserve
3 valuation method as of any policy anniversary occurring on or
4 before the assumed ending date defined as the first policy
5 anniversary on which the sum of any endowment benefit and any
6 cash surrender value then available is greater than such
7 additional premium shall be, except as otherwise provided in
8 subsection 10, the greater of the reserve as of such policy
9 anniversary calculated as described in paragraph "a" and the
10 reserve as of such policy anniversary calculated as described
11 in paragraph "a", but with the following modifications:

12 (i) The value defined in paragraph "a" being reduced by
13 fifteen percent of the amount of such excess first year
14 premium.

15 (ii) All present values of benefits and premiums being
16 determined without reference to premiums or benefits provided
17 for by the policy after the assumed ending date.

18 (iii) The policy being assumed to mature on such date as
19 an endowment.

20 (iv) The cash surrender value provided on such date being
21 considered as an endowment benefit.

22 In making the above comparison the mortality and interest
23 bases stated in subsections 4 and 5 shall be used.

24 c. Reserves according to the commissioner's reserve
25 valuation method shall be calculated pursuant to a method
26 consistent with this subsection for all of the following:

27 (1) Life insurance policies providing for a varying amount
28 of insurance or requiring the payment of varying premiums.

29 (2) Group annuity and pure endowment contracts purchased
30 under a retirement plan or plan of deferred compensation
31 established or maintained by an employer, including a
32 partnership or sole proprietorship, or by an employee
33 organization, or by both, other than a plan providing
34 individual retirement accounts or individual retirement
35 annuities under section 408 of the Internal Revenue Code.

1 (3) Disability and accidental death benefits in all
2 policies and contracts.

3 (4) All other benefits, except life insurance and
4 endowment benefits in life insurance policies and benefits
5 provided by all other annuity and pure endowment contracts.

6 7. RESERVE VALUATION METHOD -- ANNUITY AND PURE ENDOWMENT
7 BENEFITS. This subsection applies to all annuity and pure
8 endowment contracts other than group annuity and pure
9 endowment contracts purchased under a retirement plan or plan
10 of deferred compensation established or maintained by an
11 employer, including a partnership or sole proprietorship, or
12 by an employee organization, or by both, other than a plan
13 providing individual retirement accounts or individual
14 retirement annuities under section 408 of the Internal Revenue
15 Code.

16 Reserves according to the commissioner's annuity reserve
17 method for benefits under annuity or pure endowment contracts,
18 excluding any disability and accidental death benefits in such
19 contracts, shall be the greatest of the respective excesses of
20 the present values, at the date of valuation, of the future
21 guaranteed benefits, including guaranteed nonforfeiture
22 benefits, provided for by such contracts at the end of each
23 respective contract year, over the present value, at the date
24 of valuation, of any future valuation considerations derived
25 from future gross considerations, required by the terms of
26 such contract, that become payable prior to the end of such
27 respective contract year. The future guaranteed benefits
28 shall be determined by using the mortality table, if any, and
29 the interest rate or rates, specified in such contracts for
30 determining guaranteed benefits. The valuation considerations
31 are the portions of the respective gross considerations
32 applied under the terms of such contracts to determine
33 nonforfeiture values.

34 8. MINIMUM RESERVES.

35 a. A company's aggregate reserves for all life insurance

1 to render the opinion required by subsection 2 shall not be
2 deemed to be the adoption of a higher standard of valuation.

3 10. RESERVE CALCULATION -- VALUATION NET PREMIUM EXCEEDING
4 THE GROSS PREMIUM CHARGE.

5 a. If in any contract year the gross premium charged by a
6 life insurance company on a policy or contract is less than
7 the valuation net premium for the policy or contract, as
8 calculated by the method used in calculating the reserve for
9 such policy or contract but using the minimum valuation
10 standards of mortality and rate of interest, the minimum
11 reserve required for such policy or contract is the greater of
12 either the reserve calculated according to the mortality
13 table, rate of interest, and method actually used for such
14 policy or contract, or the reserve calculated by the method
15 actually used for such policy or contract but using the
16 minimum valuation standards of mortality and rate of interest
17 and replacing the valuation net premium by the actual gross
18 premium in each contract year for which the valuation net
19 premium exceeds the actual gross premium. The minimum
20 valuation standards of mortality and rate of interest referred
21 to in this section are those standards established in
22 subsections 4 and 5.

23 b. However, for any life insurance policy issued on or
24 after January 1, 1998, for which the gross premium in the
25 first policy year exceeds that of the second year and for
26 which no comparable additional benefit is provided in the
27 first year for such excess and which provides an endowment
28 benefit or a cash surrender value, or a combination of such
29 benefit and value, in an amount greater than the excess
30 premium, the provisions of paragraph "a" apply as if the
31 method actually used in calculating the reserve for such
32 policy is the method established in subsection 6, excluding
33 paragraph "b" of that subsection. The minimum reserve of the
34 policy at each policy anniversary shall be the greater of the
35 minimum reserve calculated pursuant to subsection 6 and the

S.F. _____ H.F. _____

1 to render the opinion required by subsection 2 shall not be
2 deemed to be the adoption of a higher standard of valuation.
3
4 10. RESERVE CALCULATION -- VALUATION NET PREMIUM EXCEEDING
5 THE GROSS PREMIUM CHARGE.

6 a. If in any contract year the gross premium charged by a
7 life insurance company on a policy or contract is less than
8 the valuation net premium for the policy or contract, as
9 calculated by the method used in calculating the reserve for
10 such policy or contract but using the minimum valuation
11 standards of mortality and rate of interest, the minimum
12 reserve required for such policy or contract is the greater of
13 either the reserve calculated according to the mortality
14 table, rate of interest, and method actually used for such
15 policy or contract, or the reserve calculated by the method
16 actually used for such policy or contract but using the
17 minimum valuation standards of mortality and rate of interest
18 and replacing the valuation net premium by the actual gross
19 premium exceeds the actual gross premium. The minimum net
20 valuation standards of mortality and rate of interest r
21 to in this section are those standards established in
22 subsections 4 and 5.

23 b. However, for any life insurance policy issued
24 after January 1, 1998, for which the gross premium
25 first policy year exceeds that of the second year
26 which no comparable additional benefit is provide
27 first year for such excess and which provides an
28 benefit or a cash surrender value, or a combina
29 premium, the provisions of paragraph "a" appl
30 method actually used in calculating the rese
31 policy is the method established in subject
with "b" of that subsection. The min
policy anniversary shall b
calculated pursuant to s

1 minimum reserve calculated in accordance with this subsection.

2 11. RESERVE CALCULATION -- INDETERMINATE PREMIUM PLANS.

3 In the case of any plan of life insurance which provides for
4 future premium determination, the amounts of such premium
5 which are to be determined by the insurance company based on
6 estimates of future experience, or in the case of any plan of
7 life insurance or annuity, the minimum reserves of which
8 cannot be determined by the methods established in subsections
9 6, 7, and 10, the reserves which are held under the plan must
10 be appropriate in relation to the benefits and the pattern of
11 premiums for that plan, and shall be computed by a method
12 which is consistent with this section, as determined by rules
13 adopted by the commissioner.

14 12. MINIMUM STANDARDS FOR HEALTH (DISABILITY, ACCIDENT,
15 AND SICKNESS) PLANS. The commissioner shall adopt rules
16 containing the minimum standards applicable to the valuation
17 of health, disability, and sickness and accident plans.

18 Sec. 4. Section 521C.2, subsection 8, paragraph c, Code
19 1993, is amended to read as follows:

20 c. An underwriting manager who, pursuant to contract,
21 manages all or part of the reinsurance operations of the
22 reinsurer, who is under common control with the reinsurer,
23 subject to chapter 521A relating to the regulation of
24 insurance holding company systems, and who is not compensated
25 based upon the volume of premiums written.

26 Sec. 5. Section 521C.11, Code 1993, is amended to read as
27 follows:

28 521C.11 PENALTIES AND LIABILITIES.

29 1. A reinsurance intermediary, ~~insurer, or reinsurer~~ or
30 other person found by the commissioner, after a hearing
31 conducted in accordance with chapter 17A, ~~to be in violation~~
32 of have not materially complied with a provision of this
33 chapter is subject to one or more of the following:

34 a. For each separate violation, a civil penalty in an
35 amount not exceeding ten five thousand dollars.

1 b. Revocation or suspension of the license of the
2 reinsurance intermediary.

3 ~~c. -- If a violation was committed by the reinsurance
4 intermediary, a civil action brought by the commissioner
5 seeking restitution by the reinsurance intermediary to the
6 insurer, reinsurer, rehabilitator, or liquidator of the
7 insurer or reinsurer for the net losses incurred by the
8 insurer or reinsurer attributable to the violation.~~

9 If the commissioner finds that such noncompliance has
10 resulted in a loss or damage to the insurer or reinsurer, the
11 commissioner may bring a civil action on behalf of the insurer
12 or reinsurer, and the policyholders and creditors of the
13 insurer or reinsurer, seeking the recovery of compensatory
14 damages for the benefit of the insurer or reinsurer, and the
15 policyholders and creditors of the insurer or reinsurer, or
16 seeking other relief as appropriate.

17 If an order of rehabilitation or liquidation has been
18 entered pursuant to chapter 507C, and the receiver appointed
19 under the order determines that the reinsurance intermediary
20 or any other person has not materially complied with a
21 provision of this chapter and such noncompliance has resulted
22 in a loss or damage to the insurer or reinsurer, the receiver
23 may bring a civil action on behalf of the insurer or reinsurer
24 seeking the recovery of damages for the benefit of the insurer
25 or reinsurer, or seeking other appropriate sanction or relief.

26 2. A decision, determination, or order of the commissioner
27 made or entered pursuant to subsection 1 is subject to
28 judicial review pursuant to chapter 17A.

29 3. This section does not affect the right of the
30 commissioner to impose any other penalties provided in this
31 subtitle.

32 4. This chapter shall not in any manner limit or restrict
33 the rights of policyholders, claimants, creditors, or other
34 third parties, or confer any rights to such persons.

35 Sec. 6. NEW SECTION. 521D.1 TITLE.

1 This chapter shall be known and may be cited as the
2 "Disclosure of Material Transactions Act".

3 Sec. 7. NEW SECTION. 521D.2 REPORT.

4 1. An insurer domiciled in this state shall file a report
5 with the commissioner disclosing material acquisitions and
6 dispositions of assets, or material nonrenewals,
7 cancellations, or revisions of ceded reinsurance agreements
8 unless such acquisitions and dispositions of assets, or
9 material nonrenewals, cancellations, or revisions of ceded
10 reinsurance agreements have been submitted to the commissioner
11 for review, approval, or information purposes pursuant to
12 other provisions of this subtitle or pursuant to other
13 requirements. The report shall be filed not later than
14 fifteen days after the end of the calendar year in which the
15 material acquisition or disposition of assets, or material
16 nonrenewal, cancellation, or revision of ceded reinsurance
17 agreements occurs.

18 2. The insurer shall also file a copy of the report
19 required to be filed with the commissioner pursuant to
20 subsection 1, including any exhibits or other attachments
21 filed as part of the report, with the national association of
22 insurance commissioners.

23 3. All reports obtained by or disclosed to the
24 commissioner and the national association of insurance
25 commissioners pursuant to this chapter are confidential and
26 shall not be subject to subpoena and shall not be made public
27 by the commissioner, the national association of insurance
28 commissioners, or any other person without the prior written
29 consent of the insurer to which it pertains, unless the
30 commissioner, after giving such insurer notice and providing
31 an opportunity to be heard, determines that the interest of
32 policyholders, shareholders, or the public will be served by
33 the publication or disclosure of the report, in which event
34 the commissioner may publish or disclose all or any part of
35 the report as deemed appropriate.

1 Notwithstanding this subsection, the commissioner or the
2 national association of insurance commissioners may provide
3 the report to the insurance regulatory agencies of other
4 states.

5 Sec. 8. NEW SECTION. 521D.3 REPORT OF ACQUISITION AND
6 DISPOSITION OF ASSETS -- INFORMATION REQUIRED -- SCOPE.

7 1. An acquisition or disposition of assets need not be
8 reported pursuant to section 521D.2 if the acquisition or
9 disposition is not material. For purposes of this chapter, a
10 material acquisition, or the aggregate of any series of
11 related acquisitions, or a disposition, or the aggregate of
12 any series of related dispositions, during any thirty-day
13 period, is one that is nonrecurring, is not in the ordinary
14 course of business, and involves more than five percent of the
15 reporting insurer's total admitted assets as reported in its
16 most recent statutory statement filed with the insurance
17 division of the insurer's state of domicile.

18 2. For purposes of this chapter, an asset acquisition
19 includes every purchase, lease, exchange, merger,
20 consolidation, succession, or other acquisition, other than
21 the construction or development of real property by or for the
22 reporting insurer or the acquisition of materials for such
23 purpose. For purposes of this chapter, an asset disposition
24 includes every sale, lease, exchange, merger, consolidation,
25 mortgage, hypothecation, assignment, whether for the benefit
26 of creditors of otherwise, abandonment, destruction, or other
27 disposition.

28 3. A report of a material acquisition or disposition of
29 assets shall include all of the following:

- 30 a. Date of the transaction.
31 b. Manner of the acquisition or disposition.
32 c. Description of the assets involved.
33 d. Nature and amount of the consideration given or
34 received.
35 e. Purpose of, or reason for, the transaction.

1 f. Manner by which the amount of consideration was
2 determined.

3 g. Gain or loss recognized or realized as a result of the
4 transaction.

5 h. Name or names of the person or persons from whom the
6 assets were acquired or to whom they were disposed.

7 4. An insurer is required to report material acquisitions
8 and dispositions on a nonconsolidated basis unless the insurer
9 is part of a consolidated group of insurers which utilizes a
10 pooling arrangement or one hundred percent reinsurance
11 agreement that affects the solvency and integrity of the
12 insurer's reserves, and such insurer ceded substantially all
13 of its direct and assumed business to the pool. An insurer is
14 deemed to have ceded substantially all of its direct and
15 assumed business to a pool if the insurer has less than one
16 million dollars total direct plus assumed written premiums
17 during a calendar year that are not subject to a pooling
18 arrangement, and the net income of the business not subject to
19 the pooling arrangement represents less than five percent of
20 the insurer's capital and surplus.

21 Sec. 9. NEW SECTION. 521D.4 REPORT OF NONRENEWAL,
22 CANCELLATION, REVISION OF CEDED REINSURANCE AGREEMENTS --
23 INFORMATION REQUIRED -- SCOPE.

24 1. A nonrenewal, cancellation, or revision of a ceded
25 reinsurance agreement need not be reported pursuant to section
26 521D.2 if the nonrenewal, cancellation, or revision is not
27 material. For purposes of this chapter, a material
28 nonrenewal, cancellation, or revision of a ceded reinsurance
29 agreement is one that does the following:

30 a. For property and casualty business including accident
31 and health business when written as such, affects more than
32 fifty percent of an insurer's ceded written premium on an
33 annualized basis as indicated in the insurer's most recently
34 filed statutory statement.

35 b. For life, annuity, and accident and health business,

1 affects more than fifty percent of the total reserve credit
2 taken for business ceded on an annualized basis as indicated
3 in the insurer's most recently filed statutory statement.

4 2. Notwithstanding subsection 1, a filing is not required
5 if the insurer's ceded written premium represents, on an
6 annualized basis, less than ten percent of direct plus assumed
7 written premium, or the total reserve credit taken for
8 business ceded represents, on an annualized basis, less than
9 ten percent of the statutory reserve requirement prior to any
10 cession.

11 3. A report required to be filed pursuant to this chapter
12 is to be filed regardless of who has initiated the nonrenewal,
13 cancellation, or revision of the ceded reinsurance agreement
14 whenever one or more of the following conditions exist:

15 a. The entire cession has been canceled, nonrenewed, or
16 revised and ceded indemnity and loss adjustment expense
17 reserves, after any nonrenewal, cancellation, or revision,
18 represent less than fifty percent of the comparable reserves
19 that would have been ceded had the nonrenewal, cancellation,
20 or revision not occurred.

21 b. An authorized or accredited reinsurer has been replaced
22 on an existing cession by an unauthorized reinsurer.

23 c. Collateral requirements previously established for
24 unauthorized reinsurers have been reduced.

25 4. A report of a material nonrenewal, cancellation, or
26 revision of a ceded reinsurance agreement required to be filed
27 shall include all of the following:

28 a. The effective date of the nonrenewal, cancellation, or
29 revision.

30 b. The description of the transaction including the
31 identification of the initiator of the transaction.

32 c. The purpose of, or reason for, the transaction.

33 d. The identity of the replacement reinsurers, if
34 applicable.

35 5. Insurers are required to report all material

1 nonrenewals, cancellations, or revisions of ceded reinsurance
2 agreements on a nonconsolidated basis unless the insurer is
3 part of a consolidated group of insurers which utilizes an
4 intercompany pooling agreement or arrangement or a one hundred
5 percent reinsurance agreement under which the ceding company
6 has ceded substantially one hundred percent of its direct and
7 assumed business to a pool. An insurer is deemed to have
8 ceded substantially one hundred percent of its direct and
9 assumed business to a pool if the insurer has less than one
10 million dollars of total direct plus assumed written premiums
11 during a calendar year that are not subject to the pooling
12 agreement or arrangement and the net income of the business
13 not subject to the pooling agreement or arrangement represents
14 less than five percent of the insurer's capital and surplus.
15 If a group of insurers reports on a consolidated basis, the
16 report shall identify the individual insurers that are members
17 of the group.

18 EXPLANATION

19 This bill relates to insurance regulation and includes
20 provisions relating to the release of confidential
21 information, the standard valuation of certain insurance
22 policies and contracts and annuities and endowments, and the
23 disclosure of certain transactions of insurers domiciled in
24 this state.

25 New section 505.17 is created which provides that
26 disclosure of confidential information, administrative or
27 judicial orders which are closed, or other action of the
28 division which is not an open record, to other state
29 regulatory officials may be permitted by the commissioner if
30 those officials are subject to, or agree to comply with,
31 standards of confidentiality comparable to those imposed on
32 the commissioner.

33 Sections 2 and 3 amend the standard valuation provisions
34 related to life insurance policies and contracts, and annuity
35 and endowment contracts.

1 Sections 4 and 5 amend provisions relating to reinsurance
2 intermediaries. Section 521C.8 is amended to provide that an
3 underwriting manager who manages part of the reinsurance
4 operations of a reinsurer and who is under common control with
5 the reinsurer, is not a reinsurance intermediary-manager.
6 Currently, only an underwriting manager who manages all of the
7 reinsurance operations of the reinsurer and who is under
8 common control with the reinsurer is excluded from the
9 definition of a reinsurance intermediary-manager.

10 Sections 6 through 9 create a new chapter 521D which
11 requires the disclosure of certain material transactions.

12 Section 521D.1 establishes the title of the chapter.

13 Section 521D.2 requires an insurer domiciled in this state
14 to file a report with the commissioner and the national
15 association of insurance commissioners disclosing material
16 acquisitions and dispositions of assets, or material
17 nonrenewals, cancellations, or revisions of ceded reinsurance
18 agreements unless such acquisitions and dispositions of
19 assets, or material nonrenewals, cancellations, or revisions
20 of ceded reinsurance agreements have been submitted to the
21 commissioner for review, approval, or information purposes
22 pursuant to other provisions.

23 Section 521D.3 provides that a report of acquisition and
24 disposition of assets need not be filed if the acquisition or
25 disposition is not material. The section also sets forth the
26 information which must be included in such report.

27 Section 521D.4 provides that a report of a nonrenewal,
28 cancellation, or revision of a ceded reinsurance agreement
29 need not be filed if the nonrenewal, cancellation, or revision
30 of the ceded reinsurance agreement is not material. The
31 section also sets forth the information which must be included
32 in such report.

33

BACKGROUND STATEMENT

34

SUBMITTED BY THE AGENCY

35 All provisions within this bill are requirements for the

1 maintenance of the Iowa insurance division's accreditation
2 with the national association of insurance commissioners.

3 Section 1 provides for the authority of the division to
4 share with other states' insurance regulatory agencies con-
5 fidential information concerning insurance companies. Such
6 information might include data received during the course of
7 an administrative investigation or during a financial
8 examination. The intent is to insure that state regulators
9 are kept adequately advised of issues or problems which may
10 affect the insurers they regulate.

11 Sections 2 and 3 revise the standard valuation law. This
12 section of the law specifies the method of calculation used by
13 life insurance companies in annually computing the amount of
14 reserves (amount representing actual and potential liabilities
15 to be incurred during the year) which must be maintained.

16 Sections 4 and 5 contain amendments to the Reinsurance
17 Intermediaries Act. The Act regulates persons who act as
18 third parties in negotiating reinsurance agreements between a
19 ceding insurer and a reinsurer. The amendments proposed
20 pertain to the definition of a "reinsurance intermediary-
21 manager", and to the penalties assessed against violators of
22 the Act.

23 Sections 6 through 9 establish a new chapter entitled
24 "Disclosure of Material Transactions Act". The Act clarifies
25 and expands upon the reporting requirements the division
26 imposes on insurers with regard to transactions between
27 subsidiaries. Such transactions include acquisition and
28 disposition of assets, and nonrenewal, cancellation, or
29 revision of reinsurance agreements.

30

31

32

33

34

35

SENATE FILE 2282

AN ACT

RELATING TO THE REGULATION OF INSURANCE INCLUDING PROVISIONS CONCERNING THE DISCLOSURE OF CONFIDENTIAL INFORMATION, THE STANDARD VALUATION OF CERTAIN INSURANCE POLICIES AND CONTRACTS AND ANNUITIES AND ENDOWMENTS, AND THE DISCLOSURE OF CERTAIN TRANSACTIONS OF INSURERS DOMICILED IN THIS STATE, AND PROVIDING AN EFFECTIVE DATE.

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

Section 1. Section 505.7, subsection 1, Code Supplement 1993, is amended to read as follows:

1. All fees and charges which are required by law to be paid by insurance companies, and associations, and other regulated entities shall be payable to the commissioner of the insurance division of the department of commerce or department of revenue and finance, as provided by law, whose duty it shall be to account for and pay over the same to the treasurer

of state at the time and in the manner provided by law for deposit in the general fund of the state.

Sec. 2. Section 505.7, Code Supplement 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 8. The commissioner may assess the costs of an audit or examination to a health insurance purchasing cooperative, in the same manner as provided for insurance companies under sections 507.7 through 507.9, and may establish by rule reasonable filing fees to fund the cost of regulatory oversight.

Sec. 3. Section 505.8, Code 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 6. The commissioner shall supervise all health insurance purchasing cooperatives providing services or operating within the state and the organization of domestic cooperatives. The commissioner may admit nondomestic health insurance purchasing cooperatives under the same standards as domestic cooperatives.

Sec. 4. NEW SECTION. 505.17 CONFIDENTIAL INFORMATION.

The disclosure of confidential information, administrative or judicial orders which contain confidential information, or information regarding other action of the division which is not a public record subject to disclosure, to regulatory officials from this or other states may be permitted by the commissioner provided that those officials are subject to, or agree to comply with, standards of confidentiality comparable to those imposed on the commissioner.

Sec. 5. NEW SECTION. 505.20 HEALTH ACCOUNTING STANDARDS -- DUTIES OF COMMISSIONER.

The commissioner, in conjunction with the community health management information system established in chapter 144C, if enacted by the Seventy-fifth General Assembly, shall adopt rules establishing health accounting standards to be enforced statewide. The community health management information system board shall propose accounting standards for cost and quality to the commissioner for approval. The commissioner shall

enforce the standards in conjunction with the community health management information system board.

Sec. 6. NEW SECTION. 505.21 HEALTH CARE ACCESS -- DUTIES OF COMMISSIONER -- PENALTIES.

1. The commissioner shall adopt rules establishing a requirement that an employer provide access to health care to the employees of the employer. The rules shall provide that an employer doing business within this state shall offer each employee, at a minimum, access to health insurance. The requirement contained in this section may be satisfied by offering any of the following:

a. Health care coverage through an insurer or health maintenance organization authorized to do business in this state.

b. Access to health benefits through a health benefits plan qualified under the federal Employee Retirement Income Security Act of 1974.

2. An employer may financially contribute toward the employee's health benefit plan. The employer shall offer payroll deduction of employee contributions and direct deposit of premium payments related to a health insurance purchasing cooperative or other health care coverage.

3. A violation of this section may be reported to the consumer and legal affairs bureau in the insurance division. The division may issue, upon a finding that an employer has failed to offer an employee access to health insurance, any of the following:

a. A cease and desist order instructing the employer to cure the failure and desist from future violations of this section.

b. An order requiring an employer who has previously been the subject of a cease and desist order to pay an employee's reasonable health insurance premiums necessary to prevent or cure a lapse in health care coverage arising out of the employer's failure to offer as required.

c. An order upon the employer assessing the reasonable costs of the division's investigation and enforcement action.

4. The insurance division shall annually provide a written report to the general assembly beginning January 1, 1995, which evaluates the effects of this section on providing universal coverage for all Iowans. If the division determines that the state has not achieved a level of individuals without health care coverage of less than three percent of total population through voluntary means by June 30, 1999, the division shall make recommendations for the implementation of and a financing mechanism for a requirement that all individuals in this state procure and maintain health care coverage for themselves and their dependents.

Sec. 7. Section 508.36, subsection 1, Code 1993, is amended to read as follows:

1. RESERVE VALUATION. The commissioner shall annually value, or cause to be valued, the reserve liabilities ~~(hereinafter-called-reserves)~~, referred to in this section as reserves, for all outstanding life insurance policies and annuity and pure endowment contracts of every life insurance company doing business in this state, ~~except-that-in-the-case-of-an-alien-company,-such-valuation-shall-be-limited-to-its-United-States-business,~~ and may certify the amount of any such reserves, specifying the mortality table or tables, rate or rates of interest, and ~~methods-(the~~ net level premium method or other) methods used in the calculation of such reserves. In calculating such ~~the~~ reserves, the commissioner may use group methods and approximate averages for fractions of a year or otherwise. ~~For-the-purpose-of-making-such-valuation-the-commissioner-may-employ-a-competent-actuary-who-shall-be-paid-by-the-company-for-which-the-service-is-rendered;-but-a-domestic-company-may-make-such-valuation-and-it-shall-be-received-by-the-commissioner-upon-satisfactory-proof-of-its-correctness:~~ In lieu of the valuation of the reserves herein required in this section of any foreign or alien company, the commissioner may accept any valuation made, or caused to be

made, by the insurance supervisory official of any state or other jurisdiction when such valuation complies with the minimum standard herein provided for in this section and if the official of such state or jurisdiction accepts as sufficient and valid for all legal purposes the certificate of valuation of the commissioner when such certificate states the valuation to have been made in a specified manner according to which the aggregate reserves would be at least as large as if they had been computed in the manner prescribed by the law of that state or jurisdiction.

~~Any such company which at any time shall have adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard herein provided may, with the approval of the commissioner, adopt any lower standard of valuation, but not lower than the minimum herein provided.~~

Sec. 8. Section 508.36, subsection 2, Code 1993, is amended by striking the subsection and inserting in lieu thereof the following:

2. ACTUARIAL OPINION OF RESERVES. This subsection is effective January 1, 1996.

a. GENERAL. A life insurance company doing business in this state shall annually submit the written opinion of a qualified actuary as to whether the reserves and related actuarial items held in support of the policies and contracts specified by the commissioner by regulation are computed appropriately, are based on assumptions which satisfy contractual provisions, are consistent with prior reported amounts, and are in compliance with applicable laws of this state. The commissioner shall define by rule the requirements and content of this opinion and add any other items deemed to be necessary.

b. ACTUARIAL ANALYSIS OF RESERVES AND ASSETS SUPPORTING SUCH RESERVES.

(1) Unless exempted by rule, a life insurance company shall also annually include in the opinion required by

paragraph "a", an opinion of the same qualified actuary as to whether the reserves and related actuarial items held in support of policies and contracts specified by the commissioner by rule, when considered with respect to the assets held by the company associated with the reserves and related actuarial items, including, but not limited to, the investment earnings on the assets and the considerations anticipated to be received and retained under the policies and contracts, are sufficient for the company's obligations under the policies and contracts, including but not limited to the benefits under and expenses associated with the policies and contracts.

(2) The commissioner may provide by rule for a transition period for establishing any higher reserves which the qualified actuary may deem necessary in order to render the opinion required by this section.

c. REQUIREMENTS FOR ACTUARIAL ANALYSIS. An opinion required by paragraph "b" shall be governed by the following provisions:

(1) A memorandum, in form and substance acceptable to the commissioner as specified by rule, shall be prepared to support each actuarial opinion.

(2) If the insurance company fails to provide a supporting memorandum at the request of the commissioner within a period specified by rule or the commissioner determines that the supporting memorandum provided by the insurance company fails to meet the standards prescribed by the rules or is otherwise unacceptable to the commissioner, the commissioner may engage a qualified actuary at the expense of the company to review the opinion and the basis for the opinion and prepare such supporting memorandum as is required by the commissioner.

d. REQUIREMENT FOR ALL OPINIONS. An opinion required under this section is governed by the following provisions:

(1) The opinion shall be submitted with the annual statement reflecting the valuation of such reserve liabilities for each year ending on or after December 31, 1995.

(2) The opinion shall apply to all business in force, including individual and group health insurance plans, in form and substance acceptable to the commissioner as specified by rule.

(3) The opinion shall be based on standards adopted from time to time by the actuarial standards board and on such additional standards as the commissioner may by rule prescribe.

(4) In the case of an opinion required to be submitted by a foreign or alien company, the commissioner may accept the opinion filed by that company with the insurance supervisory official of another state if the commissioner determines that the opinion reasonably meets the requirements applicable to a company domiciled in this state.

(5) For the purposes of this section, "qualified actuary" means a member in good standing of the American academy of actuaries who meets the requirements of the commissioner as specified by rule.

(6) Except in cases of fraud or willful misconduct, a qualified actuary is not liable for damages to any person, other than to the insurance company and the commissioner, for any act, error, omission, decision, or conduct with respect to the actuary's opinion.

(7) Disciplinary action which may be taken by the commissioner against the company or the qualified actuary shall be defined in rules adopted by the commissioner.

(8) Any memorandum in support of the opinion, and any other material provided by the company to the commissioner in connection with the opinion, shall be kept confidential by the commissioner and shall not be made public and shall not be subject to subpoena, other than for the purpose of defending an action seeking damages from any person by reason of any action required by this section or by rules adopted pursuant to this section. Notwithstanding this subparagraph, the memorandum or other material may be released by the commissioner if either of the following apply:

(a) The commissioner receives the written consent of the company with which the opinion is associated.

(b) The American academy of actuaries requests that the memorandum or other material is required for the purpose of professional disciplinary proceedings and setting forth procedures satisfactory to the commissioner for preserving the confidentiality of the memorandum or other material.

Once any portion of the confidential memorandum is cited by the company in its marketing, is cited before any governmental agency other than a state insurance department, or is released by the company to the news media, all portions of the confidential memorandum are no longer confidential.

3. COMPUTATIONS OF MINIMUM STANDARDS. Except as otherwise provided in subsections 4, 5, and 12, the minimum standard for the valuation of all such policies and contracts issued prior to July 1, 1994, shall be that provided by the laws in effect immediately prior to such date. Except as otherwise provided in subsections 4, 5, and 12, the minimum standard for the valuation of all such policies and contracts shall be the commissioner's reserve valuation methods defined in subsections 6, 7, 10, and 11, five percent interest for group annuity and pure endowment contracts and three and one-half percent interest for all other policies and contracts, or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after July 1, 1974, four percent interest for such policies issued prior to January 1, 1980, five and one-half percent interest for single premium life insurance policies and four and one-half percent interest for all other such policies issued on and after January 1, 1980, and the following tables:

a. For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in the policies, the following:

(1) The commissioner's 1941 standard ordinary mortality table for policies issued prior to the operative date of section 508.37, subsection 5, paragraph "a".

(2) The commissioners 1958 standard ordinary mortality table for such policies issued on or after the operative date of section 508.37, subsection 5, paragraph "c", provided that for any category of policies issued on female risks, all modified net premiums and present values referred to in this section may be calculated according to an age not more than six years younger than the actual age of the insured.

(3) For policies issued on or after the operative date of section 508.37, subsection 5, paragraph "c", any of the following:

(a) The commissioners 1980 standard ordinary mortality table.

(b) At the election of the company for any one or more specified plans of life insurance, the commissioners 1980 standard ordinary mortality table with ten-year select mortality factors.

(c) Any ordinary mortality table, adopted after 1980 by the national association of insurance commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for such policies.

b. For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in the policies, the following:

(1) For policies issued prior to the operative date of section 508.37, subsection 5, paragraph "b", the 1941 standard industrial mortality table.

(2) For policies issued on or after the operative date of section 508.37, subsection 5, paragraph "b", the commissioners 1961 standard industrial mortality table, or any industrial mortality table adopted after 1980 by the national association of insurance commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for such policies.

c. For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such

policies the 1937 standard annuity mortality table or, at the option of the company, the annuity mortality table for 1949, ultimate, or any modification of either of these tables approved by the commissioner.

d. For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies, the group annuity mortality table for 1951, or a modification of the table approved by the commissioner, or at the option of the company, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts.

e. For total and permanent disability benefits in or supplementary to ordinary policies or contracts, the following:

(1) For policies or contracts issued on or after January 1, 1966, the tables of period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 disability study of the society of actuaries, with due regard to the type of benefit, or any tables of disablement rates and termination rates adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for such policies.

(2) For policies or contracts issued on or after January 1, 1961, and prior to January 1, 1966, either of the tables identified under subparagraph (1), or at the option of the company, the class (3) disability table (1926).

(3) For policies issued prior to January 1, 1961, the class (3) disability table (1926).

A table used under this paragraph "e" shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

f. For accidental death benefits in or supplementary to policies, the following:

(1) For policies issued on or after January 1, 1966, the 1959 accidental death benefits table, or any accidental death

benefits table adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for such policies.

(2) For policies issued on or after January 1, 1961, and prior to January 1, 1966, either of the tables identified under subparagraph (1), or at the option of the company, the inter-company double indemnity mortality table.

(3) For policies issued prior to January 1, 1961, the inter-company double indemnity mortality table.

A table used under this paragraph "f" shall be combined with a mortality table for calculating the reserves for life insurance policies.

g. For group life insurance, life insurance issued on the substandard basis, and other special benefits, tables approved by the commissioner.

4. COMPUTATION FOR MINIMUM STANDARDS FOR ANNUITIES.

Except as provided in subsection 5, the minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the operative date of this subsection, and for all annuities and pure endowments purchased on or after the operative date of this subsection under group annuity and pure endowment contracts, shall be the commissioner's reserve valuation methods defined in subsections 6 and 7, and the following tables and interest rates:

a. For individual annuity and pure endowment contracts issued prior to January 1, 1980, excluding any disability and accidental death benefits in such contracts, both of the following:

(1) The 1971 individual annuity mortality table, or any modification of this table approved by the commissioner.

(2) Six percent interest for single premium immediate annuity contracts, and four percent interest for all other individual annuity and pure endowment contracts.

b. For individual single premium immediate annuity contracts issued on or after January 1, 1980, excluding any disability and accidental death benefits in such contracts, both of the following:

(1) One of the following tables:

(a) The 1971 individual annuity mortality table.

(b) An individual annuity mortality table, adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for such contracts.

(c) A modification of the tables identified in subparagraph subdivisions (a) and (b) approved by the commissioner.

(2) Seven and one-half percent interest.

c. For individual annuity and pure endowment contracts issued on or after January 1, 1980, other than single premium immediate annuity contracts, excluding any disability and accidental death benefits in such contracts, both of the following:

(1) One of the following tables:

(a) The 1971 individual annuity mortality table.

(b) An individual annuity mortality table adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for such contracts.

(c) A modification of the tables identified in subparagraph subdivisions (a) and (b) approved by the commissioner.

(2) Five and one-half percent interest for single premium deferred annuity and pure endowment contracts and four and one-half percent interest for all other such individual annuity and pure endowment contracts.

d. For all annuities and pure endowments purchased prior to January 1, 1980, under group annuity and pure endowment

contracts, excluding any disability and accidental death benefits purchased under such contracts, both of the following:

- (1) The 1971 group annuity mortality table or any modification of this table approved by the commissioner.
- (2) Six percent interest.

e. For all annuities and pure endowments purchased on or after January 1, 1980, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, both of the following:

- (1) One of the following tables:
 - (a) The 1971 group annuity mortality table.
 - (b) A group annuity mortality table adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for such annuities and pure endowments.
 - (c) A modification of the tables identified in subparagraph subdivisions (a) and (b) approved by the commissioner.

- (2) Seven and one-half percent interest.

After July 1, 1973, a company may file with the commissioner a written notice of its election to comply with the provisions of this subsection after a specified date before January 1, 1979, which shall be the operative date of this section for such company, provided, if a company makes no election, the effective date of this section for a company is January 1, 1979.

5. COMPUTATION OF MINIMUM STANDARD BY CALENDAR YEAR OF ISSUE.

a. APPLICABILITY OF THIS SUBSECTION. The calendar year statutory valuation interest rates, as defined in this subsection, shall be used in determining the minimum standard for the valuation of all of the following:

(1) All life insurance policies issued in a particular calendar year, on or after the operative date of section 508.37, subsection 5, paragraph "c".

(2) All individual annuity and pure endowment contracts issued in a particular calendar year on or after January 1, 1995.

(3) All annuities and pure endowments purchased in a particular calendar year on or after January 1, 1995, under group annuity and pure endowment contracts.

(4) The net increase, if any, in a particular calendar year on or after January 1, 1995, in amounts held under guaranteed interest contracts.

b. CALENDAR YEAR STATUTORY VALUATION INTEREST RATES.

(1) The calendar year statutory valuation interest rates, referred to in this paragraph as "I", shall be determined as follows and the results rounded to the nearer one-quarter of one percent:

(a) For life insurance,

$$I \text{ equals } .03 + \frac{W}{2} (R_1 - .03) + 2 (R_2 - .09),$$

where R_1 is the lesser of R and $.09$, R_2 is the greater of R and $.09$, R is the reference interest rate defined in paragraph "d" of this subsection, and W is the weighting factor defined in paragraph "c" of this subsection.

(b) For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and from guaranteed interest contracts with cash settlement options,

$$I \text{ equals } .03 + W(R - .03),$$

where R_1 is the lesser of R and $.09$, R_2 is the greater of R and $.09$, R is the reference interest rate defined in paragraph "d" of this subsection, and W is the weighting factor defined in paragraph "c" of this subsection.

(c) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis, except as stated in

subparagraph subdivision (b), the formula for life insurance stated in subparagraph subdivision (a) applies to annuities and guaranteed interest contracts with guarantee durations in excess of ten years, and the formula for single premium immediate annuities stated in subparagraph subdivision (b) applies to annuities and guaranteed interest contracts with guarantee durations of ten years or less.

(d) For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the formula for single premium immediate annuities stated in subparagraph subdivision (b) applies.

(e) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, the formula for single premium immediate annuities stated in subparagraph subdivision (b) applies.

(2) However, if the calendar year statutory valuation interest rate for any life insurance policies issued in any calendar year determined under subparagraph (1), subparagraph subdivision (a) without reference to this sentence differs from the corresponding actual rate for similar policies issued in the immediately preceding calendar year by less than one-half of one percent, the calendar year statutory valuation interest rate for the life insurance policies is equal to the corresponding actual rate for the immediately preceding calendar year. For purposes of applying the immediately preceding sentence, the calendar year statutory valuation interest rate for life insurance policies issued in a calendar year shall be determined for 1980, using the reference interest rate defined in 1979, and shall be determined for each subsequent calendar year regardless of the operative date of section 508.37, subsection 5, paragraph "c".

c. WEIGHTING FACTORS.

(1) The weighting factors referred to in paragraph "b" are given in the following tables:

(a) Weighting Factors for Life Insurance:

Guarantee Duration (Years)	Weighting Factors
10 or less	.50
More than 10, but not more than 20	.45
More than 20	.35

For life insurance, the guarantee duration is the maximum number of years the life insurance can remain in force on a basis guaranteed in the policy or under options to convert to plans of life insurance with premium rates or nonforfeiture values or both which are guaranteed in the original policy.

(b) The weighting factors for single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options is .80.

(c) Weighting factors for other annuities and for guaranteed interest contracts, except as stated in subparagraph subdivision (b), shall be as specified in subparagraph subdivision parts (i), (ii) and (iii) of this subparagraph subdivision, according to the rules and definitions in subparagraph subdivision parts (iv), (v), and (vi) of this subparagraph subdivision:

(i) For annuities and guaranteed interest contracts valued on an issue year basis:

Guarantee Duration (Years)	Weighting Factor for Plan Type		
	A	B	C
5 or less	.80	.60	.50
More than 5, but not more than 10	.75	.60	.50
More than 10, but not more than 20	.65	.50	.45
More than 20	.45	.35	.35

(ii) For annuities and guaranteed interest contracts valued on a change in fund basis, the factors shown in subparagraph subdivision part (i) of this subparagraph subdivision increased by:

	Plan Type		
	A	B	C

.15 .25 .05

(iii) For annuities and guaranteed interest contracts valued on an issue-year basis, other than those with no cash settlement options, which do not guarantee interest on considerations received more than one year after issue or purchase and for annuities and guaranteed interest contracts valued on a change in fund basis which do not guarantee interest rates on considerations received more than twelve months beyond the valuation date, the factors shown in subparagraph subdivision part (i) of this subparagraph subdivision or derived in subparagraph subdivision part (ii) of this subparagraph subdivision increased by:

Plan Type		
A	B	C
.05	.05	.05

(iv) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the guarantee duration is the number of years for which the contract guarantees interest rates in excess of the calendar year statutory valuation interest rate for life insurance policies with guarantee durations in excess of twenty years. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the guarantee duration is the number of years from the date of issue or date of purchase to the date annuity benefits are scheduled to commence.

(v) "Plan type", as used in subparagraph subdivision parts (i), (ii), and (iii) of this subparagraph subdivision, is defined as follows:

"Plan Type A": At any time, the policyholder may withdraw funds only with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or may withdraw funds without that adjustment but in installments over five years or more, or may withdraw funds as in immediate life annuity; or no withdrawal is permitted.

"Plan Type B": Before expiration of the interest rate guarantee, the policyholder may withdraw funds only with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or may withdraw funds without that adjustment but in installments over five years or more; or no withdrawal is permitted. At the end of interest rate guarantee, funds may be withdrawn without adjustment in a single sum or installments over less than five years.

"Plan Type C": The policyholder may withdraw funds before expiration of interest rate guarantee in a single sum or installments over less than five years either without adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or subject only to a fixed surrender charge stipulated in the contract as a percentage of the fund.

(vi) A company may elect to value guaranteed interest contracts with cash settlement options and annuities with cash settlement options on either an issue-year basis or on a change-in-fund basis. Guaranteed interest contracts with no cash settlement options and other annuities with no cash settlement options must be valued on an issue-year basis. As used in this section, an issue-year basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard for the entire duration of the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of issue or year of purchase of the annuity or guaranteed interest contract, and the change-in-fund basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard applicable to each change in the fund held under the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund.

d. REFERENCE INTEREST RATE. The reference interest rate referred to in paragraph "b" is defined as follows:

(1) For all life insurance, the lesser of the average over a period of thirty-six months and the average over a period of twelve months, ending on June 30 of the calendar year next preceding the year of issue, of the monthly average of the composite yield on seasoned corporate bonds, as published by moody's investors service, inc.

(2) For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the average over a period of twelve months, ending on June 30 of the calendar year of issue or year of purchase, of the monthly average of the composite yield on seasoned corporate bonds, as published by moody's investors service, inc.

(3) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue-year basis, except as stated in subparagraph (2), with guarantee duration in excess of ten years, the lesser of the average over a period of thirty-six months and the average over a period of twelve months, ending on June 30 of the calendar year of issue or purchase, of the monthly average of the composite yield on seasoned corporate bonds, as published by moody's investors service, inc.

(4) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue-year basis, except as stated in subparagraph (2), with guarantee duration of ten years or less, the average over a period of twelve months, ending on June 30 of the calendar year of issue or purchase, of the monthly average of the composite yield on seasoned corporate bonds, as published by moody's investors service, inc.

(5) For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the average over a period of twelve months, ending on June 30 of the calendar year of issue or purchase, of the monthly average of the composite yield on seasoned corporate bonds, as published by moody's investors service, inc.

(6) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change-in-fund basis, except as stated in subparagraph (2), the average over a period of twelve months, ending on June 30 of the calendar year of the change in the fund, of the monthly average of the composite yield on seasoned corporate bonds, as published by moody's investors service, inc.

e. ALTERNATIVE METHOD FOR DETERMINING REFERENCE INTEREST RATES. In the event that the monthly average of the composite yield on seasoned corporate bonds is no longer published by moody's investors service, inc., or in the event that the national association of insurance commissioners determines that the monthly average of the composite yield on seasoned corporate bonds as published by moody's investors service, inc. is no longer appropriate for the determination of the reference interest rate, an alternative method for determination of the reference interest rate, which is adopted by the national association of insurance commissioners and approved by rule adopted by the commissioner, may be substituted.

6. RESERVE VALUATION METHOD -- LIFE INSURANCE AND ENDOWMENT BENEFITS.

a. Except as otherwise provided in subsections 7, 10, and 12, reserves calculated according to the commissioner's reserve valuation method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums, shall be the excess, if any, of the present value, at the date of valuation, of future guaranteed benefits provided for by such policies, over the present value, at the date of valuation, of any future modified net premiums for such policies. The modified net premiums for such policy is the uniform percentage of the respective contract premiums for the benefits such that the present value, at the date of issue of the policy, of all modified net premiums shall be equal to the

sum of the present value, at the date of valuation, of such benefits provided for by the policy and the excess of the amount determined in subparagraph (1) over the amount determined in subparagraph (2), as follows:

(1) A net level annual premium equal to the present value at the date of issue, of the benefits provided for after the first policy year, divided by the present value at the date of issue, of an annuity of one per annum payable on the first, and each subsequent, anniversary of the policy on which a premium falls due. However, the net level annual premium shall not exceed the net level annual premium on the nineteen-year premium whole life plan for insurance of the same amount at an age one year more than the age of the insured at issue of the policy.

(2) A net one-year term premium for the benefits provided for in the first policy year.

b. However, for a life insurance policy issued on or after January 1, 1998, for which the contract premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for such additional premium and which provides an endowment benefit or a cash surrender value or a combination of such benefit or value in an amount greater than the additional premium, the reserve according to the commissioner's reserve valuation method as of any policy anniversary occurring on or before the assumed ending date defined as the first policy anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than such additional premium shall be, except as otherwise provided in subsection 10, the greater of the reserve as of such policy anniversary calculated as described in paragraph "a" and the reserve as of such policy anniversary calculated as described in paragraph "a", but with the following modifications:

(i) The value defined in paragraph "a" being reduced by fifteen percent of the amount of such excess first year premium.

(ii) All present values of benefits and premiums being determined without reference to premiums or benefits provided for by the policy after the assumed ending date.

(iii) The policy being assumed to mature on such date as an endowment.

(iv) The cash surrender value provided on such date being considered as an endowment benefit.

In making the above comparison the mortality and interest bases stated in subsections 4 and 5 shall be used.

c. Reserves according to the commissioner's reserve valuation method shall be calculated pursuant to a method consistent with this subsection for all of the following:

(1) Life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums.

(2) Group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the Internal Revenue Code.

(3) Disability and accidental death benefits in all policies and contracts.

(4) All other benefits, except life insurance and endowment benefits in life insurance policies and benefits provided by all other annuity and pure endowment contracts.

7. RESERVE VALUATION METHOD -- ANNUITY AND PURE ENDOWMENT BENEFITS. This subsection applies to all annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the Internal Revenue Code.

Reserves according to the commissioner's annuity reserve method for benefits under annuity or pure endowment contracts, excluding any disability and accidental death benefits in such contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by such contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future valuation considerations derived from future gross considerations, required by the terms of such contract, that become payable prior to the end of such respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate or rates, specified in such contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of such contracts to determine nonforfeiture values.

8. MINIMUM RESERVES.

a. A company's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, the operative date of section 508.37, shall not be less than the aggregate reserves calculated in accordance with the methods set forth in subsections 6, 7, 10, and 11, and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

b. A company's aggregate reserves for all policies, contracts, and benefits shall not be less than the aggregate reserves determined by the qualified actuary to be necessary to render the opinion required by subsection 2.

9. OPTIONAL RESERVE CALCULATION. Reserves for all policies and contracts issued prior to the operative date of section 508.37, may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for all such policies and contracts than the minimum reserves required prior to July 1, 1994.

Reserves for any category of policies, contracts, or benefits, as established by the commissioner, issued on or after the operative date of section 508.37, may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard as provided in this section, but the rate or rates of interest used for policies and contracts, other than annuity and pure endowment contracts, shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits as provided in this section.

A company which at any time adopts a standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard as provided in this section may adopt, with the approval of the commissioner, any lower standard of valuation, not to be lower than the minimum as provided in this section, provided, however, that, for purposes of this section, the holding of additional reserves previously determined by a qualified actuary to be necessary to render the opinion required by subsection 2 shall not be deemed to be the adoption of a higher standard of valuation.

10. RESERVE CALCULATION -- VALUATION NET PREMIUM EXCEEDING THE GROSS PREMIUM CHARGE.

a. If in any contract year the gross premium charged by a life insurance company on a policy or contract is less than the valuation net premium for the policy or contract, as calculated by the method used in calculating the reserve for such policy or contract but using the minimum valuation standards of mortality and rate of interest, the minimum reserve required for such policy or contract is the greater of either the reserve calculated according to the mortality table, rate of interest, and method actually used for such policy or contract, or the reserve calculated by the method actually used for such policy or contract but using the minimum valuation standards of mortality and rate of interest and replacing the valuation net premium by the actual gross

premium in each contract year for which the valuation net premium exceeds the actual gross premium. The minimum valuation standards of mortality and rate of interest referred to in this section are those standards established in subsections 4 and 5.

b. However, for any life insurance policy issued on or after January 1, 1998, for which the gross premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for such excess and which provides an endowment benefit or a cash surrender value, or a combination of such benefit and value, in an amount greater than the excess premium, the provisions of paragraph "a" apply as if the method actually used in calculating the reserve for such policy is the method established in subsection 6, excluding paragraph "b" of that subsection. The minimum reserve of the policy at each policy anniversary shall be the greater of the minimum reserve calculated pursuant to subsection 6 and the minimum reserve calculated in accordance with this subsection.

11. RESERVE CALCULATION -- INDETERMINATE PREMIUM PLANS. In the case of any plan of life insurance which provides for future premium determination, the amounts of such premium which are to be determined by the insurance company based on estimates of future experience, or in the case of any plan of life insurance or annuity, the minimum reserves of which cannot be determined by the methods established in subsections 6, 7, and 10, the reserves which are held under the plan must be appropriate in relation to the benefits and the pattern of premiums for that plan, and shall be computed by a method which is consistent with this section, as determined by rules adopted by the commissioner.

12. MINIMUM STANDARDS FOR HEALTH (DISABILITY, ACCIDENT, AND SICKNESS) PLANS. The commissioner shall adopt rules containing the minimum standards applicable to the valuation of health, disability, and sickness and accident plans.

Sec. 9. Section 513B.2, subsection 16, Code Supplement 1993, is amended to read as follows:

16. "Small employer" means a person actively engaged in business who, on at least fifty percent of the employer's working days during the preceding year, employed not less than two and not more than twenty-five fifty full-time equivalent eligible employees. In determining the number of eligible employees, companies which are affiliated companies or which are eligible to file a combined tax return for purposes of state taxation are considered one employer.

Sec. 10. Section 513B.4, Code Supplement 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 1A. Notwithstanding subsection 1, there shall be no variance in premium rates for a basic or standard benefit plan offered pursuant to this chapter for health status or claim experience.

Sec. 11. Section 513B.4, subsection 2, unnumbered paragraph 2, Code Supplement 1993, is amended by striking the paragraph and inserting in lieu thereof the following:

Case characteristics other than age, geographic area, family composition, and group size shall not be used by a small employer carrier without the prior approval of the commissioner.

Sec. 12. Section 513B.4, Code Supplement 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 5. Notwithstanding subsection 1, the commissioner, with the concurrence of the board of the Iowa small employer health reinsurance program established in section 513B.13, may by order reduce or eliminate the allowed rating bands provided under subsection 1, paragraphs "a", "b", and "c", or otherwise limit or eliminate the use of experience rating.

Sec. 13. Section 515A.13, Code 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 5. PROHIBITED RELEASE. A person other than the commissioner or the commissioner's designee shall not

release to another person, other than to the servicing insurer of the policy or to the commissioner or the commissioner's designee, experience, payroll, loss data, expiration date of a policy, or classification information without the prior written approval of the policy holder. A violation of this section shall be considered an unfair trade practice pursuant to chapter 507B.

Sec. 14. Section 521C.2, subsection 8, paragraph c, Code 1993, is amended to read as follows:

c. An underwriting manager who, pursuant to contract, manages all or part of the reinsurance operations of the reinsurer, who is under common control with the reinsurer, subject to chapter 521A relating to the regulation of insurance holding company systems, and who is not compensated based upon the volume of premiums written.

Sec. 15. Section 521C.11, Code 1993, is amended to read as follows:

521C.11 PENALTIES AND LIABILITIES.

1. A reinsurance intermediary, insurer, or reinsurer or other person found by the commissioner, after a hearing conducted in accordance with chapter 17A, to be in violation of have not materially complied with a provision of this chapter is subject to one or more of the following:

a. For each separate violation, a civil penalty in an amount not exceeding ten five thousand dollars.

b. Revocation or suspension of the license of the reinsurance intermediary.

~~or--if-a-violation-was-committed-by-the-reinsurance intermediary--a-civil-action-brought-by-the-commissioner seeking-restitution-by-the-reinsurance-intermediary-to-the insurer-reinsurer-rehabilitator-or-liquidator-of-the insurer-or-reinsurer-for-the-net-losses-incurred-by-the insurer-or-reinsurer-attributable-to-the-violation;~~

If the commissioner finds that such noncompliance has resulted in a loss or damage to the insurer or reinsurer, the commissioner may bring a civil action on behalf of the insurer

or reinsurer, and the policyholders and creditors of the insurer or reinsurer, seeking the recovery of compensatory damages for the benefit of the insurer or reinsurer, and the policyholders and creditors of the insurer or reinsurer, or seeking other relief as appropriate.

If an order of rehabilitation or liquidation has been entered pursuant to chapter 507C, and the receiver appointed under the order determines that the reinsurance intermediary or any other person has not materially complied with a provision of this chapter and such noncompliance has resulted in a loss or damage to the insurer or reinsurer, the receiver may bring a civil action on behalf of the insurer or reinsurer seeking the recovery of damages for the benefit of the insurer or reinsurer, or seeking other appropriate sanction or relief.

2. A decision, determination, or order of the commissioner made or entered pursuant to subsection 1 is subject to judicial review pursuant to chapter 17A.

3. This section does not affect the right of the commissioner to impose any other penalties provided in this subtitle.

4. This chapter shall not in any manner limit or restrict the rights of policyholders, claimants, creditors, or other third parties, or confer any rights to such persons.

Sec. 16. NEW SECTION. 521D.1 TITLE.

This chapter shall be known and may be cited as the "Disclosure of Material Transactions Act".

Sec. 17. NEW SECTION. 521D.2 REPORT.

1. An insurer domiciled in this state shall file a report with the commissioner disclosing material acquisitions and dispositions of assets, or material nonrenewals, cancellations, or revisions of ceded reinsurance agreements unless such acquisitions and dispositions of assets, or material nonrenewals, cancellations, or revisions of ceded reinsurance agreements have been submitted to the commissioner for review, approval, or information purposes pursuant to other provisions of this subtitle or pursuant to other

requirements. The report shall be filed not later than fifteen days after the end of the calendar year in which the material acquisition or disposition of assets, or material nonrenewal, cancellation, or revision of ceded reinsurance agreements occurs.

2. The insurer shall also file a copy of the report required to be filed with the commissioner pursuant to subsection 1, including any exhibits or other attachments filed as part of the report, with the national association of insurance commissioners.

3. All reports obtained by or disclosed to the commissioner and the national association of insurance commissioners pursuant to this chapter are confidential and shall not be subject to subpoena and shall not be made public by the commissioner, the national association of insurance commissioners, or any other person without the prior written consent of the insurer to which it pertains, unless the commissioner, after giving such insurer notice and providing an opportunity to be heard, determines that the interest of policyholders, shareholders, or the public will be served by the publication or disclosure of the report, in which event the commissioner may publish or disclose all or any part of the report as deemed appropriate.

Notwithstanding this subsection, the commissioner or the national association of insurance commissioners may provide the report to the insurance regulatory agencies of other states.

Sec. 18. NEW SECTION. 521D.3 REPORT OF ACQUISITION AND DISPOSITION OF ASSETS -- INFORMATION REQUIRED -- SCOPE.

1. An acquisition or disposition of assets need not be reported pursuant to section 521D.2 if the acquisition or disposition is not material. For purposes of this chapter, a material acquisition, or the aggregate of any series of related acquisitions, or a disposition, or the aggregate of any series of related dispositions, during any thirty-day period, is one that is nonrecurring, is not in the ordinary

course of business, and involves more than five percent of the reporting insurer's total admitted assets as reported in its most recent statutory statement filed with the insurance division of the insurer's state of domicile.

2. For purposes of this chapter, an asset acquisition includes every purchase, lease, exchange, merger, consolidation, succession, or other acquisition, other than the construction or development of real property by or for the reporting insurer or the acquisition of materials for such purpose. For purposes of this chapter, an asset disposition includes every sale, lease, exchange, merger, consolidation, mortgage, hypothecation, assignment, whether for the benefit of creditors or otherwise, abandonment, destruction, or other disposition.

3. A report of a material acquisition or disposition of assets shall include all of the following:

- a. Date of the transaction.
 - b. Manner of the acquisition or disposition.
 - c. Description of the assets involved.
 - d. Nature and amount of the consideration given or received.
 - e. Purpose of, or reason for, the transaction.
 - f. Manner by which the amount of consideration was determined.
 - g. Gain or loss recognized or realized as a result of the transaction.
 - h. Name or names of the person or persons from whom the assets were acquired or to whom they were disposed.
4. An insurer is required to report material acquisitions and dispositions on a nonconsolidated basis unless the insurer is part of a consolidated group of insurers which utilizes a pooling arrangement or one hundred percent reinsurance agreement that affects the solvency and integrity of the insurer's reserves, and such insurer ceded substantially all of its direct and assumed business to the pool. An insurer is deemed to have ceded substantially all of its direct and

assumed business to a pool if the insurer has less than one million dollars total direct plus assumed written premiums during a calendar year that are not subject to a pooling arrangement, and the net income of the business not subject to the pooling arrangement represents less than five percent of the insurer's capital and surplus.

Sec. 19. NEW SECTION. 521D.4 REPORT OF NONRENEWAL, CANCELLATION, REVISION OF CEDED REINSURANCE AGREEMENTS -- INFORMATION REQUIRED -- SCOPE.

1. A nonrenewal, cancellation, or revision of a ceded reinsurance agreement need not be reported pursuant to section 521D.2 if the nonrenewal, cancellation, or revision is not material. For purposes of this chapter, a material nonrenewal, cancellation, or revision of a ceded reinsurance agreement is one that does the following:

a. For property and casualty business including accident and health business when written as such, affects more than fifty percent of an insurer's ceded written premium on an annualized basis as indicated in the insurer's most recently filed statutory statement.

b. For life, annuity, and accident and health business, affects more than fifty percent of the total reserve credit taken for business ceded on an annualized basis as indicated in the insurer's most recently filed statutory statement.

2. Notwithstanding subsection 1, a filing is not required if the insurer's ceded written premium represents, on an annualized basis, less than ten percent of direct plus assumed written premium, or the total reserve credit taken for business ceded represents, on an annualized basis, less than ten percent of the statutory reserve requirement prior to any cession.

3. A report required to be filed pursuant to this chapter is to be filed regardless of who has initiated the nonrenewal, cancellation, or revision of the ceded reinsurance agreement whenever one or more of the following conditions exist:

a. The entire cession has been canceled, nonrenewed, or revised and ceded indemnity and loss adjustment expense reserves, after any nonrenewal, cancellation, or revision, represent less than fifty percent of the comparable reserves that would have been ceded had the nonrenewal, cancellation, or revision not occurred.

b. An authorized or accredited reinsurer has been replaced on an existing cession by an unauthorized reinsurer.

c. Collateral requirements previously established for unauthorized reinsurers have been reduced.

Subject to the materiality criteria, for purposes of paragraphs "b" and "c", a report shall be filed if the result of the revision affects more than ten percent of the cession.

4. A report of a material nonrenewal, cancellation, or revision of a ceded reinsurance agreement required to be filed shall include all of the following:

a. The effective date of the nonrenewal, cancellation, or revision.

b. The description of the transaction including the identification of the initiator of the transaction.

c. The purpose of, or reason for, the transaction.

d. The identity of the replacement reinsurers, if applicable.

5. Insurers are required to report all material nonrenewals, cancellations, or revisions of ceded reinsurance agreements on a nonconsolidated basis unless the insurer is part of a consolidated group of insurers which utilizes an intercompany pooling agreement or arrangement or a one hundred percent reinsurance agreement under which the ceding company has ceded substantially one hundred percent of its direct and assumed business to a pool. An insurer is deemed to have ceded substantially one hundred percent of its direct and assumed business to a pool if the insurer has less than one million dollars of total direct plus assumed written premiums during a calendar year that are not subject to the pooling agreement or arrangement and the net income of the business

not subject to the pooling agreement or arrangement represents less than five percent of the insurer's capital and surplus. If a group of insurers reports on a consolidated basis, the report shall identify the individual insurers that are members of the group.

Sec. 20. Section 6 of this Act, which creates new section 505.21, relating to health care access, is effective January 1, 1995.

LEONARD L. BOSWELL
President of the Senate

HAROLD VAN MAANEN
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2282, Seventy-fifth General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved May 13, 1994

TERRY E. BRANSTAD
Governor