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HOUSE FILE 247

Place On Calendar

BY COMMITTEE ON COMMERCE AND  
REGULATION

(SUCCESSOR TO HSB 172)

(p. 954)  
Passed House, Date 3/23/95

(p. 1429) 4/26/95  
Passed Senate, Date

Vote: Ayes 97 Nays 0

Vote: Ayes 45 Nays 0

Approved May 22, 1995

**A BILL FOR**

1 An Act relating to the regulation of insurance, including the  
2 authority of the insurance division to regulate certain  
3 policies and contracts and parties to such policies and  
4 contracts, establishing fees, and providing civil penalties.

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

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HF 247

1 Section 1. Section 144C.4, Code 1995, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 1A. The commissioner or the  
4 commissioner's designee shall serve as an ex officio,  
5 nonvoting member of the board.

6 Sec. 2. Section 507.2, subsection 3, Code 1995, is amended  
7 to read as follows:

8 3. In lieu of an examination under this chapter of any  
9 foreign or alien insurer licensed in this state, the  
10 commissioner may accept an examination report on the company  
11 as prepared by the regulatory authority for insurance for the  
12 company's state of domicile or port-of-entry state ~~until~~  
13 ~~January 17, 1994. Thereafter, such reports shall only be~~  
14 ~~accepted if the regulatory authority was at the time of the~~  
15 ~~examination accredited under the national association of~~  
16 ~~insurance commissioners' financial regulation standards and~~  
17 ~~accreditation program or the examination is performed under~~  
18 ~~the supervision of an accredited regulatory authority or with~~  
19 ~~the participation of one or more examiners who are employed by~~  
20 ~~the accredited state and who, after a review of the~~  
21 ~~examination work papers and report, state under oath that the~~  
22 ~~examination was performed in a manner consistent with~~  
23 ~~standards and procedures required by their insurance~~  
24 ~~department.~~

25 Sec. 3. Section 507A.10, Code 1995, is amended to read as  
26 follows:

27 507A.10 CEASE AND DESIST ORDER -- CIVIL PENALTY.

28 The commissioner Upon a determination by the commissioner,  
29 after a hearing conducted pursuant to chapter 17A, that a  
30 person or insurer has violated a provision of this chapter,  
31 the commissioner shall reduce the findings of the hearing to  
32 writing and deliver a copy of the findings to the person or  
33 insurer, may issue an order requiring the person or insurer to  
34 cease and desist from engaging in the conduct resulting in the  
35 violation, and may assess a civil penalty of not more than

1 fifty thousand dollars against ~~a~~ the person or insurer who has  
2 ~~violated a provision of this chapter.~~

3 Sec. 4. Section 508.5, Code 1995, is amended to read as  
4 follows:

5 508.5 CAPITAL AND SURPLUS REQUIRED.

6 A stock life insurance company shall not be authorized to  
7 transact business under this chapter with less than two  
8 million five hundred thousand dollars capital stock fully paid  
9 for in cash and two million five hundred thousand dollars of  
10 surplus paid in cash or invested as provided by law. A stock  
11 life insurance company shall not increase its capital stock  
12 unless the amount of the increase is fully paid in cash. The  
13 stock shall be divided into shares of not less than one dollar  
14 par value each. A stock life insurance company authorized to  
15 do business in Iowa that undergoes a change of control as  
16 regulated under chapter 521A shall maintain the minimum  
17 capital and surplus requirements mandated by this section.

18 Sec. 5. Section 508.9, Code 1995, is amended to read as  
19 follows:

20 508.9 MUTUAL COMPANIES -- CONDITIONS.

21 Level premium and natural premium life insurance companies  
22 organized under the laws of this state upon the mutual plan  
23 shall, before issuing policies, have actual applications on at  
24 least two hundred and fifty lives for an average amount of one  
25 thousand dollars each. A list of the applications giving the  
26 name, age, residence, amount of insurance, and annual premium  
27 of each applicant shall be filed with the commissioner of  
28 insurance, and a deposit made with the commissioner of an  
29 amount equal to three-fifths of the whole annual premium on  
30 the applications, in cash or the securities required by  
31 section 508.5. In addition, a deposit of cash or securities  
32 of the character provided by law for the investment of funds  
33 for life insurance companies in the sum of five million  
34 dollars shall be made with the commissioner, which shall  
35 constitute a security fund for the protection of

1 policyholders. The contribution to the security fund shall  
2 not give to contributors to the fund or to other persons any  
3 voting or other power in the management of the affairs of the  
4 company. The security fund may be repaid to the contributors  
5 to the security fund with interest at six percent from the  
6 date of contribution, at any time, in whole or in part, if the  
7 repayment does not reduce the surplus of the company below the  
8 amount of five million dollars and then only if consent in  
9 writing for the repayment is obtained from the commissioner of  
10 insurance. Upon compliance with this section, the  
11 commissioner shall issue to the mutual company the certificate  
12 prescribed in this chapter. A mutual insurance company  
13 authorized to do business in Iowa that undergoes a change of  
14 control as defined in chapter 521A shall maintain the minimum  
15 surplus requirement mandated by this section.

16 Sec. 6. Section 513B.2, subsection 10, paragraph b, Code  
17 1995, is amended to read as follows:

18 b. "Health benefit plan" does not include accident-only,  
19 credit, dental, Medicare supplement, long-term care, or  
20 disability income insurance, coverage issued as a supplement  
21 to liability insurance, workers' compensation or similar  
22 insurance, or automobile medical-payment insurance.

23 Sec. 7. Section 514B.10, Code 1995, is amended to read as  
24 follows:

25 514B.10 CHARGES----APPROVAL-REQUIRED.

26 ~~No-schedule-of-charges-for-enrollees-coverage-for-health~~  
27 ~~care-services-or-amendment-to-the-schedule-may-be-used-by-a~~  
28 ~~health-maintenance-organization-until-a-copy-of-the-schedule~~  
29 ~~or-amendment-to-the-schedule-has-been-filed-with-and-approved~~  
30 ~~by-the-commissioner.~~ Charges to enrollees may be established  
31 in accordance with actuarial principles for various categories  
32 of enrollees, but the charges shall not be determined  
33 according to the status of an individual enrollee's health or  
34 sex and shall not be excessive, inadequate, or unfairly  
35 discriminatory.

1     Sec. 8. Section 514B.17, Code 1995, is amended to read as  
2 follows:

3     514B.17 CANCELLATION OF ENROLLEES.

4     1. An enrollee enrolled in a prepaid individual plan shall  
5 not be canceled except for the failure to pay the charges  
6 permitted under section 514B.10 or for other reasons stated in  
7 the rules promulgated adopted by the commissioner and subject  
8 to review in accordance with chapter 17A. ~~No~~ Except as  
9 provided in subsection 2 concerning prepaid group plans,  
10 notice of cancellation to an enrollee shall not be effective  
11 unless delivered to the enrollee by the health maintenance  
12 organization in a manner prescribed by the commissioner and at  
13 least thirty days before the effective date of cancellation  
14 and unless accompanied by a statement of reason for  
15 cancellation. At any time before cancellation of the policy  
16 for nonpayment, the enrollee may pay to the health maintenance  
17 organization the full amount due, including court costs if  
18 any, and from the date of payment by the enrollee or the  
19 collection of the judgment, coverage shall revive and be in  
20 full force and effect.

21     2. The effect of cancellation of a prepaid group plan  
22 providing health care services to enrollees, and the duty to  
23 provide notice and liability for benefits, is the same as  
24 provided under section 509B.5, subsection 2, for the  
25 termination of accident or health insurance for employees or  
26 members.

27     Sec. 9. Section 514C.2, Code 1995, is amended to read as  
28 follows:

29     514C.2 SKILLED NURSING CARE COVERED IN HOSPITALS.

30     An insurer, a hospital service corporation, or a medical  
31 service corporation, which covers the costs of skilled nursing  
32 care under an individual or group policy of accident and  
33 health insurance regulated under chapter 509 or 514A, ~~or under~~  
34 a nonprofit hospital or medical and surgical service plan  
35 regulated under chapter 514, or a health care service contract

1 regulated under chapter 514B, shall also cover the costs of  
2 skilled nursing care in a hospital if the level of care needed  
3 by the insured or subscriber has been reclassified from acute  
4 care to skilled nursing care and no designated skilled nursing  
5 care beds or swing beds are available in the hospital or in  
6 another hospital or health care facility within a thirty-mile  
7 radius of the hospital. The insurer or corporation shall  
8 reimburse the insured or subscriber based on the skilled  
9 nursing care rate.

10 Sec. 10. Section 514G.7, subsection 3, paragraphs a and b,  
11 Code 1995, are amended by striking the paragraphs and  
12 inserting in lieu thereof the following:

13 a. A long-term care insurance policy or certificate shall  
14 not use a definition of preexisting condition which is more  
15 restrictive than the following: "Preexisting condition" means  
16 the existence of symptoms which would cause an ordinarily  
17 prudent person to seek diagnosis, care, or treatment, or a  
18 condition for which medical advice or treatment was  
19 recommended by or received from a provider of health care  
20 services within six months preceding the effective date of  
21 coverage of an insured person.

22 b. A long-term care insurance policy shall not exclude  
23 coverage for a loss or confinement which is the result of a  
24 preexisting condition unless the loss or confinement begins  
25 within six months following the effective date of coverage of  
26 an insured person.

27 Sec. 11. Section 514G.7, subsection 3, paragraph c, Code  
28 1995, is amended by striking the paragraph.

29 Sec. 12. Section 514G.7, subsection 6, Code 1995, is  
30 amended by striking the subsection and inserting in lieu  
31 thereof the following:

32 6. RIGHT TO RETURN AFTER EXAMINATION. An individual long-  
33 term care insurance policyholder has the right to return the  
34 policy within thirty days of its delivery and to have the  
35 premium refunded if, after examination, the insured person is

1 not satisfied for any reason. Long-term care insurance  
2 policies must have a notice prominently printed on the first  
3 page or attached to the first page stating in substance that  
4 the policyholder has the right to return the policy within  
5 thirty days of its delivery and to have the premium refunded  
6 as provided in this subsection.

7 Sec. 13. Section 515.8, Code 1995, is amended to read as  
8 follows:

9 515.8 PAID-UP CAPITAL REQUIRED.

10 An insurance company other than a life insurance company  
11 shall not be incorporated to transact business upon the stock  
12 plan with less than two million five hundred thousand dollars  
13 capital, the entire amount of which shall be fully paid up in  
14 cash and invested as provided by law. An insurance company  
15 other than a life insurance company shall not increase its  
16 capital stock unless the amount of the increase is fully paid  
17 up in cash. The stock shall be divided into shares of not  
18 less than one dollar each. An insurance company authorized to  
19 do business in Iowa that undergoes a change of control as  
20 regulated under chapter 521A shall maintain the minimum  
21 capital requirements mandated by this section.

22 Sec. 14. Section 515.10, Code 1995, is amended to read as  
23 follows:

24 515.10 SURPLUS REQUIRED.

25 An insurance company other than a life insurance company  
26 shall have, in addition to the required paid-up capital, a  
27 surplus in cash or invested in securities authorized by law of  
28 not less than two million five hundred thousand dollars. An  
29 insurance company authorized to do business in Iowa that  
30 undergoes a change of control as regulated under chapter 521A  
31 shall maintain the minimum surplus requirements mandated by  
32 this section.

33 Sec. 15. Section 515.12, subsection 5, Code 1995, is  
34 amended to read as follows:

35 5. The mutual company shall have in cash or in securities

1 in which insurance companies are authorized to invest, surplus  
2 in an amount not less than five million dollars. The surplus  
3 so required may be advanced in accordance with section 515.19.  
4 A mutual company authorized to do business in Iowa that  
5 undergoes a change of control as regulated under chapter 521A  
6 shall maintain the minimum surplus requirements mandated by  
7 this section.

8 However, the surplus requirements do not apply to a company  
9 which establishes and maintains a guaranty fund as provided by  
10 section 515.20.

11 Sec. 16. Section 515.94, Code 1995, is amended to read as  
12 follows:

13 515.94 COPY OF APPLICATION -- DUTY TO ATTACH.

14 All insurance companies or associations shall, upon the  
15 issue or renewal of any policy, ~~attach to such policy, or~~  
16 ~~endorse thereon~~ provide to the insured, a true copy of any  
17 application or representation of the assured insured which, by  
18 the terms of such policy, is made a part thereof of the  
19 policy, or of the contract of insurance, or referred to  
20 therein in the contract of insurance, or which may in any  
21 manner affect the validity of such policy.

22 Sec. 17. Section 515.109, Code 1995, is amended to read as  
23 follows:

24 515.109 FORMS OF POLICIES AND ENDORSEMENTS -- APPROVAL.

25 1. The form of all policies, and of applications, and of  
26 agreements or endorsements modifying the provisions of  
27 policies, and of all permits and riders used generally  
28 throughout the state, issued or proposed to be issued by any  
29 insurance company doing business in this state under the  
30 provisions of this chapter, shall first be examined and  
31 approved by the commissioner of insurance.

32 2. The commissioner, upon a determination that the  
33 examination required under subsection 1 is unnecessary to  
34 achieve the purposes of this section, may exempt either of the  
35 following:



1 a. Any specified person by order, or any class of persons  
2 by rule.

3 b. Any specified risk by order, or any line or kind or  
4 insurance or subdivision of insurance or any class of risk or  
5 combination of classes of risks by rule.

6 Sec. 18. Section 515A.15, Code 1995, is amended by  
7 striking the section and inserting in lieu thereof the  
8 following:

9 515A.15 ASSIGNED RISKS.

10 All insurers shall participate in a residual market  
11 mechanism. Insurers shall enter into agreements among  
12 themselves with respect to the equitable apportionment among  
13 themselves of insurance which may be afforded to applicants  
14 who are in good faith entitled to, but who are unable to  
15 procure, such insurance through ordinary methods. If an  
16 agreement cannot be reached among the insurers, the  
17 commissioner, by rule, shall establish the terms so that an  
18 equitable apportionment among all insurers is accomplished.

19 Sec. 19. Section 515F.5, subsection 4, Code 1995, is  
20 amended to read as follows:

21 4. Under rules adopted under chapter 17A, the commissioner  
22 may, by written order, suspend or modify the requirement of  
23 filing as to any kind of insurance, or subdivision or  
24 combination of insurance, or as to classes of risks, which are  
25 unnecessary to achieve the purposes of this chapter and the  
26 rates for which cannot practicably be filed before they are  
27 used. The commissioner may make an examination as the  
28 commissioner deems advisable to ascertain whether rates  
29 affected by the order meet the standards set forth in section  
30 515F.4.

31 Sec. 20. Section 518.14, Code 1995, is amended by striking  
32 the section and inserting in lieu thereof the following:

33 518.14 INVESTMENTS.

34 1. GENERAL CONSIDERATIONS. The following considerations  
35 apply in the interpretation of this section:

1 a. This section applies to the investments of county  
2 mutual insurance associations.

3 b. The purpose of this section is to protect and further  
4 the interests of policyholders, claimants, creditors, and the  
5 public by providing standards for the development and  
6 administration of programs for the investment of the assets of  
7 associations organized under this chapter. These standards,  
8 and the investment programs developed by associations, shall  
9 take into account the safety of the association's principal,  
10 investment yield and growth, stability in the value of the  
11 investment, and liquidity necessary to meet the association's  
12 expected business needs, and investment diversification.

13 All investments made pursuant to this section shall have  
14 investment qualities and characteristics such that the  
15 speculative elements of the investments are not predominant.

16 c. Financial terms relating to county mutual insurance  
17 associations have the meanings assigned to them under  
18 statutory accounting methods. Financial terms relating to  
19 companies or associations other than county mutual insurance  
20 associations have the meanings assigned to them under  
21 generally accepted accounting principles.

22 d. Investments shall be valued in accordance with the  
23 valuation procedures established by the national association  
24 of insurance commissioners, unless the commissioner requires  
25 or finds another method of valuation reasonable under the  
26 circumstances.

27 e. If an investment qualifies under more than one  
28 subsection, an association may elect to hold the investment  
29 under the subsection of its choice. This section does not  
30 prevent an association from electing to hold an investment  
31 under a subsection different from the one under which it  
32 previously held the investment.

33 2. DEFINITIONS. For purposes of this section:

34 a. "Admitted assets", for purposes of computing percentage  
35 limitations on particular types of investments, means the

1 assets which are authorized to be shown on the commissioner's  
2 annual statement blank as admitted assets as of the December  
3 31 immediately preceding the date the association acquires the  
4 investment.

5 b. "Clearing corporation" means as defined in section  
6 554.8102.

7 c. "Custodian bank" means as defined in section 554.8102.

8 d. "Issuer" means as defined in section 554.8201.

9 e. "Member bank" means a national bank, state bank, or  
10 trust company which is a member of the United States federal  
11 reserve system.

12 f. "National securities exchange" means an exchange  
13 registered under section 6 of the federal Securities Exchange  
14 Act of 1934 or an exchange regulated under the laws of Canada.

15 g. "Obligations" includes bonds, notes, debentures,  
16 transportation equipment certificates, domestic repurchase  
17 agreements, and obligations for the payment of money not in  
18 default as to payments of principal and interest on the date  
19 of investment, which constitute general obligations of the  
20 issuer or payable only out of certain revenues or certain  
21 funds pledged or otherwise dedicated for payment of principal  
22 and interest on the obligations. A lease is an obligation if  
23 the lease is assigned to the insurer and is nonterminable by  
24 the lessee upon foreclosure of any lien upon the leased  
25 property, and if rental payments are sufficient to amortize  
26 the investment over the primary lease term.

27 3. INVESTMENTS IN NAME OF ASSOCIATION OR NOMINEE AND  
28 PROHIBITIONS.

29 a. An association's investments shall be held in its own  
30 name or the name of its nominee, except as follows:

31 (1) Investments may be held in the name of a clearing  
32 corporation or of a custodian bank or in the name of the  
33 nominee of either on the following conditions:

34 (a) The clearing corporation, custodian bank, or nominee  
35 must be legally authorized to hold the particular investment

1 for the account of others.

2 (b) When the investment is evidenced by a certificate and  
3 held in the name of a custodian bank or the nominee of a  
4 custodian bank, a written agreement shall provide that  
5 certificates so deposited shall at all times be kept separate  
6 and apart from other deposits with the depository, so that at  
7 all times they may be identified as belonging solely to the  
8 association making the deposit.

9 (c) If a clearing corporation is to act as depository, the  
10 investment may be merged or held in bulk in the name of the  
11 clearing corporation or its nominee with other investments  
12 deposited with the clearing corporation by any other person,  
13 if a written agreement between the clearing corporation and  
14 the association provides that adequate evidence of the deposit  
15 is to be obtained and retained by the association or a  
16 custodian bank.

17 (2) An association may loan stocks or obligations held by  
18 it under this chapter to a broker-dealer registered under the  
19 federal Securities Exchange Act of 1934 or to a member bank.  
20 The loan must be evidenced by a written agreement which  
21 provides all of the following:

22 (a) That the loan will be fully collateralized by cash or  
23 obligations issued or guaranteed by the United States or an  
24 agency or an instrumentality of the United States, and that  
25 the collateral will be adjusted as necessary each business day  
26 during the term of the loan to maintain the required  
27 collateralization in the event of market value changes in the  
28 loaned securities or collateral.

29 (b) That the loan may be terminated by the association at  
30 any time, and that the borrower will return the loaned stocks  
31 or obligations within five business days after termination.

32 (c) That the association has the right to retain the  
33 collateral or use the collateral to purchase investments  
34 equivalent to the loaned securities if the borrower defaults  
35 under the terms of the agreement, and that the borrower

1 remains liable for any losses and expenses incurred by the  
2 association due to default that are not covered by the  
3 collateral.

4 (3) An association may participate through a member bank  
5 in the United States federal reserve book entry system, and  
6 the records of the member bank shall at all times show that  
7 the investments are held for the association or for specific  
8 accounts of the association.

9 (4) An investment may consist of an individual interest in  
10 a pool of obligations or a fractional interest in a single  
11 obligation if the certificate of participation or interest or  
12 the confirmation of participation or interest in the  
13 investment is issued in the name of the association, the name  
14 of the custodian bank, or the nominee of either, and, if the  
15 interest as evidenced by the certificate or confirmation is,  
16 if held by a custodian bank, kept separate and apart from the  
17 investments of others so that at all times the participation  
18 may be identified as belonging solely to the association  
19 making the investment.

20 (5) Transfers of ownership of investments held as  
21 described in paragraph "a", subparagraph (1), subparagraph  
22 subdivision (c), and subparagraphs (3) and (4), may be  
23 evidenced by bookkeeping entry on the books of the issuer of  
24 the investment, its transfer or recording agent, or the  
25 clearing corporation without physical delivery of a  
26 certificate evidencing the associations's investment.

27 b. Except as provided in paragraph "a", subparagraph (5),  
28 if an investment is not evidenced by a certificate, adequate  
29 evidence of the association's investment shall be obtained  
30 from the issuer or its transfer or recording agent and  
31 retained by the association, a custodian bank, or clearing  
32 corporation. Adequate evidence, for purposes of this  
33 paragraph, means a written receipt or other verification  
34 issued by the depository or issuer or a custodian bank which  
35 shows that the investment is held for the association.

1 4. INVESTMENTS. Except as otherwise permitted by this  
2 section, an association organized under this chapter shall  
3 only invest in the following:

4 a. UNITED STATES GOVERNMENT OBLIGATIONS. Obligations  
5 issued or guaranteed by the United States or an agency or  
6 instrumentality of the United States.

7 b. CERTAIN DEVELOPMENT BANK OBLIGATIONS. Obligations  
8 issued or guaranteed by the international bank for  
9 reconstruction and development, the Asian development bank,  
10 the inter-American development bank, the export-import bank,  
11 the world bank, or any United States government-sponsored  
12 organization of which the United States is a member, if the  
13 principal and interest is payable in United States dollars.  
14 An association shall not invest more than five percent of its  
15 total admitted assets in the obligations of any one of these  
16 banks or organizations, and shall not invest more than a total  
17 of ten percent of its total admitted assets in the obligations  
18 authorized by this paragraph.

19 c. STATE OBLIGATIONS. Obligations issued or guaranteed by  
20 a state, a political subdivision of a state, or an  
21 instrumentality of a state.

22 d. CANADIAN GOVERNMENT OBLIGATIONS. Obligations issued or  
23 guaranteed by Canada, by an agency or province of Canada, by a  
24 political subdivision of such province, or by an  
25 instrumentality of any of those provinces or political  
26 subdivisions.

27 e. CORPORATE AND BUSINESS TRUST OBLIGATIONS. Obligations  
28 issued, assumed, or guaranteed by a corporation or business  
29 trust organized under the laws of the United States or a  
30 state, or the laws of Canada or a province of Canada, provided  
31 that an association shall not invest more than five percent of  
32 its admitted assets in the obligations of any one corporation  
33 or business trust. Investments shall be made only in  
34 investment grade bonds.

35 f. STOCKS. Common stocks, common stock equivalents,

1 mutual fund shares, securities convertible into common stocks  
2 or common stock equivalents, or preferred stocks issued or  
3 guaranteed by a corporation incorporated under the laws of the  
4 United States or a state, or the laws of Canada or a province  
5 of Canada. Aggregate investments in nondividend paying stocks  
6 shall not exceed five percent of surplus.

7 (1) Stocks purchased under this lettered paragraph shall  
8 not exceed fifty percent of surplus. With the approval of the  
9 commissioner, an association may invest any amount in common  
10 stocks, preferred stocks, or other securities of one or more  
11 subsidiaries provided that after such investments the  
12 association's surplus as regards policyholders will be  
13 reasonable in relation to the association's outstanding  
14 liabilities and adequate to its financial needs.

15 (2) An association shall not invest more than ten percent  
16 of its surplus in the stocks of any one corporation.

17 g. HOME OFFICE REAL ESTATE. Funds may be invested in a  
18 home office building, at the direction of the board of  
19 directors and with the prior approval of the commissioner of  
20 insurance. An association shall not invest more than twenty-  
21 five percent of its total admitted assets in such real estate.  
22 With the prior approval of the commissioner, an association  
23 may exceed the real estate investment limitation to effectuate  
24 a merger with, or the acquisition of, another association.

25 Sec. 21. Section 518.16, Code 1995, is amended by striking  
26 the section and inserting in lieu thereof the following:

27 518.16 QUALIFICATION OF AGENTS.

28 A person shall not solicit any application for insurance  
29 for an association in this state without having procured from  
30 the commissioner of insurance a license authorizing the person  
31 to act as an agent pursuant to chapter 522.

32 Sec. 22. NEW SECTION. 518.26 LOANS TO OFFICERS  
33 PROHIBITED.

34 Assets or other funds shall not be loaned directly or  
35 indirectly to an officer, director, or employee of the

1 association, or directly or indirectly to a relative of an  
2 officer, director, or an employee of the association.

3 Sec. 23. NEW SECTION. 518.27 FORM -- APPROVAL.

4 The form of all policies, applications, agreements, and  
5 endorsements modifying the provisions of policies, and all  
6 permits and riders used in this state, issued or proposed to  
7 be issued by a county mutual insurance association doing  
8 business in this state under the provisions of this chapter,  
9 shall first be examined and approved by the commissioner of  
10 insurance.

11 Sec. 24. NEW SECTION. 518.28 FAILURE TO FILE COPY.

12 Upon the failure of a county mutual association to file a  
13 copy of its forms of policies or contracts pursuant to section  
14 518.27, the commissioner of insurance may suspend its  
15 authority to transact business within the state until such  
16 forms of policies or contracts have been filed and approved.

17 Sec. 25. NEW SECTION. 518.29 DISAPPROVAL OF FILINGS.

18 If the commissioner finds that a filing does not meet the  
19 requirements of this chapter, written notice of disapproval  
20 shall be sent to the county mutual insurance association  
21 specifying in what respect the filing fails to meet the  
22 requirements of this chapter and stating that the filing is  
23 not effective. If a filing is disapproved by the  
24 commissioner, the association may request a hearing on the  
25 disapproval within thirty days. The association bears the  
26 burden of proving compliance with the standards established by  
27 this chapter.

28 If, at any time after a form has been approved, the  
29 commissioner finds that the form no longer meets the  
30 requirements of this chapter, the commissioner may order the  
31 discontinuance of the use of the form. The order of  
32 discontinuance shall be in writing and may be issued only  
33 after a hearing with at least ten days' prior notice to all  
34 county mutuals affected by the order. The order shall state  
35 the grounds upon which the order is based and when the order



1 of discontinuance is effective.

2 Sec. 26. NEW SECTION. 518.30 CERTIFICATE REFUSED --  
3 ADMINISTRATIVE PENALTY.

4 The commissioner of insurance may suspend a county mutual  
5 insurance association's certificate of authority to do  
6 business if the association neglects or fails to comply with  
7 this chapter. In addition, an association organized or  
8 authorized under this chapter which fails to file the annual  
9 statement referred to in section 518.15 in the time required  
10 shall pay an administrative penalty in an amount of three  
11 hundred dollars to be collected in the name of the state for  
12 deposit in the general fund of the state. The commissioner  
13 may give notice to a county mutual insurance association which  
14 has failed to file within the time required that the  
15 association is in violation of section 518.15 and this  
16 section. If the association fails to file the statement  
17 within ten days of the date of the notice, the association  
18 shall pay an additional sum of fifty dollars for each day the  
19 failure continues, to be paid into the general fund of the  
20 state.

21 Sec. 27. Section 518A.12, Code 1995, is amended by  
22 striking the section and inserting in lieu thereof the  
23 following:

24 518A.12 INVESTMENTS.

25 1. GENERAL CONSIDERATIONS. The following considerations  
26 apply in the interpretation of this section:

27 a. This section applies to the investments of mutual  
28 casualty assessment insurance associations.

29 b. The purpose of this section is to protect and further  
30 the interests of policyholders, claimants, creditors, and the  
31 public by providing standards for the development and  
32 administration of programs for the investment of the assets of  
33 associations organized under this chapter. These standards,  
34 and the investment programs developed by companies, shall take  
35 into account the safety of the association's principal,

1 investment yield and growth, stability in the value of the  
2 investment, and liquidity necessary to meet the association's  
3 expected business needs, and investment diversification.

4 All investments made pursuant to this section shall have  
5 investment qualities and characteristics such that the  
6 speculative elements of the investments are not predominant.

7 c. Financial terms relating to mutual casualty assessment  
8 insurance associations have the meanings assigned to them  
9 under statutory accounting methods. Financial terms relating  
10 to companies other than mutual casualty assessment insurance  
11 associations have the meanings assigned to them under  
12 generally accepted accounting principles.

13 d. Investments shall be valued in accordance with the  
14 valuation procedures established by the national association  
15 of insurance commissioners, unless the commissioner requires  
16 or finds another method of valuation reasonable under the  
17 circumstances.

18 e. If an investment qualifies under more than one  
19 subsection, an association may elect to hold the investment  
20 under the subsection of its choice. This section does not  
21 prevent an association from electing to hold an investment  
22 under a subsection different from the one under which it  
23 previously held the investment.

24 2. DEFINITIONS. For purposes of this section:

25 a. "Admitted assets", for purposes of computing percentage  
26 limitations on particular types of investments, means the  
27 assets which are authorized to be shown on the national  
28 association of insurance commissioner's annual statement blank  
29 as admitted assets as of the December 31 immediately preceding  
30 the date the association acquires the investment.

31 b. "Clearing corporation" means as defined in section  
32 554.8102.

33 c. "Custodian bank" means as defined in section 554.8102.

34 d. "Issuer" means as defined in section 554.8201.

35 e. "Member bank" means a national bank, state bank, or

1 trust company which is a member of the United States federal  
2 reserve system.

3 f. "National securities exchange" means an exchange  
4 registered under section 6 of the federal Securities Exchange  
5 Act of 1934 or an exchange regulated under the laws of Canada.

6 g. "Obligations" includes bonds, notes, debentures,  
7 transportation equipment certificates, domestic repurchase  
8 agreements, and obligations for the payment of money not in  
9 default as to payments of principal and interest on the date  
10 of investment, which constitute general obligations of the  
11 issuer or payable only out of certain revenues or certain  
12 funds pledged or otherwise dedicated for payment of principal  
13 and interest on the obligations. A lease is an obligation if  
14 the lease is assigned to the insurer and is nonterminable by  
15 the lessee upon foreclosure of any lien upon the leased  
16 property, and if rental payments are sufficient to amortize  
17 the investment over the primary lease term.

18 3. INVESTMENTS IN NAME OF ASSOCIATION OR NOMINEE AND  
19 PROHIBITIONS.

20 a. An association's investments shall be held in its own  
21 name or the name of its nominee, except as follows:

22 (1) Investments may be held in the name of a clearing  
23 corporation or of a custodian bank or in the name of the  
24 nominee of either on the following conditions:

25 (a) The clearing corporation, custodian bank, or nominee  
26 must be legally authorized to hold the particular investment  
27 for the account of others.

28 (b) When the investment is evidenced by a certificate and  
29 held in the name of a custodian bank or the nominee of a  
30 custodian bank, a written agreement shall provide that  
31 certificates so deposited shall at all times be kept separate  
32 and apart from other deposits with the depository, so that at  
33 all times they may be identified as belonging solely to the  
34 association making the deposit.

35 (c) If a clearing corporation is to act as depository, the

1 investment may be merged or held in bulk in the name of the  
2 clearing corporation or its nominee with other investments  
3 deposited with the clearing corporation by any other person,  
4 if a written agreement between the clearing corporation and  
5 the association provides that adequate evidence of the deposit  
6 is to be obtained and retained by the association or a  
7 custodian bank.

8 (2) An association may loan stocks or obligations held by  
9 it under this chapter to a broker-dealer registered under the  
10 federal Securities Exchange Act of 1934 or to a member bank.  
11 The loan must be evidenced by a written agreement which  
12 provides all of the following:

13 (a) That the loan will be fully collateralized by cash or  
14 obligations issued or guaranteed by the United States or an  
15 agency or an instrumentality of the United States, and that  
16 the collateral will be adjusted as necessary each business day  
17 during the term of the loan to maintain the required  
18 collateralization in the event of market value changes in the  
19 loaned securities or collateral.

20 (b) That the loan may be terminated by the association at  
21 any time, and that the borrower will return the loaned stocks  
22 or obligations within five business days after termination.

23 (c) That the association has the right to retain the  
24 collateral or use the collateral to purchase investments  
25 equivalent to the loaned securities if the borrower defaults  
26 under the terms of the agreement, and that the borrower  
27 remains liable for any losses and expenses incurred by the  
28 association due to default that are not covered by the  
29 collateral.

30 (3) An association may participate through a member bank  
31 in the United States federal reserve book entry system, and  
32 the records of the member bank shall at all times show that  
33 the investments are held for the association or for specific  
34 accounts of the association.

35 (4) An investment may consist of an individual interest in

1 a pool of obligations or a fractional interest in a single  
2 obligation if the certificate of participation or interest or  
3 the confirmation of participation or interest in the  
4 investment is issued in the name of the association, the name  
5 of the custodian bank, or the nominee of either, and, if the  
6 interest as evidenced by the certificate or confirmation is,  
7 if held by a custodian bank, kept separate and apart from the  
8 investments of others so that at all times the participation  
9 may be identified as belonging solely to the association  
10 making the investment.

11 (5) Transfers of ownership of investments held as  
12 described in paragraph "a", subparagraph (1), subparagraph  
13 subdivision (c), and subparagraphs (3) and (4), may be  
14 evidenced by bookkeeping entry on the books of the issuer of  
15 the investment, its transfer or recording agent, or the  
16 clearing corporation without physical delivery of a  
17 certificate evidencing the associations's investment.

18 b. Except as provided in paragraph "a", subparagraph (5),  
19 if an investment is not evidenced by a certificate, adequate  
20 evidence of the association's investment shall be obtained  
21 from the issuer or its transfer or recording agent and  
22 retained by the association, a custodian bank, or clearing  
23 corporation. Adequate evidence, for purposes of this  
24 paragraph, means a written receipt or other verification  
25 issued by the depository or issuer or a custodian bank which  
26 shows that the investment is held for the association.

27 4. INVESTMENTS. Except as otherwise permitted by this  
28 section, an association organized under this chapter shall  
29 only invest in the following:

30 a. UNITED STATES GOVERNMENT OBLIGATIONS. Obligations  
31 issued or guaranteed by the United States or an agency or  
32 instrumentality of the United States.

33 b. CERTAIN DEVELOPMENT BANK OBLIGATIONS. Obligations  
34 issued or guaranteed by the international bank for  
35 reconstruction and development, the Asian development bank,

1 the inter-American development bank, the export-import bank,  
2 the world bank, or any United States government-sponsored  
3 organization of which the United States is a member, if the  
4 principal and interest is payable in United States dollars.  
5 An association shall not invest more than five percent of its  
6 total admitted assets in the obligations of any one of these  
7 banks or organizations, and shall not invest more than a total  
8 of ten percent of its total admitted assets in the obligations  
9 authorized by this paragraph.

10 c. STATE OBLIGATIONS. Obligations issued or guaranteed by  
11 a state, a political subdivision of a state, or an  
12 instrumentality of a state.

13 d. CANADIAN GOVERNMENT OBLIGATIONS. Obligations issued or  
14 guaranteed by Canada, by an agency or province of Canada, by a  
15 political subdivision of such province, or by an  
16 instrumentality of any of those provinces or political  
17 subdivisions.

18 e. CORPORATE AND BUSINESS TRUST OBLIGATIONS. Obligations  
19 issued, assumed, or guaranteed by a corporation or business  
20 trust organized under the laws of the United States or a  
21 state, or the laws of Canada or a province of Canada, provided  
22 that an association shall not invest more than five percent of  
23 its admitted assets in the obligations of any one corporation  
24 or business trust. Investments shall be made only in  
25 investment grade bonds.

26 f. STOCKS. Common stocks, common stock equivalents,  
27 mutual fund shares, securities convertible into common stocks  
28 or common stock equivalents, or preferred stocks issued or  
29 guaranteed by a corporation incorporated under the laws of the  
30 United States or a state, or the laws of Canada or a province  
31 of Canada. Aggregate investments in nondividend paying stocks  
32 shall not exceed five percent of surplus.

33 (1) Stocks purchased under this lettered paragraph shall  
34 not exceed fifty percent of surplus. With the approval of the  
35 commissioner, an association may invest any amount in common

1 stocks, preferred stocks, or other securities of one or more  
2 subsidiaries provided that after such investments the  
3 association's surplus as regards policyholders will be  
4 reasonable in relation to the association's outstanding  
5 liabilities and adequate to its financial needs.

6 (2) An association shall not invest more than ten percent  
7 of its surplus in the stocks of any one corporation.

8 g. HOME OFFICE REAL ESTATE. Funds may be invested in a  
9 home office building, at the direction of the board of  
10 directors and with the prior approval of the commissioner of  
11 insurance. An association shall not invest more than twenty-  
12 five percent of its total admitted assets in such real estate.  
13 With the prior approval of the commissioner, an association  
14 may exceed the real estate investment limitation to effectuate  
15 a merger with, or the acquisition of, another association.

16 Sec. 28. Section 518A.17, unnumbered paragraph 3, Code  
17 1995, is amended to read as follows:

18 Not less than fifty percent of such aggregate amount of  
19 assessments, and other sums paid by the members shall be  
20 returned to the members, either through the payment of losses  
21 or through discounts, credits, or dividends, to be credited on  
22 the assessments required for the current or succeeding year,  
23 or, at the discretion of the board of directors, may be set  
24 aside ~~in the emergency fund as defined in section 518A.12~~ as  
25 surplus to policyholders, but no sum less than forty percent  
26 of such aggregate assessments, and other sums paid by the  
27 members, shall be returned to the members through payment of  
28 such losses or through discounts, credits, or dividends during  
29 the current or succeeding year.

30 Sec. 29. NEW SECTION. 518A.44 LIMITATION ON RISKS.

31 An association shall not expose itself to loss on any one  
32 risk or hazard to an amount exceeding ten percent of its  
33 surplus to policyholders unless one of the following applies:

34 1. The excess is reinsured in some other good and reliable  
35 company licensed to sell insurance in this state.

1 2. The excess is reinsured by a group of incorporated or  
2 individual unincorporated insurers who are authorized to sell  
3 insurance in at least one state of the United States and who  
4 possess assets which are held in trust for the benefit of the  
5 American policyholders in the sum of not less than fifty  
6 million dollars, and a certificate of such reinsurance shall  
7 be furnished to the insured.

8 3. The excess is reinsured with a company which has, with  
9 respect to the ceding insurer, created a trust fund, made a  
10 deposit, or obtained letters of credit, on terms satisfactory  
11 to the commissioner.

12 Sec. 30. NEW SECTION. 518A.51 LOANS TO OFFICERS  
13 PROHIBITED.

14 Assets or other funds shall not be loaned directly or  
15 indirectly to an officer, director, or employee of the  
16 association, or directly or indirectly to a relative of an  
17 officer, director, or employee of the association.

18 Sec. 31. NEW SECTION. 518A.52 FORM -- APPROVAL.

19 The form of all policies, applications, agreements, and  
20 endorsements modifying the provisions of policies, and all  
21 permits and riders used in this state, issued or proposed to  
22 be issued by a mutual casualty assessment insurance  
23 association doing business in this state under the provisions  
24 of this chapter, shall first be examined and approved by the  
25 commissioner of insurance.

26 Sec. 32. NEW SECTION. 518A.53 FAILURE TO FILE COPY.

27 Upon the failure of a mutual casualty assessment insurance  
28 association to file a copy of its forms of policies or  
29 contracts pursuant to section 518A.52, the commissioner of  
30 insurance may suspend its authority to transact business  
31 within the state until such forms of policies or contracts  
32 have been filed and approved.

33 Sec. 33. NEW SECTION. 518A.54 DISAPPROVAL OF FILINGS.

34 If the commissioner finds that a filing does not meet the  
35 requirements of this chapter, written notice of disapproval



1 shall be sent to the mutual casualty assessment insurance  
2 association specifying in what respect the filing fails to  
3 meet the requirements of this chapter and stating that the  
4 filing is not effective. If a filing is disapproved by the  
5 commissioner, the association may request a hearing on the  
6 disapproval within thirty days. The association bears the  
7 burden of proving compliance with the standards established by  
8 this chapter.

9 If, at any time after a form has been approved, the  
10 commissioner finds that the form no longer meets the  
11 requirements of this chapter, the commissioner may order the  
12 discontinuance of the use of the form. The order of  
13 discontinuance shall be in writing and may be issued only  
14 after a hearing with at least ten days' prior notice to all  
15 mutual casualty assessment insurance associations affected by  
16 the order. The order shall state the grounds upon which the  
17 order is based and when the order of discontinuance is  
18 effective.

19 Sec. 34. NEW SECTION. 518A.55 CERTIFICATE REFUSED --  
20 ADMINISTRATIVE PENALTY.

21 The commissioner of insurance may suspend a mutual casualty  
22 assessment insurance association's certificate of authority to  
23 do business if the association neglects or fails to comply  
24 with this chapter. In addition, an association organized or  
25 authorized under this chapter which fails to file the annual  
26 statement referred to in section 518A.18 in the time required  
27 shall pay an administrative penalty in an amount of three  
28 hundred dollars to be collected in the name of the state for  
29 deposit in the general fund of the state. The commissioner  
30 may give notice to a mutual casualty assessment insurance  
31 association which has failed to file within the time required  
32 that the association is in violation of section 518A.18 and  
33 this section. If the association fails to file the statement  
34 within ten days of the date of the notice the association  
35 shall pay an additional sum of fifty dollars for each day the

1 failure continues, to be paid to the general fund of the  
2 state.

3 Sec. 35. Section 521.1, Code 1995, is amended to read as  
4 follows:

5 521.1 DEFINITIONS.

6 "Company" or "companies" when used in this chapter means a  
7 company or association organized under chapter 508, 511, 515,  
8 518, 518A, or 520~~7-except-county-mutuals.~~

9 Sec. 36. Section 521.2, Code 1995, is amended to read as  
10 follows:

11 521.2 LIFE COMPANIES -- CONSOLIDATION AND REINSURANCE.

12 ~~No~~ A company organized under the laws of this state to do  
13 the business of life insurance, either on the stock, mutual,  
14 stipulated premium, or assessment plan, shall not consolidate  
15 with any other company or reinsure its risks, or any part  
16 thereof of such risks, with any other company, or assume or  
17 reinsure the whole or any part of the risks of any other  
18 company, ~~except as hereinafter provided; provided that nothing~~  
19 ~~contained~~ in this chapter. However, this chapter shall not be  
20 construed to prevent any company, as defined in section 521.1,  
21 from reinsuring a fractional part of any single risk.

22 Chapter 521A is applicable to a merger or consolidation  
23 made pursuant to this chapter, and the provisions of chapter  
24 521A and this chapter shall apply exclusively with respect to  
25 such merger or consolidation.

26 Sec. 37. Section 521B.2, subsection 4, paragraph a, Code  
27 1995, is amended to read as follows:

28 a. Credit is allowed if the reinsurance is ceded to an  
29 assuming insurer which maintains a trust fund in a qualified  
30 United States financial institution, as defined in section  
31 521B.4, subsection 2, for the payment of the valid claims of  
32 its United States policyholders and ceding insurers, their  
33 assigns, and successors in interest. The assuming insurer  
34 shall report annually to the commissioner information  
35 substantially the same as that required to be reported on the

1 national association of insurance commissioners' annual  
2 statement form by licensed insurers to enable the commissioner  
3 to determine the sufficiency of the trust fund. In the case  
4 of a single assuming insurer, the trust shall consist of a  
5 trusted account representing the liabilities of the assuming  
6 insurer attributable to business written in the United States  
7 and, in addition, the assuming insurer shall maintain a  
8 trusted surplus of not less than twenty million dollars. In  
9 the case of a group of including individual unincorporated and  
10 incorporated underwriters, the trust shall consist of a  
11 trusted account representing the liabilities of the group  
12 attributable to business written in the United States and, in  
13 addition, the group shall maintain a trusted surplus of which  
14 one hundred million dollars shall be held jointly for the  
15 benefit of United States ceding insurers of any member of the  
16 group. The incorporated members of the group shall not engage  
17 in any business other than underwriting as a member of the  
18 group and shall be subject to the same level of solvency  
19 regulation and control by the group's domiciliary regulator as  
20 are the unincorporated members. The group shall make  
21 available to the commissioner an annual certification of the  
22 solvency of each underwriter by the group's domiciliary  
23 regulator and its independent public accountants.

24 Sec. 38. 1994 Iowa Acts, chapter 1072, section 9, is  
25 amended to read as follows:

26 SEC. 9. CREATION OF INSURANCE FRAUD BUREAU CONTINGENT UPON  
27 FUNDING. The creation of an insurance fraud bureau within the  
28 insurance division shall only be implemented, and sections  
29 507E.2, 507E.4, 507E.5, 507E.6, and 507E.8 of this Act shall  
30 only be effective, if the state receives a federal grant for  
31 its implementation and the general assembly appropriates  
32 matching funds from the general fund of the state for its  
33 implementation.

34 Sec. 39. Sections 518A.33, 518A.34, and 518A.42, Code  
35 1995, are repealed.

EXPLANATION

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Section 144C.4, which establishes the community health management information system governing board, is amended to add the insurance commissioner or the commissioner's designee as an ex officio, nonvoting member.

Section 507.2, subsection 3, is amended to provide that the commissioner may accept an examination report on a foreign or alien insurance company prepared by the regulatory authority for the company's state of domicile or port-of-entry state in lieu of an examination. Currently, such reports were only accepted until January 1, 1994, after which an examination report can only be accepted if the regulatory authority was at the time of examination accredited under the national association of insurance commissioners.

Section 507A.10 is amended to provide that in addition to the assessment of a civil penalty, the commissioner may, after conducting a hearing pursuant to chapter 17A, issue a cease and desist order requiring a person or insurer from engaging in an activity found to violate chapter 507A.

Section 508.5 is amended to provide that a stock life insurance company that undergoes a change of control pursuant to chapter 521A, relating to insurance holding company systems, must maintain the minimum capital and surplus requirements mandated under section 508.5.

Section 508.9 is amended to provide that a mutual insurance company that undergoes a change of control pursuant to chapter 521A must maintain the minimum surplus requirements mandated under section 508.9.

Section 513B.2, subsection 10, paragraph "b", is amended to provide that a health benefit plan does not include Medicare supplement or long-term care insurance for purposes of small group health benefit plans.

Section 514B.10 is amended by striking language which provides that a health maintenance organization must file, and the commissioner must approve, a schedule of charges for

1 enrollee coverage for health care services, prior to the use  
2 of the schedule.

3 Section 514B.17 is amended to provide that the effect of  
4 cancellation of a prepaid group plan providing health care  
5 services to health maintenance organization enrollees, and the  
6 duty to provide notice concerning cancellation, is the same as  
7 is provided for the termination of accident or health  
8 insurance pursuant to section 509B.5, subsection 2. That  
9 section provides that the employer or group policyholder must  
10 notify the employees or members of the termination.

11 Section 514C.2 is amended to provide that skilled nursing  
12 care in a hospital is to be covered under a health service  
13 contract issued pursuant to chapter 514B, relating to health  
14 maintenance organizations.

15 Section 514G.7, subsection 3, is amended to provide that a  
16 long-term care insurance policy shall not define preexisting  
17 condition more restrictively than the existence of symptoms  
18 which would cause an ordinarily prudent person to seek  
19 diagnosis, care, or treatment, or a condition for which  
20 medical advice or treatment was recommended by or received  
21 from a provider of health care services within six months  
22 preceding the effective date of coverage of an insured person.  
23 The subsection is amended to provided that a long-term care  
24 policy shall not exclude coverage for a loss or confinement  
25 which results from a preexisting condition unless the loss or  
26 confinement begins within six months after coverage is  
27 effective. The subsection is also amended to strike paragraph  
28 "c", which grants the commissioner discretionary authority to  
29 extend the limitation periods, relating to preexisting  
30 conditions, to specific age group categories in specific  
31 policy forms upon a finding that such extension is in the best  
32 interest of the public.

33 Section 514G.7, subsection 6, is rewritten to provide that  
34 an individual has the right to return an individual long-term  
35 care insurance policy within 30 days after its delivery.

1 Sections 515.8, 515.10, and 515.12 are amended to provide  
2 that an insurance company or mutual company which undergoes a  
3 change of control under chapter 521A must still maintain  
4 minimum capital or surplus reserves, as applicable, as  
5 provided in the amended sections.

6 Section 515.94 is amended to provide that an insurance  
7 company or association, upon the issue or renewal of a policy,  
8 must provide to the insured a copy of any application or  
9 representation of the insured related to the policy.

10 Currently, that section provides that such application or  
11 representation must be attached to or endorsed on the policy.

12 Section 515.109 is amended to provide that the commissioner  
13 may exempt any specified person by order, or any class of  
14 persons by rule, or any specified risk by order, or any line  
15 or kind of insurance or any class of risk or combination of  
16 classes of risks by rule from the requirement that the forms  
17 related to such persons or risks be examined and approved if  
18 the commissioner determines that the examination is  
19 unnecessary to achieve the purposes of this section.

20 Section 515A.15 is amended to require that all insurers  
21 participate in a residual market mechanism for assigned risks,  
22 and enter into an agreement among themselves to equitably  
23 apportion insurance to be afforded to applicants who are in  
24 good faith entitled to, but who are unable to procure, such  
25 insurance through ordinary methods. If an agreement is not  
26 reached, the commissioner, by rule, is to establish the terms  
27 so that an equitable apportionment among all insurers is  
28 accomplished.

29 Section 515F.5 is amended to provide that the commissioner  
30 may suspend the requirement that an insurer file rates or  
31 rating plans with respect to casualty insurance if the  
32 commissioner determines that the filing is unnecessary to  
33 achieve the purposes of chapter 515F.

34 Section 518.14 is stricken and replaced with language which  
35 applies similar investment requirements provided for in

1 chapter 515 with respect to insurance companies other than  
2 life insurance companies, to county mutual insurance  
3 associations.

4 Section 518.16, which relates to the qualification of  
5 producers for county mutual insurance associations, is amended  
6 to provide that an agent for a county mutual insurance  
7 association must be licensed pursuant to chapter 522, which  
8 generally relates to the licensing of insurance agents.

9 New section 518.26 is created which prohibits an  
10 association from loaning assets or other funds to an officer,  
11 director, or employee of the association, or a relative of an  
12 officer or director.

13 New section 518.27 is created and requires all policies,  
14 applications, and agreements and endorsements to be filed with  
15 the insurance commissioner. The forms must be examined and  
16 approved prior to their use.

17 New section 518.28 is created and provides that the  
18 commissioner may suspend a county mutual association's  
19 authority to transact business in this state for failure to  
20 file the forms as required.

21 New section 518.29 is created and provides that upon the  
22 commissioner's disapproval of a filing by the association,  
23 written notice is to be provided to the association specifying  
24 the reason for the disapproval. The association may request a  
25 hearing on the disapproval within 30 days.

26 New section 518.30 is created and provides that the  
27 insurance commissioner may withhold a certificate of authority  
28 to transact business from an association failing to comply  
29 with the provisions of chapter 518. An administrative penalty  
30 of \$300 may be assessed against an association for failure to  
31 file an annual statement as required in section 518.15. If  
32 the association fails to file the statement within 10 days of  
33 the date of the notice, the association shall pay an  
34 additional sum of \$50 for each day the failure continues, to  
35 be paid to the state general fund.

1 Section 518A.12 is amended to strike language relating to  
2 the emergency fund for mutual casualty assessment insurance  
3 associations and substitutes language which applies similar  
4 investment requirements provided for in chapter 515 with  
5 respect to insurance companies other than life insurance  
6 companies, to mutual casualty assessment insurance  
7 associations.

8 Section 518A.17 is amended to provide that 50 percent of  
9 the aggregate amount of assessments collected by an  
10 association engaged in writing hail insurance may be set aside  
11 as surplus to policyholders. Currently, that amount may be  
12 set aside in an emergency fund.

13 New section 518A.44 is created to provide that a mutual  
14 casualty assessment insurance association is not to expose  
15 itself to loss on any single risk in an amount exceeding 10  
16 percent of surplus, except as allowed under that section.  
17 This language applies the same standard which currently  
18 applies to nonlife companies under chapter 515.

19 New section 518A.51 is created which prohibits an  
20 association from loaning assets or other funds to an officer,  
21 director, or employee of the association, or a relative of an  
22 officer or director.

23 New section 518A.52 is created and requires all policies,  
24 applications, and agreements and endorsements to be filed with  
25 the insurance commissioner. The forms must be examined and  
26 approved prior to their use.

27 New section 518A.53 is created and provides that the  
28 commissioner may suspend a mutual casualty assessment  
29 association's authority to transact business in this state for  
30 failure to file the forms as required.

31 New section 518A.54 is created and provides that upon the  
32 commissioner's disapproval of a filing by the association,  
33 written notice is to be provided to the association specifying  
34 the reason for the disapproval. The association may request a  
35 hearing on the disapproval within 30 days.



1 New section 518A.55 is created and provides that the  
2 insurance commissioner may suspend a certificate of authority  
3 to transact business from an association failing to comply  
4 with the provisions of chapter 518A. An administrative  
5 penalty of \$300 may be assessed against an association for  
6 failure to file an annual statement as required in section  
7 518A.18. If the association fails to file the statement  
8 within 10 days of the date of the notice the association shall  
9 pay an additional sum of \$50 for each day the failure  
10 continues, to be paid to the state general fund.

11 Section 521.1 is amended to include county mutual insurance  
12 associations in the definition of "company" for the purpose of  
13 chapter 521, which relates to consolidations and reinsurance.

14 Section 521.2 is amended to provide that chapter 521A is  
15 applicable to a merger or consolidation of insurance companies  
16 pursuant to chapter 521, and that chapters 521A and 521 are  
17 exclusive with respect to the merger or consolidation.

18 Section 521B.2 is amended to provide that incorporated  
19 underwriters are not to engage in any business other than  
20 underwriting as a member of a group to which reinsurance is  
21 ceded, and that such underwriters are subject to the same  
22 level of solvency regulation as unincorporated members.

23 1994 Iowa Acts, chapter 1072, section 9, which provides  
24 that the establishment of a fraud bureau within the insurance  
25 division and that the Act is only effective if the state  
26 receives a federal grant, is amended to provide that only the  
27 effectiveness of the establishment of the fraud bureau and  
28 sections directly related to the bureau is subject to the  
29 receipt of a federal grant. Section 507E.3, which relates to  
30 fraudulent statements and establishes a penalty, and section  
31 507E.7, which provides immunity from liability to persons  
32 alleging acts in violation of this chapter in good faith, are  
33 to become effective irrespective of the receipt of a federal  
34 grant.

35 Sections 518A.33, 518A.34, and 518A.42 are repealed.

1 Sections 518A.33 and 518A.34 relate to the bond and additional  
2 security required of the secretary and treasurer of a mutual  
3 casualty assessment insurance association. Section 518A.42  
4 provides that the commissioner is to issue an agent's license  
5 to a person as requested by such association upon the payment  
6 of 50 cents.

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**HOUSE FILE 247**

**H-3282**

1 Amend House File 247 as follows:

- 2 1. Page 25, by striking lines 22 through 25 and
- 3 inserting the following:
- 4 "Sec. \_\_\_\_ . NEW SECTION. 521.16 APPLICABILITY OF
- 5 CHAPTER.
- 6 Chapter 521A is applicable to a merger or
- 7 consolidation made pursuant to this chapter, and the
- 8 provisions of chapter 521A and this chapter shall
- 9 apply exclusively with respect to such merger or
- 10 consolidation."

11 2. By renumbering as necessary.

By HALVORSON of Clayton

H-3282 FILED MARCH 9, 1995

*Adopted 3/23/95 (p. 954)*

**HOUSE FILE 247**

**H-3298**

1 Amend House File 247 as follows:

- 2 1. Page 2, line 16, by striking the word
- 3 "regulated" and inserting the following: "defined".
- 4 2. Page 6, line 20, by striking the word
- 5 "regulated" and inserting the following: "defined".
- 6 3. Page 6, line 30, by striking the word
- 7 "regulated" and inserting the following: "defined".
- 8 4. Page 7, line 5, by striking the word
- 9 "regulated" and inserting the following: "defined".

By HALVORSON of Clayton

H-3298 FILED MARCH 14, 1995

*3) Adopted (p. 953)  
3/23/95*

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S-4/10/95 Waiver Means  
S-4/12/92 Amended Do Pass  
w/ S-3405  
S-4/13/95 Passed on unfinished  
business calendar

HOUSE FILE 247  
BY COMMITTEE ON COMMERCE AND  
REGULATION

(SUCCESSOR TO HSB 172)

(As Amended and Passed by teh House March 23, 1995)

Passed House, Date (P. 1964) 4/26/95 Passed Senate, Date (P. 1429) 4/26/95  
Vote: Ayes 90 Nays 7 Vote: Ayes 45 Nays 0  
Approved May 22, 1995

A BILL FOR

1 An Act relating to the regulation of insurance, including the  
2 authority of the insurance division to regulate certain  
3 policies and contracts and parties to such policies and  
4 contracts, establishing fees, and providing civil penalties.

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

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House Amendments \_\_\_\_\_

1 Section 1. Section 144C.4, Code 1995, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 1A. The commissioner or the  
4 commissioner's designee shall serve as an ex officio,  
5 nonvoting member of the board.

6 Sec. 2. Section 507.2, subsection 3, Code 1995, is amended  
7 to read as follows:

8 3. In lieu of an examination under this chapter of any  
9 foreign or alien insurer licensed in this state, the  
10 commissioner may accept an examination report on the company  
11 as prepared by the regulatory authority for insurance for the  
12 company's state of domicile or port-of-entry state until  
13 January 17, 1994. Thereafter, such reports shall only be  
14 ~~accepted if the regulatory authority was at the time of the~~  
15 ~~examination accredited under the national association of~~  
16 ~~insurance commissioners' financial regulation standards and~~  
17 ~~accreditation program or the examination is performed under~~  
18 ~~the supervision of an accredited regulatory authority or with~~  
19 ~~the participation of one or more examiners who are employed by~~  
20 ~~the accredited state and who, after a review of the~~  
21 ~~examination work papers and report, state under oath that the~~  
22 ~~examination was performed in a manner consistent with~~  
23 ~~standards and procedures required by their insurance~~  
24 ~~department.~~

25 Sec. 3. Section 507A.10, Code 1995, is amended to read as  
26 follows:

27 507A.10 CEASE AND DESIST ORDER -- CIVIL PENALTY.

28 The commissioner Upon a determination by the commissioner,  
29 after a hearing conducted pursuant to chapter 17A, that a  
30 person or insurer has violated a provision of this chapter,  
31 the commissioner shall reduce the findings of the hearing to  
32 writing and deliver a copy of the findings to the person or  
33 insurer, may issue an order requiring the person or insurer to  
34 cease and desist from engaging in the conduct resulting in the  
35 violation, and may assess a civil penalty of not more than

1 fifty thousand dollars against a the person or insurer ~~who has~~  
2 ~~violated a provision of this chapter.~~

3 Sec. 4. Section 508.5, Code 1995, is amended to read as  
4 follows:

5 508.5 CAPITAL AND SURPLUS REQUIRED.

6 A stock life insurance company shall not be authorized to  
7 transact business under this chapter with less than two  
8 million five hundred thousand dollars capital stock fully paid  
9 for in cash and two million five hundred thousand dollars of  
10 surplus paid in cash or invested as provided by law. A stock  
11 life insurance company shall not increase its capital stock  
12 unless the amount of the increase is fully paid in cash. The  
13 stock shall be divided into shares of not less than one dollar  
14 par value each. A stock life insurance company authorized to  
15 do business in Iowa that undergoes a change of control as  
16 defined under chapter 521A shall maintain the minimum capital  
17 and surplus requirements mandated by this section.

18 Sec. 5. Section 508.9, Code 1995, is amended to read as  
19 follows:

20 508.9 MUTUAL COMPANIES -- CONDITIONS.

21 Level premium and natural premium life insurance companies  
22 organized under the laws of this state upon the mutual plan  
23 shall, before issuing policies, have actual applications on at  
24 least two hundred and fifty lives for an average amount of one  
25 thousand dollars each. A list of the applications giving the  
26 name, age, residence, amount of insurance, and annual premium  
27 of each applicant shall be filed with the commissioner of  
28 insurance, and a deposit made with the commissioner of an  
29 amount equal to three-fifths of the whole annual premium on  
30 the applications, in cash or the securities required by  
31 section 508.5. In addition, a deposit of cash or securities  
32 of the character provided by law for the investment of funds  
33 for life insurance companies in the sum of five million  
34 dollars shall be made with the commissioner, which shall  
35 constitute a security fund for the protection of

1 policyholders. The contribution to the security fund shall  
2 not give to contributors to the fund or to other persons any  
3 voting or other power in the management of the affairs of the  
4 company. The security fund may be repaid to the contributors  
5 to the security fund with interest at six percent from the  
6 date of contribution, at any time, in whole or in part, if the  
7 repayment does not reduce the surplus of the company below the  
8 amount of five million dollars and then only if consent in  
9 writing for the repayment is obtained from the commissioner of  
10 insurance. Upon compliance with this section, the  
11 commissioner shall issue to the mutual company the certificate  
12 prescribed in this chapter. A mutual insurance company  
13 authorized to do business in Iowa that undergoes a change of  
14 control as defined in chapter 521A shall maintain the minimum  
15 surplus requirement mandated by this section.

16 Sec. 6. Section 513B.2, subsection 10, paragraph b, Code  
17 1995, is amended to read as follows:

18 b. "Health benefit plan" does not include accident-only,  
19 credit, dental, Medicare supplement, long-term care, or  
20 disability income insurance, coverage issued as a supplement  
21 to liability insurance, workers' compensation or similar  
22 insurance, or automobile medical-payment insurance.

23 Sec. 7. Section 514B.10, Code 1995, is amended to read as  
24 follows:

25 514B.10 CHARGES----APPROVAL-REQUIRED.

26 ~~No-schedule-of-charges-for-enrollees-coverage-for-health~~  
27 ~~care-services-or-amendment-to-the-schedule-may-be-used-by-a~~  
28 ~~health-maintenance-organization-until-a-copy-of-the-schedule~~  
29 ~~or-amendment-to-the-schedule-has-been-filed-with-and-approved~~  
30 ~~by-the-commissioner.~~ Charges to enrollees may be established  
31 in accordance with actuarial principles for various categories  
32 of enrollees, but the charges shall not be determined  
33 according to the status of an individual enrollee's health or  
34 sex and shall not be excessive, inadequate, or unfairly  
35 discriminatory.

1 Sec. 8. Section 514B.17, Code 1995, is amended to read as  
2 follows:

3 514B.17 CANCELLATION OF ENROLLEES.

4 1. An enrollee enrolled in a prepaid individual plan shall  
5 not be canceled except for the failure to pay the charges  
6 permitted under section 514B.10 or for other reasons stated in  
7 the rules ~~promulgated~~ adopted by the commissioner and subject  
8 to review in accordance with chapter 17A. ~~No~~ Except as  
9 provided in subsection 2 concerning prepaid group plans,  
10 notice of cancellation to an enrollee shall not be effective  
11 unless delivered to the enrollee by the health maintenance  
12 organization in a manner prescribed by the commissioner and at  
13 least thirty days before the effective date of cancellation  
14 and unless accompanied by a statement of reason for  
15 cancellation. At any time before cancellation of the policy  
16 for nonpayment, the enrollee may pay to the health maintenance  
17 organization the full amount due, including court costs if  
18 any, and from the date of payment by the enrollee or the  
19 collection of the judgment, coverage shall revive and be in  
20 full force and effect.

21 2. The effect of cancellation of a prepaid group plan  
22 providing health care services to enrollees, and the duty to  
23 provide notice and liability for benefits, is the same as  
24 provided under section 509B.5, subsection 2, for the  
25 termination of accident or health insurance for employees or  
26 members.

27 Sec. 9. Section 514C.2, Code 1995, is amended to read as  
28 follows:

29 514C.2 SKILLED NURSING CARE COVERED IN HOSPITALS.

30 An insurer, a hospital service corporation, or a medical  
31 service corporation, which covers the costs of skilled nursing  
32 care under an individual or group policy of accident and  
33 health insurance regulated under chapter 509 or 514A, ~~or under~~  
34 a nonprofit hospital or medical and surgical service plan  
35 regulated under chapter 514, or a health care service contract

1 regulated under chapter 514B, shall also cover the costs of  
2 skilled nursing care in a hospital if the level of care needed  
3 by the insured or subscriber has been reclassified from acute  
4 care to skilled nursing care and no designated skilled nursing  
5 care beds or swing beds are available in the hospital or in  
6 another hospital or health care facility within a thirty-mile  
7 radius of the hospital. The insurer or corporation shall  
8 reimburse the insured or subscriber based on the skilled  
9 nursing care rate.

10 Sec. 10. Section 514G.7, subsection 3, paragraphs a and b,  
11 Code 1995, are amended by striking the paragraphs and  
12 inserting in lieu thereof the following:

13 a. A long-term care insurance policy or certificate shall  
14 not use a definition of preexisting condition which is more  
15 restrictive than the following: "Preexisting condition" means  
16 the existence of symptoms which would cause an ordinarily  
17 prudent person to seek diagnosis, care, or treatment, or a  
18 condition for which medical advice or treatment was  
19 recommended by or received from a provider of health care  
20 services within six months preceding the effective date of  
21 coverage of an insured person.

22 b. A long-term care insurance policy shall not exclude  
23 coverage for a loss or confinement which is the result of a  
24 preexisting condition unless the loss or confinement begins  
25 within six months following the effective date of coverage of  
26 an insured person.

27 Sec. 11. Section 514G.7, subsection 3, paragraph c, Code  
28 1995, is amended by striking the paragraph.

29 Sec. 12. Section 514G.7, subsection 6, Code 1995, is  
30 amended by striking the subsection and inserting in lieu  
31 thereof the following:

32 6. RIGHT TO RETURN AFTER EXAMINATION. An individual long-  
33 term care insurance policyholder has the right to return the  
34 policy within thirty days of its delivery and to have the  
35 premium refunded if, after examination, the insured person is



1 not satisfied for any reason. Long-term care insurance  
2 policies must have a notice prominently printed on the first  
3 page or attached to the first page stating in substance that  
4 the policyholder has the right to return the policy within  
5 thirty days of its delivery and to have the premium refunded  
6 as provided in this subsection.

7 Sec. 13. Section 515.8, Code 1995, is amended to read as  
8 follows:

9 515.8 PAID-UP CAPITAL REQUIRED.

10 An insurance company other than a life insurance company  
11 shall not be incorporated to transact business upon the stock  
12 plan with less than two million five hundred thousand dollars  
13 capital, the entire amount of which shall be fully paid up in  
14 cash and invested as provided by law. An insurance company  
15 other than a life insurance company shall not increase its  
16 capital stock unless the amount of the increase is fully paid  
17 up in cash. The stock shall be divided into shares of not  
18 less than one dollar each. An insurance company authorized to  
19 do business in Iowa that undergoes a change of control as  
20 defined under chapter 521A shall maintain the minimum capital  
21 requirements mandated by this section.

22 Sec. 14. Section 515.10, Code 1995, is amended to read as  
23 follows:

24 515.10 SURPLUS REQUIRED.

25 An insurance company other than a life insurance company  
26 shall have, in addition to the required paid-up capital, a  
27 surplus in cash or invested in securities authorized by law of  
28 not less than two million five hundred thousand dollars. An  
29 insurance company authorized to do business in Iowa that  
30 undergoes a change of control as defined under chapter 521A  
31 shall maintain the minimum surplus requirements mandated by  
32 this section.

33 Sec. 15. Section 515.12, subsection 5, Code 1995, is  
34 amended to read as follows:

35 5. The mutual company shall have in cash or in securities

1 in which insurance companies are authorized to invest, surplus  
2 in an amount not less than five million dollars. The surplus  
3 so required may be advanced in accordance with section 515.19.  
4 A mutual company authorized to do business in Iowa that  
5 undergoes a change of control as defined under chapter 521A  
6 shall maintain the minimum surplus requirements mandated by  
7 this section.

8 However, the surplus requirements do not apply to a company  
9 which establishes and maintains a guaranty fund as provided by  
10 section 515.20.

11 Sec. 16. Section 515.94, Code 1995, is amended to read as  
12 follows:

13 515.94 COPY OF APPLICATION -- DUTY TO ATTACH.

14 All insurance companies or associations shall, upon the  
15 issue or renewal of any policy, ~~attach-to-such-policy,-or~~  
16 ~~endorse-thereon~~ provide to the insured, a true copy of any  
17 application or representation of the assured insured which, by  
18 the terms of such policy, is made a part thereof of the  
19 policy, or of the contract of insurance, or referred to  
20 therein in the contract of insurance, or which may in any  
21 manner affect the validity of such policy.

22 Sec. 17. Section 515.109, Code 1995, is amended to read as  
23 follows:

24 515.109 FORMS OF POLICIES AND ENDORSEMENTS -- APPROVAL.

25 1. The form of all policies, and of applications, and of  
26 agreements or endorsements modifying the provisions of  
27 policies, and of all permits and riders used generally  
28 throughout the state, issued or proposed to be issued by any  
29 insurance company doing business in this state under the  
30 provisions of this chapter, shall first be examined and  
31 approved by the commissioner of insurance.

32 2. The commissioner, upon a determination that the  
33 examination required under subsection 1 is unnecessary to  
34 achieve the purposes of this section, may exempt either of the  
35 following:

1 a. Any specified person by order, or any class of persons  
2 by rule.

3 b. Any specified risk by order, or any line or kind or  
4 insurance or subdivision of insurance or any class of risk or  
5 combination of classes of risks by rule.

6 Sec. 18. Section 515A.15, Code 1995, is amended by  
7 striking the section and inserting in lieu thereof the  
8 following:

9 515A.15 ASSIGNED RISKS.

10 All insurers shall participate in a residual market  
11 mechanism. Insurers shall enter into agreements among  
12 themselves with respect to the equitable apportionment among  
13 themselves of insurance which may be afforded to applicants  
14 who are in good faith entitled to, but who are unable to  
15 procure, such insurance through ordinary methods. If an  
16 agreement cannot be reached among the insurers, the  
17 commissioner, by rule, shall establish the terms so that an  
18 equitable apportionment among all insurers is accomplished.

19 Sec. 19. Section 515F.5, subsection 4, Code 1995, is  
20 amended to read as follows:

21 4. Under rules adopted under chapter 17A, the commissioner  
22 may, by written order, suspend or modify the requirement of  
23 filing as to any kind of insurance, or subdivision or  
24 combination of insurance, or as to classes of risks, which are  
25 unnecessary to achieve the purposes of this chapter and the  
26 rates for which cannot practicably be filed before they are  
27 used. The commissioner may make an examination as the  
28 commissioner deems advisable to ascertain whether rates  
29 affected by the order meet the standards set forth in section  
30 515F.4.

31 Sec. 20. Section 518.14, Code 1995, is amended by striking  
32 the section and inserting in lieu thereof the following:

33 518.14 INVESTMENTS.

34 1. GENERAL CONSIDERATIONS. The following considerations  
35 apply in the interpretation of this section:

1 a. This section applies to the investments of county  
2 mutual insurance associations.

3 b. The purpose of this section is to protect and further  
4 the interests of policyholders, claimants, creditors, and the  
5 public by providing standards for the development and  
6 administration of programs for the investment of the assets of  
7 associations organized under this chapter. These standards,  
8 and the investment programs developed by associations, shall  
9 take into account the safety of the association's principal,  
10 investment yield and growth, stability in the value of the  
11 investment, and liquidity necessary to meet the association's  
12 expected business needs, and investment diversification.

13 All investments made pursuant to this section shall have  
14 investment qualities and characteristics such that the  
15 speculative elements of the investments are not predominant.

16 c. Financial terms relating to county mutual insurance  
17 associations have the meanings assigned to them under  
18 statutory accounting methods. Financial terms relating to  
19 companies or associations other than county mutual insurance  
20 associations have the meanings assigned to them under  
21 generally accepted accounting principles.

22 d. Investments shall be valued in accordance with the  
23 valuation procedures established by the national association  
24 of insurance commissioners, unless the commissioner requires  
25 or finds another method of valuation reasonable under the  
26 circumstances.

27 e. If an investment qualifies under more than one  
28 subsection, an association may elect to hold the investment  
29 under the subsection of its choice. This section does not  
30 prevent an association from electing to hold an investment  
31 under a subsection different from the one under which it  
32 previously held the investment.

33 2. DEFINITIONS. For purposes of this section:

34 a. "Admitted assets", for purposes of computing percentage  
35 limitations on particular types of investments, means the

1 assets which are authorized to be shown on the commissioner's  
2 annual statement blank as admitted assets as of the December  
3 31 immediately preceding the date the association acquires the  
4 investment.

5 b. "Clearing corporation" means as defined in section  
6 554.8102.

7 c. "Custodian bank" means as defined in section 554.8102.

8 d. "Issuer" means as defined in section 554.8201.

9 e. "Member bank" means a national bank, state bank, or  
10 trust company which is a member of the United States federal  
11 reserve system.

12 f. "National securities exchange" means an exchange  
13 registered under section 6 of the federal Securities Exchange  
14 Act of 1934 or an exchange regulated under the laws of Canada.

15 g. "Obligations" includes bonds, notes, debentures,  
16 transportation equipment certificates, domestic repurchase  
17 agreements, and obligations for the payment of money not in  
18 default as to payments of principal and interest on the date  
19 of investment, which constitute general obligations of the  
20 issuer or payable only out of certain revenues or certain  
21 funds pledged or otherwise dedicated for payment of principal  
22 and interest on the obligations. A lease is an obligation if  
23 the lease is assigned to the insurer and is nonterminable by  
24 the lessee upon foreclosure of any lien upon the leased  
25 property, and if rental payments are sufficient to amortize  
26 the investment over the primary lease term.

27 3. INVESTMENTS IN NAME OF ASSOCIATION OR NOMINEE AND  
28 PROHIBITIONS.

29 a. An association's investments shall be held in its own  
30 name or the name of its nominee, except as follows:

31 (1) Investments may be held in the name of a clearing  
32 corporation or of a custodian bank or in the name of the  
33 nominee of either on the following conditions:

34 (a) The clearing corporation, custodian bank, or nominee  
35 must be legally authorized to hold the particular investment

1 for the account of others.

2 (b) When the investment is evidenced by a certificate and  
3 held in the name of a custodian bank or the nominee of a  
4 custodian bank, a written agreement shall provide that  
5 certificates so deposited shall at all times be kept separate  
6 and apart from other deposits with the depository, so that at  
7 all times they may be identified as belonging solely to the  
8 association making the deposit.

9 (c) If a clearing corporation is to act as depository, the  
10 investment may be merged or held in bulk in the name of the  
11 clearing corporation or its nominee with other investments  
12 deposited with the clearing corporation by any other person,  
13 if a written agreement between the clearing corporation and  
14 the association provides that adequate evidence of the deposit  
15 is to be obtained and retained by the association or a  
16 custodian bank.

17 (2) An association may loan stocks or obligations held by  
18 it under this chapter to a broker-dealer registered under the  
19 federal Securities Exchange Act of 1934 or to a member bank.  
20 The loan must be evidenced by a written agreement which  
21 provides all of the following:

22 (a) That the loan will be fully collateralized by cash or  
23 obligations issued or guaranteed by the United States or an  
24 agency or an instrumentality of the United States, and that  
25 the collateral will be adjusted as necessary each business day  
26 during the term of the loan to maintain the required  
27 collateralization in the event of market value changes in the  
28 loaned securities or collateral.

29 (b) That the loan may be terminated by the association at  
30 any time, and that the borrower will return the loaned stocks  
31 or obligations within five business days after termination.

32 (c) That the association has the right to retain the  
33 collateral or use the collateral to purchase investments  
34 equivalent to the loaned securities if the borrower defaults  
35 under the terms of the agreement, and that the borrower

1 remains liable for any losses and expenses incurred by the  
2 association due to default that are not covered by the  
3 collateral.

4 (3) An association may participate through a member bank  
5 in the United States federal reserve book entry system, and  
6 the records of the member bank shall at all times show that  
7 the investments are held for the association or for specific  
8 accounts of the association.

9 (4) An investment may consist of an individual interest in  
10 a pool of obligations or a fractional interest in a single  
11 obligation if the certificate of participation or interest or  
12 the confirmation of participation or interest in the  
13 investment is issued in the name of the association, the name  
14 of the custodian bank, or the nominee of either, and, if the  
15 interest as evidenced by the certificate or confirmation is,  
16 if held by a custodian bank, kept separate and apart from the  
17 investments of others so that at all times the participation  
18 may be identified as belonging solely to the association  
19 making the investment.

20 (5) Transfers of ownership of investments held as  
21 described in paragraph "a", subparagraph (1), subparagraph  
22 subdivision (c), and subparagraphs (3) and (4), may be  
23 evidenced by bookkeeping entry on the books of the issuer of  
24 the investment, its transfer or recording agent, or the  
25 clearing corporation without physical delivery of a  
26 certificate evidencing the associations's investment.

27 b. Except as provided in paragraph "a", subparagraph (5),  
28 if an investment is not evidenced by a certificate, adequate  
29 evidence of the association's investment shall be obtained  
30 from the issuer or its transfer or recording agent and  
31 retained by the association, a custodian bank, or clearing  
32 corporation. Adequate evidence, for purposes of this  
33 paragraph, means a written receipt or other verification  
34 issued by the depository or issuer or a custodian bank which  
35 shows that the investment is held for the association.

1 4. INVESTMENTS. Except as otherwise permitted by this  
2 section, an association organized under this chapter shall  
3 only invest in the following:

4 a. UNITED STATES GOVERNMENT OBLIGATIONS. Obligations  
5 issued or guaranteed by the United States or an agency or  
6 instrumentality of the United States.

7 b. CERTAIN DEVELOPMENT BANK OBLIGATIONS. Obligations  
8 issued or guaranteed by the international bank for  
9 reconstruction and development, the Asian development bank,  
10 the inter-American development bank, the export-import bank,  
11 the world bank, or any United States government-sponsored  
12 organization of which the United States is a member, if the  
13 principal and interest is payable in United States dollars.  
14 An association shall not invest more than five percent of its  
15 total admitted assets in the obligations of any one of these  
16 banks or organizations, and shall not invest more than a total  
17 of ten percent of its total admitted assets in the obligations  
18 authorized by this paragraph.

19 c. STATE OBLIGATIONS. Obligations issued or guaranteed by  
20 a state, a political subdivision of a state, or an  
21 instrumentality of a state.

22 d. CANADIAN GOVERNMENT OBLIGATIONS. Obligations issued or  
23 guaranteed by Canada, by an agency or province of Canada, by a  
24 political subdivision of such province, or by an  
25 instrumentality of any of those provinces or political  
26 subdivisions.

27 e. CORPORATE AND BUSINESS TRUST OBLIGATIONS. Obligations  
28 issued, assumed, or guaranteed by a corporation or business  
29 trust organized under the laws of the United States or a  
30 state, or the laws of Canada or a province of Canada, provided  
31 that an association shall not invest more than five percent of  
32 its admitted assets in the obligations of any one corporation  
33 or business trust. Investments shall be made only in  
34 investment grade bonds.

35 f. STOCKS. Common stocks, common stock equivalents,



1 mutual fund shares, securities convertible into common stocks  
2 or common stock equivalents, or preferred stocks issued or  
3 guaranteed by a corporation incorporated under the laws of the  
4 United States or a state, or the laws of Canada or a province  
5 of Canada. Aggregate investments in nondividend paying stocks  
6 shall not exceed five percent of surplus.

7 (1) Stocks purchased under this lettered paragraph shall  
8 not exceed fifty percent of surplus. With the approval of the  
9 commissioner, an association may invest any amount in common  
10 stocks, preferred stocks, or other securities of one or more  
11 subsidiaries provided that after such investments the  
12 association's surplus as regards policyholders will be  
13 reasonable in relation to the association's outstanding  
14 liabilities and adequate to its financial needs.

15 (2) An association shall not invest more than ten percent  
16 of its surplus in the stocks of any one corporation.

17 g. HOME OFFICE REAL ESTATE. Funds may be invested in a  
18 home office building, at the direction of the board of  
19 directors and with the prior approval of the commissioner of  
20 insurance. An association shall not invest more than twenty-  
21 five percent of its total admitted assets in such real estate.  
22 With the prior approval of the commissioner, an association  
23 may exceed the real estate investment limitation to effectuate  
24 a merger with, or the acquisition of, another association.

25 Sec. 21. Section 518.16, Code 1995, is amended by striking  
26 the section and inserting in lieu thereof the following:

27 518.16 QUALIFICATION OF AGENTS.

28 A person shall not solicit any application for insurance  
29 for an association in this state without having procured from  
30 the commissioner of insurance a license authorizing the person  
31 to act as an agent pursuant to chapter 522.

32 Sec. 22. NEW SECTION. 518.26 LOANS TO OFFICERS  
33 PROHIBITED.

34 Assets or other funds shall not be loaned directly or  
35 indirectly to an officer, director, or employee of the

1 association, or directly or indirectly to a relative of an  
2 officer, director, or an employee of the association.

3 Sec. 23. NEW SECTION. 518.27 FORM -- APPROVAL.

4 The form of all policies, applications, agreements, and  
5 endorsements modifying the provisions of policies, and all  
6 permits and riders used in this state, issued or proposed to  
7 be issued by a county mutual insurance association doing  
8 business in this state under the provisions of this chapter,  
9 shall first be examined and approved by the commissioner of  
10 insurance.

11 Sec. 24. NEW SECTION. 518.28 FAILURE TO FILE COPY.

12 Upon the failure of a county mutual association to file a  
13 copy of its forms of policies or contracts pursuant to section  
14 518.27, the commissioner of insurance may suspend its  
15 authority to transact business within the state until such  
16 forms of policies or contracts have been filed and approved.

17 Sec. 25. NEW SECTION. 518.29 DISAPPROVAL OF FILINGS.

18 If the commissioner finds that a filing does not meet the  
19 requirements of this chapter, written notice of disapproval  
20 shall be sent to the county mutual insurance association  
21 specifying in what respect the filing fails to meet the  
22 requirements of this chapter and stating that the filing is  
23 not effective. If a filing is disapproved by the  
24 commissioner, the association may request a hearing on the  
25 disapproval within thirty days. The association bears the  
26 burden of proving compliance with the standards established by  
27 this chapter.

28 If, at any time after a form has been approved, the  
29 commissioner finds that the form no longer meets the  
30 requirements of this chapter, the commissioner may order the  
31 discontinuance of the use of the form. The order of  
32 discontinuance shall be in writing and may be issued only  
33 after a hearing with at least ten days' prior notice to all  
34 county mutuals affected by the order. The order shall state  
35 the grounds upon which the order is based and when the order

1 of discontinuance is effective.

2 Sec. 26. NEW SECTION. 518.30 CERTIFICATE REFUSED --  
3 ADMINISTRATIVE PENALTY.

4 The commissioner of insurance may suspend a county mutual  
5 insurance association's certificate of authority to do  
6 business if the association neglects or fails to comply with  
7 this chapter. In addition, an association organized or  
8 authorized under this chapter which fails to file the annual  
9 statement referred to in section 518.15 in the time required  
10 shall pay an administrative penalty in an amount of three  
11 hundred dollars to be collected in the name of the state for  
12 deposit in the general fund of the state. The commissioner  
13 may give notice to a county mutual insurance association which  
14 has failed to file within the time required that the  
15 association is in violation of section 518.15 and this  
16 section. If the association fails to file the statement  
17 within ten days of the date of the notice, the association  
18 shall pay an additional sum of fifty dollars for each day the  
19 failure continues, to be paid into the general fund of the  
20 state.

21 Sec. 27. Section 518A.12, Code 1995, is amended by  
22 striking the section and inserting in lieu thereof the  
23 following:

24 518A.12 INVESTMENTS.

25 1. GENERAL CONSIDERATIONS. The following considerations  
26 apply in the interpretation of this section:

27 a. This section applies to the investments of mutual  
28 casualty assessment insurance associations.

29 b. The purpose of this section is to protect and further  
30 the interests of policyholders, claimants, creditors, and the  
31 public by providing standards for the development and  
32 administration of programs for the investment of the assets of  
33 associations organized under this chapter. These standards,  
34 and the investment programs developed by companies, shall take  
35 into account the safety of the association's principal,

1 investment yield and growth, stability in the value of the  
2 investment, and liquidity necessary to meet the association's  
3 expected business needs, and investment diversification.

4 All investments made pursuant to this section shall have  
5 investment qualities and characteristics such that the  
6 speculative elements of the investments are not predominant.

7 c. Financial terms relating to mutual casualty assessment  
8 insurance associations have the meanings assigned to them  
9 under statutory accounting methods. Financial terms relating  
10 to companies other than mutual casualty assessment insurance  
11 associations have the meanings assigned to them under  
12 generally accepted accounting principles.

13 d. Investments shall be valued in accordance with the  
14 valuation procedures established by the national association  
15 of insurance commissioners, unless the commissioner requires  
16 or finds another method of valuation reasonable under the  
17 circumstances.

18 e. If an investment qualifies under more than one  
19 subsection, an association may elect to hold the investment  
20 under the subsection of its choice. This section does not  
21 prevent an association from electing to hold an investment  
22 under a subsection different from the one under which it  
23 previously held the investment.

24 2. DEFINITIONS. For purposes of this section:

25 a. "Admitted assets", for purposes of computing percentage  
26 limitations on particular types of investments, means the  
27 assets which are authorized to be shown on the national  
28 association of insurance commissioner's annual statement blank  
29 as admitted assets as of the December 31 immediately preceding  
30 the date the association acquires the investment.

31 b. "Clearing corporation" means as defined in section  
32 554.8102.

33 c. "Custodian bank" means as defined in section 554.8102.

34 d. "Issuer" means as defined in section 554.8201.

35 e. "Member bank" means a national bank, state bank, or

1 trust company which is a member of the United States federal  
2 reserve system.

3 f. "National securities exchange" means an exchange  
4 registered under section 6 of the federal Securities Exchange  
5 Act of 1934 or an exchange regulated under the laws of Canada.

6 g. "Obligations" includes bonds, notes, debentures,  
7 transportation equipment certificates, domestic repurchase  
8 agreements, and obligations for the payment of money not in  
9 default as to payments of principal and interest on the date  
10 of investment, which constitute general obligations of the  
11 issuer or payable only out of certain revenues or certain  
12 funds pledged or otherwise dedicated for payment of principal  
13 and interest on the obligations. A lease is an obligation if  
14 the lease is assigned to the insurer and is nonterminable by  
15 the lessee upon foreclosure of any lien upon the leased  
16 property, and if rental payments are sufficient to amortize  
17 the investment over the primary lease term.

18 3. INVESTMENTS IN NAME OF ASSOCIATION OR NOMINEE AND  
19 PROHIBITIONS.

20 a. An association's investments shall be held in its own  
21 name or the name of its nominee, except as follows:

22 (1) Investments may be held in the name of a clearing  
23 corporation or of a custodian bank or in the name of the  
24 nominee of either on the following conditions:

25 (a) The clearing corporation, custodian bank, or nominee  
26 must be legally authorized to hold the particular investment  
27 for the account of others.

28 (b) When the investment is evidenced by a certificate and  
29 held in the name of a custodian bank or the nominee of a  
30 custodian bank, a written agreement shall provide that  
31 certificates so deposited shall at all times be kept separate  
32 and apart from other deposits with the depository, so that at  
33 all times they may be identified as belonging solely to the  
34 association making the deposit.

35 (c) If a clearing corporation is to act as depository, the

1 investment may be merged or held in bulk in the name of the  
2 clearing corporation or its nominee with other investments  
3 deposited with the clearing corporation by any other person,  
4 if a written agreement between the clearing corporation and  
5 the association provides that adequate evidence of the deposit  
6 is to be obtained and retained by the association or a  
7 custodian bank.

8 (2) An association may loan stocks or obligations held by  
9 it under this chapter to a broker-dealer registered under the  
10 federal Securities Exchange Act of 1934 or to a member bank.  
11 The loan must be evidenced by a written agreement which  
12 provides all of the following:

13 (a) That the loan will be fully collateralized by cash or  
14 obligations issued or guaranteed by the United States or an  
15 agency or an instrumentality of the United States, and that  
16 the collateral will be adjusted as necessary each business day  
17 during the term of the loan to maintain the required  
18 collateralization in the event of market value changes in the  
19 loaned securities or collateral.

20 (b) That the loan may be terminated by the association at  
21 any time, and that the borrower will return the loaned stocks  
22 or obligations within five business days after termination.

23 (c) That the association has the right to retain the  
24 collateral or use the collateral to purchase investments  
25 equivalent to the loaned securities if the borrower defaults  
26 under the terms of the agreement, and that the borrower  
27 remains liable for any losses and expenses incurred by the  
28 association due to default that are not covered by the  
29 collateral.

30 (3) An association may participate through a member bank  
31 in the United States federal reserve book entry system, and  
32 the records of the member bank shall at all times show that  
33 the investments are held for the association or for specific  
34 accounts of the association.

35 (4) An investment may consist of an individual interest in

1 a pool of obligations or a fractional interest in a single  
2 obligation if the certificate of participation or interest or  
3 the confirmation of participation or interest in the  
4 investment is issued in the name of the association, the name  
5 of the custodian bank, or the nominee of either, and, if the  
6 interest as evidenced by the certificate or confirmation is,  
7 if held by a custodian bank, kept separate and apart from the  
8 investments of others so that at all times the participation  
9 may be identified as belonging solely to the association  
10 making the investment.

11 (5) Transfers of ownership of investments held as  
12 described in paragraph "a", subparagraph (1), subparagraph  
13 subdivision (c), and subparagraphs (3) and (4), may be  
14 evidenced by bookkeeping entry on the books of the issuer of  
15 the investment, its transfer or recording agent, or the  
16 clearing corporation without physical delivery of a  
17 certificate evidencing the associations's investment.

18 b. Except as provided in paragraph "a", subparagraph (5),  
19 if an investment is not evidenced by a certificate, adequate  
20 evidence of the association's investment shall be obtained  
21 from the issuer or its transfer or recording agent and  
22 retained by the association, a custodian bank, or clearing  
23 corporation. Adequate evidence, for purposes of this  
24 paragraph, means a written receipt or other verification  
25 issued by the depository or issuer or a custodian bank which  
26 shows that the investment is held for the association.

27 4. INVESTMENTS. Except as otherwise permitted by this  
28 section, an association organized under this chapter shall  
29 only invest in the following:

30 a. UNITED STATES GOVERNMENT OBLIGATIONS. Obligations  
31 issued or guaranteed by the United States or an agency or  
32 instrumentality of the United States.

33 b. CERTAIN DEVELOPMENT BANK OBLIGATIONS. Obligations  
34 issued or guaranteed by the international bank for  
35 reconstruction and development, the Asian development bank,

1 the inter-American development bank, the export-import bank,  
2 the world bank, or any United States government-sponsored  
3 organization of which the United States is a member, if the  
4 principal and interest is payable in United States dollars.  
5 An association shall not invest more than five percent of its  
6 total admitted assets in the obligations of any one of these  
7 banks or organizations, and shall not invest more than a total  
8 of ten percent of its total admitted assets in the obligations  
9 authorized by this paragraph.

10 c. STATE OBLIGATIONS. Obligations issued or guaranteed by  
11 a state, a political subdivision of a state, or an  
12 instrumentality of a state.

13 d. CANADIAN GOVERNMENT OBLIGATIONS. Obligations issued or  
14 guaranteed by Canada, by an agency or province of Canada, by a  
15 political subdivision of such province, or by an  
16 instrumentality of any of those provinces or political  
17 subdivisions.

18 e. CORPORATE AND BUSINESS TRUST OBLIGATIONS. Obligations  
19 issued, assumed, or guaranteed by a corporation or business  
20 trust organized under the laws of the United States or a  
21 state, or the laws of Canada or a province of Canada, provided  
22 that an association shall not invest more than five percent of  
23 its admitted assets in the obligations of any one corporation  
24 or business trust. Investments shall be made only in  
25 investment grade bonds.

26 f. STOCKS. Common stocks, common stock equivalents,  
27 mutual fund shares, securities convertible into common stocks  
28 or common stock equivalents, or preferred stocks issued or  
29 guaranteed by a corporation incorporated under the laws of the  
30 United States or a state, or the laws of Canada or a province  
31 of Canada. Aggregate investments in nondividend paying stocks  
32 shall not exceed five percent of surplus.

33 (1) Stocks purchased under this lettered paragraph shall  
34 not exceed fifty percent of surplus. With the approval of the  
35 commissioner, an association may invest any amount in common



1 stocks, preferred stocks, or other securities of one or more  
2 subsidiaries provided that after such investments the  
3 association's surplus as regards policyholders will be  
4 reasonable in relation to the association's outstanding  
5 liabilities and adequate to its financial needs.

6 (2) An association shall not invest more than ten percent  
7 of its surplus in the stocks of any one corporation.

8 g. HOME OFFICE REAL ESTATE. Funds may be invested in a  
9 home office building, at the direction of the board of  
10 directors and with the prior approval of the commissioner of  
11 insurance. An association shall not invest more than twenty-  
12 five percent of its total admitted assets in such real estate.  
13 With the prior approval of the commissioner, an association  
14 may exceed the real estate investment limitation to effectuate  
15 a merger with, or the acquisition of, another association.

16 Sec. 28. Section 518A.17, unnumbered paragraph 3, Code  
17 1995, is amended to read as follows:

18 Not less than fifty percent of such aggregate amount of  
19 assessments, and other sums paid by the members shall be  
20 returned to the members, either through the payment of losses  
21 or through discounts, credits, or dividends, to be credited on  
22 the assessments required for the current or succeeding year,  
23 or, at the discretion of the board of directors, may be set  
24 aside ~~in the emergency fund as defined in section 518A.12~~ as  
25 surplus to policyholders, but no sum less than forty percent  
26 of such aggregate assessments, and other sums paid by the  
27 members, shall be returned to the members through payment of  
28 such losses or through discounts, credits, or dividends during  
29 the current or succeeding year.

30 Sec. 29. NEW SECTION. 518A.44 LIMITATION ON RISKS.

31 An association shall not expose itself to loss on any one  
32 risk or hazard to an amount exceeding ten percent of its  
33 surplus to policyholders unless one of the following applies:

34 1. The excess is reinsured in some other good and reliable  
35 company licensed to sell insurance in this state.

1 2. The excess is reinsured by a group of incorporated or  
2 individual unincorporated insurers who are authorized to sell  
3 insurance in at least one state of the United States and who  
4 possess assets which are held in trust for the benefit of the  
5 American policyholders in the sum of not less than fifty  
6 million dollars, and a certificate of such reinsurance shall  
7 be furnished to the insured.

8 3. The excess is reinsured with a company which has, with  
9 respect to the ceding insurer, created a trust fund, made a  
10 deposit, or obtained letters of credit, on terms satisfactory  
11 to the commissioner.

12 Sec. 30. NEW SECTION. 518A.51 LOANS TO OFFICERS  
13 PROHIBITED.

14 Assets or other funds shall not be loaned directly or  
15 indirectly to an officer, director, or employee of the  
16 association, or directly or indirectly to a relative of an  
17 officer, director, or employee of the association.

18 Sec. 31. NEW SECTION. 518A.52 FORM -- APPROVAL.

19 The form of all policies, applications, agreements, and  
20 endorsements modifying the provisions of policies, and all  
21 permits and riders used in this state, issued or proposed to  
22 be issued by a mutual casualty assessment insurance  
23 association doing business in this state under the provisions  
24 of this chapter, shall first be examined and approved by the  
25 commissioner of insurance.

26 Sec. 32. NEW SECTION. 518A.53 FAILURE TO FILE COPY.

27 Upon the failure of a mutual casualty assessment insurance  
28 association to file a copy of its forms of policies or  
29 contracts pursuant to section 518A.52, the commissioner of  
30 insurance may suspend its authority to transact business  
31 within the state until such forms of policies or contracts  
32 have been filed and approved.

33 Sec. 33. NEW SECTION. 518A.54 DISAPPROVAL OF FILINGS.

34 If the commissioner finds that a filing does not meet the  
35 requirements of this chapter, written notice of disapproval

1 shall be sent to the mutual casualty assessment insurance  
2 association specifying in what respect the filing fails to  
3 meet the requirements of this chapter and stating that the  
4 filing is not effective. If a filing is disapproved by the  
5 commissioner, the association may request a hearing on the  
6 disapproval within thirty days. The association bears the  
7 burden of proving compliance with the standards established by  
8 this chapter.

9 If, at any time after a form has been approved, the  
10 commissioner finds that the form no longer meets the  
11 requirements of this chapter, the commissioner may order the  
12 discontinuance of the use of the form. The order of  
13 discontinuance shall be in writing and may be issued only  
14 after a hearing with at least ten days' prior notice to all  
15 mutual casualty assessment insurance associations affected by  
16 the order. The order shall state the grounds upon which the  
17 order is based and when the order of discontinuance is  
18 effective.

19 Sec. 34. NEW SECTION. 518A.55 CERTIFICATE REFUSED --  
20 ADMINISTRATIVE PENALTY.

21 The commissioner of insurance may suspend a mutual casualty  
22 assessment insurance association's certificate of authority to  
23 do business if the association neglects or fails to comply  
24 with this chapter. In addition, an association organized or  
25 authorized under this chapter which fails to file the annual  
26 statement referred to in section 518A.18 in the time required  
27 shall pay an administrative penalty in an amount of three  
28 hundred dollars to be collected in the name of the state for  
29 deposit in the general fund of the state. The commissioner  
30 may give notice to a mutual casualty assessment insurance  
31 association which has failed to file within the time required  
32 that the association is in violation of section 518A.18 and  
33 this section. If the association fails to file the statement  
34 within ten days of the date of the notice the association  
35 shall pay an additional sum of fifty dollars for each day the

1 failure continues, to be paid to the general fund of the  
2 state.

3 Sec. 35. Section 521.1, Code 1995, is amended to read as  
4 follows:

5 521.1 DEFINITIONS.

6 "Company" or "companies" when used in this chapter means a  
7 company or association organized under chapter 508, 511, 515,  
8 518, 518A, or 520~~,-except-county-mutuals.~~

9 Sec. 36. Section 521.2, Code 1995, is amended to read as  
10 follows:

11 521.2 LIFE COMPANIES -- CONSOLIDATION AND REINSURANCE.

12 No A company organized under the laws of this state to do  
13 the business of life insurance, either on the stock, mutual,  
14 stipulated premium, or assessment plan, shall not consolidate  
15 with any other company or reinsure its risks, or any part  
16 thereof of such risks, with any other company, or assume or  
17 reinsure the whole or any part of the risks of any other  
18 company, except as hereinafter provided~~,-provided-that-nothing~~  
19 contained in this chapter. However, this chapter shall not be  
20 construed to prevent any company, as defined in section 521.1,  
21 from reinsuring a fractional part of any single risk.

22 Sec. 37. NEW SECTION. 521.16 APPLICABILITY OF CHAPTER.

23 Chapter 521A is applicable to a merger or consolidation  
24 made pursuant to this chapter, and the provisions of chapter  
25 521A and this chapter shall apply exclusively with respect to  
26 such merger or consolidation.

27 Sec. 38. Section 521B.2, subsection 4, paragraph a, Code  
28 1995, is amended to read as follows:

29 a. Credit is allowed if the reinsurance is ceded to an  
30 assuming insurer which maintains a trust fund in a qualified  
31 United States financial institution, as defined in section  
32 521B.4, subsection 2, for the payment of the valid claims of  
33 its United States policyholders and ceding insurers, their  
34 assigns, and successors in interest. The assuming insurer  
35 shall report annually to the commissioner information

1 substantially the same as that required to be reported on the  
2 national association of insurance commissioners' annual  
3 statement form by licensed insurers to enable the commissioner  
4 to determine the sufficiency of the trust fund. In the case  
5 of a single assuming insurer, the trust shall consist of a  
6 trusted account representing the liabilities of the assuming  
7 insurer attributable to business written in the United States  
8 and, in addition, the assuming insurer shall maintain a  
9 trusted surplus of not less than twenty million dollars. In  
10 the case of a group ~~of~~ including individual unincorporated and  
11 incorporated underwriters, the trust shall consist of a  
12 trusted account representing the liabilities of the group  
13 attributable to business written in the United States and, in  
14 addition, the group shall maintain a trusted surplus of which  
15 one hundred million dollars shall be held jointly for the  
16 benefit of United States ceding insurers of any member of the  
17 group. The incorporated members of the group shall not engage  
18 in any business other than underwriting as a member of the  
19 group and shall be subject to the same level of solvency  
20 regulation and control by the group's domiciliary regulator as  
21 are the unincorporated members. The group shall make  
22 available to the commissioner an annual certification of the  
23 solvency of each underwriter by the group's domiciliary  
24 regulator and its independent public accountants.

25 Sec. 39. 1994 Iowa Acts, chapter 1072, section 9, is  
26 amended to read as follows:

27 SEC. 9. CREATION OF INSURANCE FRAUD BUREAU CONTINGENT UPON  
28 FUNDING. The creation of an insurance fraud bureau within the  
29 insurance division shall only be implemented, and sections  
30 507E.2, 507E.4, 507E.5, 507E.6, and 507E.8 of this Act shall  
31 only be effective, if the state receives a federal grant for  
32 its implementation and the general assembly appropriates  
33 matching funds from the general fund of the state for its  
34 implementation.

35 Sec. 40. Sections 518A.33, 518A.34, and 518A.42, Code

1 1995, are repealed.

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## HOUSE FILE 247

S-3366

1 Amend House File 247, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 5, by inserting after line 9 the  
4 following:

5 "Sec. \_\_\_\_ . NEW SECTION. 514C.8 COORDINATION OF  
6 HEALTH CARE BENEFITS WITH STATE MEDICAL ASSISTANCE.

7 1. An insurer, health maintenance organization, or  
8 hospital and medical service plan providing health  
9 care coverage to individuals in this state shall not  
10 consider the availability of or eligibility for  
11 medical assistance under Title XIX of the federal  
12 Social Security Act and chapter 249A, when determining  
13 eligibility of the individual for coverage or  
14 calculating payments to the individual under the  
15 health care coverage plan.

16 2. The state acquires the rights of an individual  
17 to payment from an insurer, health maintenance  
18 organization, or hospital or medical service plan to  
19 the extent payment for covered expenses is made  
20 pursuant to chapter 249A for health care items or  
21 services provided to the individual. Upon  
22 presentation of proof that payment was made pursuant  
23 to chapter 249A for covered expenses, the insurer,  
24 health maintenance organization, or hospital or  
25 medical service plan shall make payment to the state  
26 medical assistance program to the extent of the  
27 coverage provided in the policy or contract.

28 3. An insurer shall not impose requirements on the  
29 state with respect to the assignment of rights  
30 pursuant to this section that are different from the  
31 requirements applicable to an agent or assignee of a  
32 covered individual.

33 4. For purposes of this section, "insurer" means  
34 an entity which offers a health benefit plan,  
35 including a group health plan under the federal  
36 Employee Retirement Income Security Act of 1974.

37 Sec. \_\_\_\_ . NEW SECTION. 514C.9 MEDICAL SUPPORT --  
38 INSURANCE REQUIREMENTS.

39 1. An insurer shall not deny coverage or  
40 enrollment of a child under the health plan of the  
41 obligor upon any of the following grounds:

42 a. The child is born out of wedlock.

43 b. The child is not claimed as a dependent on the  
44 obligor's federal income tax return.

45 c. The child does not reside with the obligor or  
46 in the insurer's service area. This section shall not  
47 be construed to require a health maintenance  
48 organization regulated under chapter 514B to provide  
49 any services or benefits for treatment outside of the  
50 geographic area described in its certificate of

S-3366

S-3366

Page 2

1 authority which would not be provided to a member  
2 outside of that geographic area pursuant to the terms  
3 of the health maintenance organizations contract.

4 2. An insurer of an obligor providing health care  
5 coverage to the child for which the obligor is legally  
6 responsible to provide support shall do all of the  
7 following:

8 a. Provide information to the obligee or other  
9 legal custodian of the child as necessary for the  
10 child to obtain benefits through the coverage of the  
11 insurer.

12 b. Allow the obligee or other legal custodian of  
13 the child, or the provider with the approval of the  
14 obligee or other legal custodian of the child, to  
15 submit claims for covered services without the  
16 approval of the obligor.

17 c. Make payment on a claim submitted in paragraph  
18 "b" directly to the obligee or other legal custodian  
19 of the child, the provider, or the state medical  
20 assistance agency for claims submitted by the obligee  
21 or other legal custodian of the child, by the provider  
22 with the approval of the obligee or other legal  
23 custodian of the child, or by the state medical  
24 assistance agency.

25 3. If an obligor is required by a court order or  
26 administrative order to provide health coverage for a  
27 child and the obligor is eligible for dependent health  
28 coverage, the insurer shall do all of the following:

29 a. Allow the obligor to enroll under dependent  
30 coverage a child who is eligible for coverage pursuant  
31 to the applicable terms and conditions of the health  
32 benefit plan and the standard enrollment guidelines of  
33 the insurer without regard to an enrollment season  
34 restriction.

35 b. Enroll a child who is eligible for coverage  
36 under the applicable terms and conditions of the  
37 health benefit plan and the standard enrollment  
38 guidelines of the insurer, without regard to any time  
39 of enrollment restriction, under dependent coverage  
40 upon application by the obligee or other legal  
41 custodian of the child or by the department of human  
42 services in the event an obligor required by a court  
43 order or administrative order fails to apply for  
44 coverage for the child.

45 c. Maintain coverage and not cancel the child's  
46 enrollment unless the insurer obtains satisfactory  
47 written evidence of any of the following:

48 (1) The court order or administrative order is no  
49 longer in effect.

50 (2) The child is eligible for or will enroll in

S-3366



S-3366

Page 3

1 comparable health coverage through an insurer which  
2 shall take effect not later than the effective date of  
3 the cancellation of enrollment of the original  
4 coverage.

5 (3) The employer has eliminated dependent health  
6 coverage for its employees.

7 (4) The obligor is no longer paying the required  
8 premium because the employer no longer owes the  
9 obligor compensation, or because the obligor's  
10 employment has terminated and the obligor has not  
11 elected to continue coverage.

12 4. A group health plan shall establish reasonable  
13 procedures to determine whether a child is covered  
14 under a qualified medical child support order issued  
15 pursuant to chapter 252E. The procedures shall be in  
16 writing, provide for prompt notice of each person  
17 specified in the medical child support order as  
18 eligible to receive benefits under the group health  
19 plan upon receipt by the plan of the medical child  
20 support order, and allow an obligee or other legal  
21 custodian of the child under chapter 252E to designate  
22 a representative for receipt of copies of notices in  
23 regard to the medical child support order that are  
24 sent to the obligee or other legal custodian of the  
25 child and the department of human services' child  
26 support recovery unit.

27 5. For purposes of this section, unless the  
28 context otherwise requires:

29 a. "Child" means a person, other than an obligee's  
30 spouse or former spouse, who is recognized under a  
31 qualified medical child support order as having a  
32 right to enrollment under a group health plan as the  
33 obligor's dependent.

34 b. "Court order" or "administrative order" means a  
35 ruling by a court or administrative agency in regard  
36 to the support an obligor shall provide to the  
37 obligor's child.

38 c. "Insurer" means an entity which offers a health  
39 benefit plan.

40 d. "Obligee" means an obligee as defined in  
41 section 252E.1.

42 e. "Obligor" means an obligor as defined in  
43 section 252E.1.

44 f. "Qualified medical child support order" means a  
45 child support order which creates or recognizes a  
46 child's right to receive health benefits for which the  
47 child is eligible under a group health benefit plan,  
48 describes or determines the type of coverage to be  
49 provided, specifies the length of time for which the  
50 order applies, and specifies the plan to which the

S-3366

S-3366

Page 4

1 order applies.

2 Sec. \_\_\_\_ . NEW SECTION. 514C.10 COVERAGE FOR

3 ADOPTED CHILD.

4 1. DEFINITIONS. For purposes of this section,  
5 unless the context otherwise requires:

6 a. "Child" means, with respect to an adoption or a  
7 placement for adoption of a child, an individual who  
8 has not attained age eighteen as of the date of the  
9 issuance of a final adoption decree, or upon an  
10 interlocutory adoption decree becoming a final  
11 adoption decree, as provided in chapter 600, or as of  
12 the date of the placement for adoption.

13 b. "Placement for adoption" means the assumption  
14 and retention of a legal obligation for the total or  
15 partial support of the child in anticipation of the  
16 adoption of the child. The child's placement with a  
17 person terminates upon the termination of such legal  
18 obligation.

19 2. COVERAGE REQUIRED. A policy or contract  
20 providing for third-party payment or prepayment of  
21 health or medical expenses shall provide coverage  
22 benefits to a dependent child adopted by, or placed  
23 for adoption with, an insured or enrollee under the  
24 same terms and conditions as apply to a biological,  
25 dependent child of the insured or enrollee. The  
26 issuer of the policy or contract shall not restrict  
27 coverage under the policy or contract for a dependent  
28 child adopted by, or placed for adoption with, the  
29 insured or enrollee solely on the basis of a  
30 preexisting condition of such dependent child at the  
31 time that the child would otherwise become eligible  
32 for coverage under the plan, if the adoption or  
33 placement occurs while the insured or enrollee is  
34 eligible for coverage under the policy or contract.  
35 This section applies to the following classes of  
36 third-party payment provider contracts or policies  
37 delivered, issued for delivery, continued, or renewed  
38 in this state on or after July 1, 1995:

39 a. Individual or group accident and sickness  
40 insurance providing coverage on an expense-incurred  
41 basis.

42 b. An individual or group hospital or medical  
43 service contract issued pursuant to chapter 509, 514,  
44 or 514A.

45 c. An individual or group health maintenance  
46 organization contract regulated under chapter 514B.

47 d. An individual or group Medicare supplemental  
48 policy, unless coverage pursuant to such policy is  
49 preempted by federal law.

50 e. An organized delivery system licensed by the

S-3366

-4-

S-3366

Page 5

1 director of public health."  
2 2. Page 25, by striking lines 3 through 8 and  
3 inserting the following:  
4 "Sec. \_\_\_\_ . Section 521.1, Code 1995, is amended to  
5 read as follows:  
6 521.1 DEFINITIONS.  
7 "Company" or "companies" when used in this chapter  
8 means a company or association organized under chapter  
9 508, 511, 515, 518, 518A, or 520, ~~except-county~~  
10 ~~mutuals and includes a mutual insurance holding~~  
11 ~~company organized pursuant to section 521A.14."~~  
12 3. Page 25, by inserting after line 26 the  
13 following:  
14 "Sec. \_\_\_\_ . NEW SECTION. 521A.14 MUTUAL INSURANCE  
15 HOLDING COMPANIES.  
16 1. a. A domestic mutual insurance company upon  
17 approval of the commissioner, may reorganize by  
18 forming an insurance holding company based upon a  
19 mutual plan and continuing the corporate existence of  
20 the reorganizing insurance company as a stock  
21 insurance company. The commissioner, after a public  
22 hearing as provided in section 521A.3, subsection 4,  
23 paragraph "b", if satisfied that the interests of the  
24 policyholders are properly protected and that the plan  
25 of reorganization is fair and equitable to the  
26 policyholders, may approve the proposed plan of  
27 reorganization and may require as a condition of  
28 approval such modifications of the proposed plan of  
29 reorganization as the commissioner finds necessary for  
30 the protection of the policyholder's interests. The  
31 commissioner may retain consultants as provided in  
32 section 521A.3, subsection 4, paragraph "c". A  
33 reorganization pursuant to this section is subject to  
34 section 521A.3, subsections 1, 2, and 3. The  
35 commissioner shall retain jurisdiction over a mutual  
36 insurance holding company organized pursuant to this  
37 section to assure that policyholder interests are  
38 protected.  
39 b. All of the initial shares of the capital stock  
40 of the reorganized insurance company shall be issued  
41 to the mutual insurance holding company. The  
42 membership interests of the policyholders of the  
43 reorganized insurance company shall become membership  
44 interests in the mutual insurance holding company.  
45 Policyholders of the reorganized insurance company  
46 shall be members of the mutual insurance holding  
47 company in accordance with the articles of  
48 incorporation and bylaws of the mutual insurance  
49 holding company. The mutual insurance holding company  
50 shall at all times own a majority of the voting shares

S-3366

S-3366

Page 6

1 of the capital stock of the reorganized insurance  
2 company.

3 2. a. A domestic mutual insurance company, upon  
4 the approval of the commissioner, may reorganize by  
5 merging its policyholders membership interests into a  
6 mutual insurance holding company formed pursuant to  
7 subsection 1 and continuing the corporate existence of  
8 the reorganizing insurance company as a stock  
9 insurance company subsidiary of the mutual insurance  
10 holding company. The commissioner, after a public  
11 hearing as provided in section 521A.3, subsection 4,  
12 paragraph "b", if satisfied that the interest of the  
13 policyholders are properly protected and that the  
14 merger is fair and equitable to the policyholders, may  
15 approve the proposed merger and may require as a  
16 condition of approval such modifications of the  
17 proposed merger as the commissioner finds necessary  
18 for the protection of the policyholder's interests.  
19 The commissioner may retain consultants as provided in  
20 section 521A.3, subsection 4, paragraph "c". A merger  
21 pursuant to this section is subject to section 521A.3,  
22 subsections 1, 2, and 3. The commissioner shall  
23 retain jurisdiction over the mutual insurance holding  
24 company organized pursuant to this section to assure  
25 that policyholder interests are protected.

26 b. All of the initial shares of the capital stock  
27 of the reorganized insurance company shall be issued  
28 to the mutual insurance holding company. The  
29 membership interests of the policyholders of the  
30 reorganized insurance company shall become membership  
31 interests in the mutual insurance holding company.  
32 Policyholders of the reorganized insurance company  
33 shall be members of the mutual insurance holding  
34 company in accordance with the articles of  
35 incorporation and bylaws of the mutual insurance  
36 holding company. The mutual insurance holding company  
37 shall at all times own a majority of the voting shares  
38 of the capital stock of the reorganized insurance  
39 company. A merger of policyholder's membership  
40 interests in a mutual insurance company into a mutual  
41 insurance holding company shall be deemed to be a  
42 merger of insurance companies pursuant to chapter 521  
43 and chapter 521 is also applicable.

44 3. A mutual insurance holding company resulting  
45 from the reorganization of a domestic mutual insurance  
46 company organized under chapter 491 shall be  
47 incorporated pursuant to chapter 491. This  
48 requirement shall supersede any conflicting provisions  
49 of section 491.1. The articles of incorporation and  
50 any amendments to such articles of the mutual

S-3366

-6-

S-3366

Page 7

1 insurance holding company shall be subject to approval  
2 of the commissioner and the attorney general in the  
3 same manner as those of an insurance company.

4 4. A mutual insurance holding company is deemed to  
5 be an insurer subject to chapter 507C and shall  
6 automatically be a party to any proceeding under  
7 chapter 507C involving an insurance company which as a  
8 result of a reorganization pursuant to subsection 1 or  
9 2 is a subsidiary of the mutual insurance holding  
10 company. In any proceeding under chapter 507C  
11 involving the reorganized insurance company, the  
12 assets of the mutual insurance holding company are  
13 deemed to be assets of the estate of the reorganized  
14 insurance company for purposes of satisfying the  
15 claims of the reorganized insurance company's policy-  
16 holders. A mutual insurance holding company shall not  
17 dissolve or liquidate without the approval of the  
18 commissioner or as ordered by the district court  
19 pursuant to chapter 507C.

20 5. a. Chapters 508B and 515G are not applicable  
21 to a reorganization or merger pursuant to this  
22 section.

23 b. Chapter 508B is applicable to demutualization  
24 of a mutual insurance holding company which resulted  
25 from the reorganization of a domestic mutual life  
26 insurance company organized under chapter 508 as if it  
27 were a mutual life insurance company.

28 c. Chapter 515G is applicable to demutualization  
29 of a mutual insurance holding company which resulted  
30 from the reorganization of a domestic mutual property  
31 and casualty insurance company organized under chapter  
32 515 as if it were a mutual property and casualty  
33 insurance company.

34 6. A membership interest in a domestic mutual  
35 insurance holding company shall not constitute a  
36 security as defined in section 502.102."

37 4. Page 27, by inserting after line 1 the  
38 following:

39 "Sec. \_\_\_\_\_. The Code editor is directed to codify  
40 new section 521A.14, as enacted in this Act, as a  
41 separate division of chapter 521A."

42 5. Title page, line 4, by inserting after the  
43 word "contracts," the following: "providing for  
44 coordination of health care benefits with state  
45 medical assistance and for continuation of health care  
46 benefits pursuant to court-ordered medical child  
47 support and for coverage for an adopted child,".

48 6. Renumber as necessary.

By COMMITTEE ON COMMERCE  
PATRICK J. DELUHERY, Chairperson

S-3366 FILED APRIL 6, 1995

*Adopted (P. 1427)*  
*4-26-95*

HOUSE FILE 247

S-3405

- 1 Amend House File 247, as amended, passed, and
- 2 reprinted by the House, as follows:
- 3 1. Page 16, lines 2 and 3, by striking the words
- 4 "REFUSED -- ADMINISTRATIVE PENALTY" and inserting the
- 5 following: "SUSPENSION".
- 6 2. Page 16, by striking lines 7 through 20 and
- 7 inserting the following: "this chapter".
- 8 3. Page 24, lines 19 and 20, by striking the
- 9 words "REFUSED -- ADMINISTRATIVE PENALTY" and
- 10 inserting the following: "SUSPENSION".
- 11 4. By striking page 24, line 24, through page 25,
- 12 line 2, and inserting the following: "with this
- 13 chapter".
- 14 5. Title page, by striking line 4 and inserting
- 15 the following: "contracts."

By COMMITTEE ON WAYS AND MEANS  
WILLIAM D. PALMER, Chairperson

S-3405 FILED APRIL 12, 1995

*Adopted*  
4-26-95 (P. 1427)

HOUSE FILE 247

S-3448

1 Amend House File 247, as amended, passed, and  
2 reprinted by the House, as follows:  
3 1. Page 1, by inserting after line 5 the  
4 following:  
5 "Sec. \_\_\_\_ . NEW SECTION. 505.22 CERTAIN RELIGIOUS  
6 ORGANIZATION ACTIVITIES EXEMPT FROM REGULATION.  
7 A religious organization which, through its  
8 publication to subscribers, solicits funds for the  
9 payment of medical expenses of other subscribers,  
10 shall not be considered to be engaging in the business  
11 of insurance for purposes of this chapter or any other  
12 provision of Title XIII, and shall not be subject to  
13 the jurisdiction of the commissioner of insurance, if  
14 all of the following apply:  
15 1. The religious publication is provided by a  
16 nonprofit charitable organization described in section  
17 501(c)(3) of the Internal Revenue Code.  
18 2. Participation is limited to subscribers who are  
19 members of the same denomination or religion.  
20 3. The publication is registered with the United  
21 States postal service and acts as an organizational  
22 clearinghouse for information between subscribers who  
23 have financial, physical, or medical needs, and  
24 subscribers who choose to assist with those needs,  
25 matching subscribers with the present ability to pay  
26 with subscribers with a present financial or medical  
27 need.  
28 4. The organization, through its publication,  
29 provides for the payment for subscriber financial or  
30 medical needs through direct payments from one  
31 subscriber to another.  
32 5. The organization, through its publication,  
33 suggests amounts to contribute that are voluntary  
34 among the subscribers, with no assumption of risk or  
35 promise to pay either among the subscribers or between  
36 the subscribers and the publication."  
37 2. Renumber as necessary.

By BRAD BANKS  
BERL E. PRIEBE  
MERLIN E. BARTZ

*Adopted 4/26/95 (P. 1428)*

S-3448 FILED APRIL 17, 1995

HOUSE FILE 247

S-3503

1 Amend House File 247, as amended, passed, and  
2 reprinted by the House, as follows:  
3 1. Page 2, by inserting after line 2 the  
4 following:  
5 "Sec. \_\_\_\_ . Section 507B.4, subsection 7, Code  
6 1995, is amended by adding the following new  
7 paragraph:  
8 NEW PARAGRAPH. c. Making or permitting any  
9 discrimination in the sale of insurance solely on the  
10 basis of domestic abuse as defined in section 236.2."  
11 2. Renumber as necessary.

By MICHAEL E. GRONSTAL

S-3503 FILED APRIL 19, 1995

*Adopted  
4/26/95  
(P. 1429)*

S-3413

- 1 Amend House File 247, as amended, passed, and  
 2 reprinted by the House, as follows:  
 3 1. Page 1, by inserting before line 1 the  
 4 following:  
 5 "Sec. \_\_\_\_ . Section 87.4, Code 1995, is amended by  
 6 adding the following new unnumbered paragraph:  
 7 NEW UNNUMBERED PARAGRAPH. The workers'  
 8 compensation premium written on a municipality which  
 9 is a member of an insurance pool which provides  
 10 workers' compensation insurance coverage to a  
 11 statewide group of municipalities, as defined in  
 12 section 670.1, shall not be considered in the  
 13 determination of any assessments levied pursuant to an  
 14 agreement established under section 515A.15."  
 15 2. Page 8, by striking lines 6 through 18 and  
 16 inserting the following:  
 17 "Sec. \_\_\_\_ . Section 515A.15, Code 1995, is amended  
 18 to read as follows:  
 19 515A.15 ASSIGNED RISKS.  
 20 Agreements ~~may~~ shall be made among insurers with  
 21 respect to the equitable apportionment among them of  
 22 insurance which may be afforded applicants who are in  
 23 good faith entitled to but who are unable to procure  
 24 such insurance through ordinary methods and such  
 25 insurers may agree among themselves on the use of  
 26 reasonable rate modifications for such insurance, such  
 27 the agreements and rate modifications to be subject to  
 28 the approval of the commissioner.  
 29 For purposes of this section, "insurer" includes,  
 30 in addition to insurers defined pursuant to section  
 31 515A.2, a self-insurance association formed pursuant  
 32 to section 87.4 except for an association comprised of  
 33 cities or counties, or both, or an association  
 34 comprised of community colleges as defined in section  
 35 260C.2, which have entered into an agreement pursuant  
 36 to chapter 28E for the purpose of establishing a self-  
 37 insured program for the payment of workers'  
 38 compensation benefits."  
 39 3. By renumbering as necessary.

By MICHAEL GRONSTAL

S-3413 FILED APRIL 13, 1995

*adapted*  
4/26/95 (p. 1428)

S-3573

- 1 Amend the amendment, S-3413, to House File 247, as  
 2 amended, passed, and reprinted by the House, as  
 3 follows:  
 4 1. Page 1, line 31, by inserting after the word  
 5 "formed" the following: "on or after July 1, 1995,".  
 By STEWART IVERSON, Jr.

S-3573 FILED APRIL 25, 1995

*adopted*  
4/26/95 (p. 1427)



SENATE AMENDMENT TO HOUSE FILE 247

H-4102

1 Amend House File 247, as amended, passed, and  
2 reprinted by the House, as follows:

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

5 "Sec. \_\_\_\_\_. Section 87.4, Code 1995, is amended by  
6 adding the following new unnumbered paragraph:

7 NEW UNNUMBERED PARAGRAPH. The workers'  
8 compensation premium written on a municipality which  
9 is a member of an insurance pool which provides  
10 workers' compensation insurance coverage to a  
11 statewide group of municipalities, as defined in  
12 section 670.1, shall not be considered in the  
13 determination of any assessments levied pursuant to an  
14 agreement established under section 515A.15."

15 2. Page 1, by inserting after line 5 the  
16 following:

17 "Sec. \_\_\_\_\_. NEW SECTION. 505.22 CERTAIN RELIGIOUS  
18 ORGANIZATION ACTIVITIES EXEMPT FROM REGULATION.

19 A religious organization which, through its  
20 publication to subscribers, solicits funds for the  
21 payment of medical expenses of other subscribers,  
22 shall not be considered to be engaging in the business  
23 of insurance for purposes of this chapter or any other  
24 provision of Title XIII, and shall not be subject to  
25 the jurisdiction of the commissioner of insurance, if  
26 all of the following apply:

27 1. The religious publication is provided by a  
28 nonprofit charitable organization described in section  
29 501(c)(3) of the Internal Revenue Code.

30 2. Participation is limited to subscribers who are  
31 members of the same denomination or religion.

32 3. The publication is registered with the United  
33 States postal service and acts as an organizational  
34 clearinghouse for information between subscribers who  
35 have financial, physical, or medical needs, and  
36 subscribers who choose to assist with those needs,  
37 matching subscribers with the present ability to pay  
38 with subscribers with a present financial or medical  
39 need.

40 4. The organization, through its publication,  
41 provides for the payment for subscriber financial or  
42 medical needs through direct payments from one  
43 subscriber to another.

44 5. The organization, through its publication,  
45 suggests amounts to contribute that are voluntary  
46 among the subscribers, with no assumption of risk or  
47 promise to pay either among the subscribers or between  
48 the subscribers and the publication."

49 3. Page 2, by inserting after line 2 the  
50 following:

H-4102

Page 2

1 "Sec. \_\_\_\_ . Section 507B.4, subsection 7, Code  
2 1995, is amended by adding the following new  
3 paragraph:

4 NEW PARAGRAPH. c. Making or permitting any  
5 discrimination in the sale of insurance solely on the  
6 basis of domestic abuse as defined in section 236.2."

7 4. Page 5, by inserting after line 9 the  
8 following:

9 "Sec. \_\_\_\_ . NEW SECTION. 514C.8 COORDINATION OF  
10 HEALTH CARE BENEFITS WITH STATE MEDICAL ASSISTANCE.

11 1. An insurer, health maintenance organization, or  
12 hospital and medical service plan providing health  
13 care coverage to individuals in this state shall not  
14 consider the availability of or eligibility for  
15 medical assistance under Title XIX of the federal  
16 Social Security Act and chapter 249A, when determining  
17 eligibility of the individual for coverage or  
18 calculating payments to the individual under the  
19 health care coverage plan.

20 2. The state acquires the rights of an individual  
21 to payment from an insurer, health maintenance  
22 organization, or hospital or medical service plan to  
23 the extent payment for covered expenses is made  
24 pursuant to chapter 249A for health care items or  
25 services provided to the individual. Upon  
26 presentation of proof that payment was made pursuant  
27 to chapter 249A for covered expenses, the insurer,  
28 health maintenance organization, or hospital or  
29 medical service plan shall make payment to the state  
30 medical assistance program to the extent of the  
31 coverage provided in the policy or contract.

32 3. An insurer shall not impose requirements on the  
33 state with respect to the assignment of rights  
34 pursuant to this section that are different from the  
35 requirements applicable to an agent or assignee of a  
36 covered individual.

37 4. For purposes of this section, "insurer" means  
38 an entity which offers a health benefit plan,  
39 including a group health plan under the federal  
40 Employee Retirement Income Security Act of 1974.

41 Sec. \_\_\_\_ . NEW SECTION. 514C.9 MEDICAL SUPPORT --  
42 INSURANCE REQUIREMENTS.

43 1. An insurer shall not deny coverage or  
44 enrollment of a child under the health plan of the  
45 obligor upon any of the following grounds:

46 a. The child is born out of wedlock.

47 b. The child is not claimed as a dependent on the  
48 obligor's federal income tax return.

49 c. The child does not reside with the obligor or  
50 in the insurer's service area. This section shall not

H-4102

-2-

H-4102

Page 3

1 be construed to require a health maintenance  
2 organization regulated under chapter 514B to provide  
3 any services or benefits for treatment outside of the  
4 geographic area described in its certificate of  
5 authority which would not be provided to a member  
6 outside of that geographic area pursuant to the terms  
7 of the health maintenance organizations contract.

8 2. An insurer of an obligor providing health care  
9 coverage to the child for which the obligor is legally  
10 responsible to provide support shall do all of the  
11 following:

12 a. Provide information to the obligee or other  
13 legal custodian of the child as necessary for the  
14 child to obtain benefits through the coverage of the  
15 insurer.

16 b. Allow the obligee or other legal custodian of  
17 the child, or the provider with the approval of the  
18 obligee or other legal custodian of the child, to  
19 submit claims for covered services without the  
20 approval of the obligor.

21 c. Make payment on a claim submitted in paragraph  
22 "b" directly to the obligee or other legal custodian  
23 of the child, the provider, or the state medical  
24 assistance agency for claims submitted by the obligee  
25 or other legal custodian of the child, by the provider  
26 with the approval of the obligee or other legal  
27 custodian of the child, or by the state medical  
28 assistance agency.

29 3. If an obligor is required by a court order or  
30 administrative order to provide health coverage for a  
31 child and the obligor is eligible for dependent health  
32 coverage, the insurer shall do all of the following:

33 a. Allow the obligor to enroll under dependent  
34 coverage a child who is eligible for coverage pursuant  
35 to the applicable terms and conditions of the health  
36 benefit plan and the standard enrollment guidelines of  
37 the insurer without regard to an enrollment season  
38 restriction.

39 b. Enroll a child who is eligible for coverage  
40 under the applicable terms and conditions of the  
41 health benefit plan and the standard enrollment  
42 guidelines of the insurer, without regard to any time  
43 of enrollment restriction, under dependent coverage  
44 upon application by the obligee or other legal  
45 custodian of the child or by the department of human  
46 services in the event an obligor required by a court  
47 order or administrative order fails to apply for  
48 coverage for the child.

49 c. Maintain coverage and not cancel the child's  
50 enrollment unless the insurer obtains satisfactory

H-4102

-3-

H-4102

Page 4

1 written evidence of any of the following:

2 (1) The court order or administrative order is no  
3 longer in effect.

4 (2) The child is eligible for or will enroll in  
5 comparable health coverage through an insurer which  
6 shall take effect not later than the effective date of  
7 the cancellation of enrollment of the original  
8 coverage.

9 (3) The employer has eliminated dependent health  
10 coverage for its employees.

11 (4) The obligor is no longer paying the required  
12 premium because the employer no longer owes the  
13 obligor compensation, or because the obligor's  
14 employment has terminated and the obligor has not  
15 elected to continue coverage.

16 4. A group health plan shall establish reasonable  
17 procedures to determine whether a child is covered  
18 under a qualified medical child support order issued  
19 pursuant to chapter 252E. The procedures shall be in  
20 writing, provide for prompt notice of each person  
21 specified in the medical child support order as  
22 eligible to receive benefits under the group health  
23 plan upon receipt by the plan of the medical child  
24 support order, and allow an obligee or other legal  
25 custodian of the child under chapter 252E to designate  
26 a representative for receipt of copies of notices in  
27 regard to the medical child support order that are  
28 sent to the obligee or other legal custodian of the  
29 child and the department of human services' child  
30 support recovery unit.

31 5. For purposes of this section, unless the  
32 context otherwise requires:

33 a. "Child" means a person, other than an obligee's  
34 spouse or former spouse, who is recognized under a  
35 qualified medical child support order as having a  
36 right to enrollment under a group health plan as the  
37 obligor's dependent.

38 b. "Court order" or "administrative order" means a  
39 ruling by a court or administrative agency in regard  
40 to the support an obligor shall provide to the  
41 obligor's child.

42 c. "Insurer" means an entity which offers a health  
43 benefit plan.

44 d. "Obligee" means an obligee as defined in  
45 section 252E.1.

46 e. "Obligor" means an obligor as defined in  
47 section 252E.1.

48 f. "Qualified medical child support order" means a  
49 child support order which creates or recognizes a  
50 child's right to receive health benefits for which the

H-4102

H-4102

Page 5

1 child is eligible under a group health benefit plan,  
2 describes or determines the type of coverage to be  
3 provided, specifies the length of time for which the  
4 order applies, and specifies the plan to which the  
5 order applies.

6 Sec.     . NEW SECTION. 514C.10 COVERAGE FOR  
7 ADOPTED CHILD.

8 1. DEFINITIONS. For purposes of this section,  
9 unless the context otherwise requires:

10 a. "Child" means, with respect to an adoption or a  
11 placement for adoption of a child, an individual who  
12 has not attained age eighteen as of the date of the  
13 issuance of a final adoption decree, or upon an  
14 interlocutory adoption decree becoming a final  
15 adoption decree, as provided in chapter 600, or as of  
16 the date of the placement for adoption.

17 b. "Placement for adoption" means the assumption  
18 and retention of a legal obligation for the total or  
19 partial support of the child in anticipation of the  
20 adoption of the child. The child's placement with a  
21 person terminates upon the termination of such legal  
22 obligation.

23 2. COVERAGE REQUIRED. A policy or contract  
24 providing for third-party payment or prepayment of  
25 health or medical expenses shall provide coverage  
26 benefits to a dependent child adopted by, or placed  
27 for adoption with, an insured or enrollee under the  
28 same terms and conditions as apply to a biological,  
29 dependent child of the insured or enrollee. The  
30 issuer of the policy or contract shall not restrict  
31 coverage under the policy or contract for a dependent  
32 child adopted by, or placed for adoption with, the  
33 insured or enrollee solely on the basis of a  
34 preexisting condition of such dependent child at the  
35 time that the child would otherwise become eligible  
36 for coverage under the plan, if the adoption or  
37 placement occurs while the insured or enrollee is  
38 eligible for coverage under the policy or contract.  
39 This section applies to the following classes of  
40 third-party payment provider contracts or policies  
41 delivered, issued for delivery, continued, or renewed  
42 in this state on or after July 1, 1995:

43 a. Individual or group accident and sickness  
44 insurance providing coverage on an expense-incurred  
45 basis.

46 b. An individual or group hospital or medical  
47 service contract issued pursuant to chapter 509, 514,  
48 or 514A.

49 c. An individual or group health maintenance  
50 organization contract regulated under chapter 514B.

H-4102

-5-

H-4102

Page 6

1 d. An individual or group Medicare supplemental  
2 policy, unless coverage pursuant to such policy is  
3 preempted by federal law.

4 e. An organized delivery system licensed by the  
5 director of public health."

6 5. Page 8, by striking lines 6 through 18 and  
7 inserting the following:

8 "Sec. \_\_\_\_ . Section 515A.15, Code 1995, is amended  
9 to read as follows:

10 515A.15 ASSIGNED RISKS.

11 Agreements ~~may~~ shall be made among insurers with  
12 respect to the equitable apportionment among them of  
13 insurance which may be afforded applicants who are in  
14 good faith entitled to but who are unable to procure  
15 such insurance through ordinary methods and such  
16 insurers may agree among themselves on the use of  
17 reasonable rate modifications for such insurance, ~~such~~  
18 the agreements and rate modifications to be subject to  
19 the approval of the commissioner.

20 For purposes of this section, "insurer" includes,  
21 in addition to insurers defined pursuant to section  
22 515A.2, a self-insurance association formed on or  
23 after July 1, 1995, pursuant to section 87.4 except  
24 for an association comprised of cities or counties, or  
25 both, or an association comprised of community  
26 colleges as defined in section 260C.2, which have  
27 entered into an agreement pursuant to chapter 28E for  
28 the purpose of establishing a self-insured program for  
29 the payment of workers' compensation benefits."

30 6. Page 16, lines 2 and 3, by striking the words  
31 "REFUSED -- ADMINISTRATIVE PENALTY" and inserting the  
32 following: "SUSPENSION".

33 7. Page 16, by striking lines 7 through 20 and  
34 inserting the following: "this chapter".

35 8. Page 24, lines 19 and 20, by striking the  
36 words "REFUSED -- ADMINISTRATIVE PENALTY" and  
37 inserting the following: "SUSPENSION".

38 9. By striking page 24, line 24, through page 25,  
39 line 2, and inserting the following: "with this  
40 chapter".

41 10. Page 25, by striking lines 3 through 8 and  
42 inserting the following:

43 "Sec. \_\_\_\_ . Section 521.1, Code 1995, is amended to  
44 read as follows:

45 521.1 DEFINITIONS.

46 "Company" or "companies" when used in this chapter  
47 means a company or association organized under chapter  
48 508, 511, 515, 518, 518A, or 520, ~~except-county~~  
49 mutuals and includes a mutual insurance holding  
50 company organized pursuant to section 521A.14."

H-4102

-6-

H-4102

Page 7

1 11. Page 25, by inserting after line 26 the  
2 following:

3 "Sec. \_\_\_\_\_. NEW SECTION. 521A.14 MUTUAL INSURANCE  
4 HOLDING COMPANIES.

5 1. a. A domestic mutual insurance company upon  
6 approval of the commissioner, may reorganize by  
7 forming an insurance holding company based upon a  
8 mutual plan and continuing the corporate existence of  
9 the reorganizing insurance company as a stock  
10 insurance company. The commissioner, after a public  
11 hearing as provided in section 521A.3, subsection 4,  
12 paragraph "b", if satisfied that the interests of the  
13 policyholders are properly protected and that the plan  
14 of reorganization is fair and equitable to the  
15 policyholders, may approve the proposed plan of  
16 reorganization and may require as a condition of  
17 approval such modifications of the proposed plan of  
18 reorganization as the commissioner finds necessary for  
19 the protection of the policyholder's interests. The  
20 commissioner may retain consultants as provided in  
21 section 521A.3, subsection 4, paragraph "c". A  
22 reorganization pursuant to this section is subject to  
23 section 521A.3, subsections 1, 2, and 3. The  
24 commissioner shall retain jurisdiction over a mutual  
25 insurance holding company organized pursuant to this  
26 section to assure that policyholder interests are  
27 protected.

28 b. All of the initial shares of the capital stock  
29 of the reorganized insurance company shall be issued  
30 to the mutual insurance holding company. The  
31 membership interests of the policyholders of the  
32 reorganized insurance company shall become membership  
33 interests in the mutual insurance holding company.  
34 Policyholders of the reorganized insurance company  
35 shall be members of the mutual insurance holding  
36 company in accordance with the articles of  
37 incorporation and bylaws of the mutual insurance  
38 holding company. The mutual insurance holding company  
39 shall at all times own a majority of the voting shares  
40 of the capital stock of the reorganized insurance  
41 company.

42 2. a. A domestic mutual insurance company, upon  
43 the approval of the commissioner, may reorganize by  
44 merging its policyholders membership interests into a  
45 mutual insurance holding company formed pursuant to  
46 subsection 1 and continuing the corporate existence of  
47 the reorganizing insurance company as a stock  
48 insurance company subsidiary of the mutual insurance  
49 holding company. The commissioner, after a public  
50 hearing as provided in section 521A.3, subsection 4,

H-4102

-7-

H-4102

Page 8

1 paragraph "b", if satisfied that the interest of the  
2 policyholders are properly protected and that the  
3 merger is fair and equitable to the policyholders, may  
4 approve the proposed merger and may require as a  
5 condition of approval such modifications of the  
6 proposed merger as the commissioner finds necessary  
7 for the protection of the policyholder's interests.  
8 The commissioner may retain consultants as provided in  
9 section 521A.3, subsection 4, paragraph "c". A merger  
10 pursuant to this section is subject to section 521A.3,  
11 subsections 1, 2, and 3. The commissioner shall  
12 retain jurisdiction over the mutual insurance holding  
13 company organized pursuant to this section to assure  
14 that policyholder interests are protected.

15 b. All of the initial shares of the capital stock  
16 of the reorganized insurance company shall be issued  
17 to the mutual insurance holding company. The  
18 membership interests of the policyholders of the  
19 reorganized insurance company shall become membership  
20 interests in the mutual insurance holding company.  
21 Policyholders of the reorganized insurance company  
22 shall be members of the mutual insurance holding  
23 company in accordance with the articles of  
24 incorporation and bylaws of the mutual insurance  
25 holding company. The mutual insurance holding company  
26 shall at all times own a majority of the voting shares  
27 of the capital stock of the reorganized insurance  
28 company. A merger of policyholder's membership  
29 interests in a mutual insurance company into a mutual  
30 insurance holding company shall be deemed to be a  
31 merger of insurance companies pursuant to chapter 521  
32 and chapter 521 is also applicable.

33 3. A mutual insurance holding company resulting  
34 from the reorganization of a domestic mutual insurance  
35 company organized under chapter 491 shall be  
36 incorporated pursuant to chapter 491. This  
37 requirement shall supersede any conflicting provisions  
38 of section 491.1. The articles of incorporation and  
39 any amendments to such articles of the mutual  
40 insurance holding company shall be subject to approval  
41 of the commissioner and the attorney general in the  
42 same manner as those of an insurance company.

43 4. A mutual insurance holding company is deemed to  
44 be an insurer subject to chapter 507C and shall  
45 automatically be a party to any proceeding under  
46 chapter 507C involving an insurance company which as a  
47 result of a reorganization pursuant to subsection 1 or  
48 2 is a subsidiary of the mutual insurance holding  
49 company. In any proceeding under chapter 507C  
50 involving the reorganized insurance company, the

H-4102

-8-



H-4102

Page 9

1 assets of the mutual insurance holding company are  
2 deemed to be assets of the estate of the reorganized  
3 insurance company for purposes of satisfying the  
4 claims of the reorganized insurance company's policy-  
5 holders. A mutual insurance holding company shall not  
6 dissolve or liquidate without the approval of the  
7 commissioner or as ordered by the district court  
8 pursuant to chapter 507C.

9 5. a. Chapters 508B and 515G are not applicable  
10 to a reorganization or merger pursuant to this  
11 section.

12 b. Chapter 508B is applicable to demutualization  
13 of a mutual insurance holding company which resulted  
14 from the reorganization of a domestic mutual life  
15 insurance company organized under chapter 508 as if it  
16 were a mutual life insurance company.

17 c. Chapter 515G is applicable to demutualization  
18 of a mutual insurance holding company which resulted  
19 from the reorganization of a domestic mutual property  
20 and casualty insurance company organized under chapter  
21 515 as if it were a mutual property and casualty  
22 insurance company.

23 6. A membership interest in a domestic mutual  
24 insurance holding company shall not constitute a  
25 security as defined in section 502.102."

26 12. Page 27, by inserting after line 1 the  
27 following:

28 "Sec. \_\_\_\_\_. The Code editor is directed to codify  
29 new section 521A.14, as enacted in this Act, as a  
30 separate division of chapter 521A."

31 13. Title page, by striking line 4 and inserting  
32 the following: "contracts, providing for coordination  
33 of health care benefits with state medical assistance  
34 and for continuation of health care benefits pursuant  
35 to court-ordered medical child support and for  
36 coverage for an adopted child,".

37 14. By renumbering, relettering, or redesignating  
38 and correcting internal references as necessary.

RECEIVED FROM THE SENATE

H-4102 FILED APRIL 26, 1995

*House Counsel*

4/26/95

(P. 1964)

HOUSE FILE 247

H-4113

- 1 Amend the Senate amendment, H-4102, to House File
- 2 247, as amended, passed, and reprinted by the House,
- 3 as follows:
- 4 1. Page 1, by striking lines 15 through 48.
- 5 2. By renumbering as necessary.

H-4113 FILED APRIL 26, 1995 By SHOULTZ of Black Hawk

*Last*

*4/26/95 (p. 1964)*

Halvorson, Chair  
Jacobs  
Lamberti  
Holveck  
Doderer

COMMERCE - REGULATION  
SUCCESSOR BY  
CE/UE  
SENATE/HOUSE FILE 247  
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 the  
2 authority of the insurance division to regulate certain  
3 policies and contracts and parties to such policies and  
4 contracts, establishing fees, and providing civil penalties.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 144C.4, Code 1995, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 1A. The commissioner or the  
4 commissioner's designee shall serve as an ex officio,  
5 nonvoting member of the board.

6 Sec. 2. Section 507.2, subsection 3, Code 1995, is amended  
7 to read as follows:

8 3. In lieu of an examination under this chapter of any  
9 foreign or alien insurer licensed in this state, the  
10 commissioner may accept an examination report on the company  
11 as prepared by the regulatory authority for insurance for the  
12 company's state of domicile or port-of-entry state until  
13 ~~January 17, 1994. Thereafter, such reports shall only be~~  
14 ~~accepted if the regulatory authority was at the time of the~~  
15 ~~examination accredited under the national association of~~  
16 ~~insurance commissioners' financial regulation standards and~~  
17 ~~accreditation program or the examination is performed under~~  
18 ~~the supervision of an accredited regulatory authority or with~~  
19 ~~the participation of one or more examiners who are employed by~~  
20 ~~the accredited state and who, after a review of the~~  
21 ~~examination work papers and report, state under oath that the~~  
22 ~~examination was performed in a manner consistent with~~  
23 ~~standards and procedures required by their insurance~~  
24 ~~department.~~

25 Sec. 3. Section 507A.10, Code 1995, is amended to read as  
26 follows:

27 507A.10 CEASE AND DESIST ORDER -- CIVIL PENALTY.

28 The commissioner Upon a determination by the commissioner,  
29 after a hearing conducted pursuant to chapter 17A, that a  
30 person or insurer has violated a provision of this chapter,  
31 the commissioner shall reduce the findings of the hearing to  
32 writing and deliver a copy of the findings to the person or  
33 insurer, may issue an order requiring the person or insurer to  
34 cease and desist from engaging in the conduct resulting in the  
35 violation, and may assess a civil penalty of not more than

1 fifty thousand dollars against a the person or insurer ~~who has~~  
2 ~~violated a provision of this chapter.~~

3 Sec. 4. Section 508.5, Code 1995, is amended to read as  
4 follows:

5 508.5 CAPITAL AND SURPLUS REQUIRED.

6 A stock life insurance company shall not be authorized to  
7 transact business under this chapter with less than two  
8 million five hundred thousand dollars capital stock fully paid  
9 for in cash and two million five hundred thousand dollars of  
10 surplus paid in cash or invested as provided by law. A stock  
11 life insurance company shall not increase its capital stock  
12 unless the amount of the increase is fully paid in cash. The  
13 stock shall be divided into shares of not less than one dollar  
14 par value each. A stock life insurance company authorized to  
15 do business in Iowa that undergoes a change of control as  
16 regulated under chapter 521A shall maintain the minimum  
17 capital and surplus requirements mandated by this section.

18 Sec. 5. Section 508.9, Code 1995, is amended to read as  
19 follows:

20 508.9 MUTUAL COMPANIES -- CONDITIONS.

21 Level premium and natural premium life insurance companies  
22 organized under the laws of this state upon the mutual plan  
23 shall, before issuing policies, have actual applications on at  
24 least two hundred and fifty lives for an average amount of one  
25 thousand dollars each. A list of the applications giving the  
26 name, age, residence, amount of insurance, and annual premium  
27 of each applicant shall be filed with the commissioner of  
28 insurance, and a deposit made with the commissioner of an  
29 amount equal to three-fifths of the whole annual premium on  
30 the applications, in cash or the securities required by  
31 section 508.5. In addition, a deposit of cash or securities  
32 of the character provided by law for the investment of funds  
33 for life insurance companies in the sum of five million  
34 dollars shall be made with the commissioner, which shall  
35 constitute a security fund for the protection of

1 policyholders. The contribution to the security fund shall  
2 not give to contributors to the fund or to other persons any  
3 voting or other power in the management of the affairs of the  
4 company. The security fund may be repaid to the contributors  
5 to the security fund with interest at six percent from the  
6 date of contribution, at any time, in whole or in part, if the  
7 repayment does not reduce the surplus of the company below the  
8 amount of five million dollars and then only if consent in  
9 writing for the repayment is obtained from the commissioner of  
10 insurance. Upon compliance with this section, the  
11 commissioner shall issue to the mutual company the certificate  
12 prescribed in this chapter. A mutual insurance company  
13 authorized to do business in Iowa that undergoes a change of  
14 control as defined in chapter 521A shall maintain the minimum  
15 surplus requirement mandated by this section.

16 Sec. 6. Section 513B.2, subsection 10, paragraph b, Code  
17 1995, is amended to read as follows:

18 b. "Health benefit plan" does not include accident-only,  
19 credit, dental, Medicare supplement, long-term care, or  
20 disability income insurance, coverage issued as a supplement  
21 to liability insurance, workers' compensation or similar  
22 insurance, or automobile medical-payment insurance.

23 Sec. 7. Section 514B.17, Code 1995, is amended to read as  
24 follows:

25 514B.17 CANCELLATION OF ENROLLEES.

26 1. An enrollee enrolled in a prepaid individual plan shall  
27 not be canceled except for the failure to pay the charges  
28 permitted under section 514B.10 or for other reasons stated in  
29 the rules ~~promulgated~~ adopted by the commissioner and subject  
30 to review in accordance with chapter 17A. No Except as  
31 provided in subsection 2 concerning prepaid group plans,  
32 notice of cancellation to an enrollee shall not be effective  
33 unless delivered to the enrollee by the health maintenance  
34 organization in a manner prescribed by the commissioner and at  
35 least thirty days before the effective date of cancellation

1 and unless accompanied by a statement of reason for  
2 cancellation. At any time before cancellation of the policy  
3 for nonpayment, the enrollee may pay to the health maintenance  
4 organization the full amount due, including court costs if  
5 any, and from the date of payment by the enrollee or the  
6 collection of the judgment, coverage shall revive and be in  
7 full force and effect.

8 2. The effect of cancellation of a prepaid group plan  
9 providing health care services to enrollees, and the duty to  
10 provide notice and liability for benefits, is the same as  
11 provided under section 509B.5, subsection 2, for the  
12 termination of accident or health insurance for employees or  
13 members.

14 Sec. 8. Section 514C.2, Code 1995, is amended to read as  
15 follows:

16 514C.2 SKILLED NURSING CARE COVERED IN HOSPITALS.

17 An insurer, a hospital service corporation, or a medical  
18 service corporation, which covers the costs of skilled nursing  
19 care under an individual or group policy of accident and  
20 health insurance regulated under chapter 509 or 514A, ~~or under~~  
21 a nonprofit hospital or medical and surgical service plan  
22 regulated under chapter 514, or a health care service contract  
23 regulated under chapter 514B, shall also cover the costs of  
24 skilled nursing care in a hospital if the level of care needed  
25 by the insured or subscriber has been reclassified from acute  
26 care to skilled nursing care and no designated skilled nursing  
27 care beds or swing beds are available in the hospital or in  
28 another hospital or health care facility within a thirty-mile  
29 radius of the hospital. The insurer or corporation shall  
30 reimburse the insured or subscriber based on the skilled  
31 nursing care rate.

32 Sec. 9. Section 514G.7, subsection 3, paragraphs a and b,  
33 Code 1995, are amended by striking the paragraphs and  
34 inserting in lieu thereof the following:

35 a. A long-term care insurance policy or certificate shall

1 not use a definition of preexisting condition which is more  
2 restrictive than the following: "Preexisting condition" means  
3 the existence of symptoms which would cause an ordinarily  
4 prudent person to seek diagnosis, care, or treatment, or a  
5 condition for which medical advice or treatment was  
6 recommended by or received from a provider of health care  
7 services within six months preceding the effective date of  
8 coverage of an insured person.

9 b. A long-term care insurance policy shall not exclude  
10 coverage for a loss or confinement which is the result of a  
11 preexisting condition unless the loss or confinement begins  
12 within six months following the effective date of coverage of  
13 an insured person.

14 Sec. 10. Section 514G.7, subsection 3, paragraph c, Code  
15 1995, is amended by striking the paragraph.

16 Sec. 11. Section 514G.7, subsection 6, Code 1995, is  
17 amended by striking the subsection and inserting in lieu  
18 thereof the following:

19 6. RIGHT TO RETURN AFTER EXAMINATION. An individual long-  
20 term care insurance policyholder has the right to return the  
21 policy within thirty days of its delivery and to have the  
22 premium refunded if, after examination, the insured person is  
23 not satisfied for any reason. Long-term care insurance  
24 policies must have a notice prominently printed on the first  
25 page or attached to the first page stating in substance that  
26 the policyholder has the right to return the policy within  
27 thirty days of its delivery and to have the premium refunded  
28 as provided in this subsection.

29 Sec. 12. Section 515.8, Code 1995, is amended to read as  
30 follows:

31 515.8 PAID-UP CAPITAL REQUIRED.

32 An insurance company other than a life insurance company  
33 shall not be incorporated to transact business upon the stock  
34 plan with less than two million five hundred thousand dollars  
35 capital, the entire amount of which shall be fully paid up in



1 cash and invested as provided by law. An insurance company  
2 other than a life insurance company shall not increase its  
3 capital stock unless the amount of the increase is fully paid  
4 up in cash. The stock shall be divided into shares of not  
5 less than one dollar each. An insurance company authorized to  
6 do business in Iowa that undergoes a change of control as  
7 regulated under chapter 521A shall maintain the minimum  
8 capital requirements mandated by this section.

9 Sec. 13. Section 515.10, Code 1995, is amended to read as  
10 follows:

11 515.10 SURPLUS REQUIRED.

12 An insurance company other than a life insurance company  
13 shall have, in addition to the required paid-up capital, a  
14 surplus in cash or invested in securities authorized by law of  
15 not less than two million five hundred thousand dollars. An  
16 insurance company authorized to do business in Iowa that  
17 undergoes a change of control as regulated under chapter 521A  
18 shall maintain the minimum surplus requirements mandated by  
19 this section.

20 Sec. 14. Section 515.12, subsection 5, Code 1995, is  
21 amended to read as follows:

22 5. The mutual company shall have in cash or in securities  
23 in which insurance companies are authorized to invest, surplus  
24 in an amount not less than five million dollars. The surplus  
25 so required may be advanced in accordance with section 515.19.  
26 A mutual company authorized to do business in Iowa that  
27 undergoes a change of control as regulated under chapter 521A  
28 shall maintain the minimum surplus requirements mandated by  
29 this section.

30 However, the surplus requirements do not apply to a company  
31 which establishes and maintains a guaranty fund as provided by  
32 section 515.20.

33 Sec. 15. Section 515.94, Code 1995, is amended to read as  
34 follows:

35 515.94 COPY OF APPLICATION -- DUTY TO ATTACH.

1 All insurance companies or associations shall, upon the  
2 issue or renewal of any policy, ~~attach-to-such-policy,-or~~  
3 ~~endorse-thereon~~ provide to the insured, a true copy of any  
4 application or representation of the assured insured which, by  
5 the terms of such policy, is made a part thereof of the  
6 policy, or of the contract of insurance, or referred to  
7 therein in the contract of insurance, or which may in any  
8 manner affect the validity of such policy.

9 Sec. 16. Section 515.109, Code 1995, is amended to read as  
10 follows:

11 515.109 FORMS OF POLICIES AND ENDORSEMENTS -- APPROVAL.

12 1. The form of all policies, and of applications, and of  
13 agreements or endorsements modifying the provisions of  
14 policies, and of all permits and riders used generally  
15 throughout the state, issued or proposed to be issued by any  
16 insurance company doing business in this state under the  
17 provisions of this chapter, shall first be examined and  
18 approved by the commissioner of insurance.

19 2. The commissioner, upon a determination that the  
20 examination required under subsection 1 is unnecessary to  
21 achieve the purposes of this section, may exempt either of the  
22 following:

23 a. Any specified person by order, or any class of persons  
24 by rule.

25 b. Any specified risk by order, or any line or kind or  
26 insurance or subdivision of insurance or any class of risk or  
27 combination of classes of risks by rule.

28 Sec. 17. Section 515A.15, Code 1995, is amended by  
29 striking the section and inserting in lieu thereof the  
30 following:

31 515A.15 ASSIGNED RISKS.

32 All insurers shall participate in a residual market  
33 mechanism. Insurers shall enter into agreements among  
34 themselves with respect to the equitable apportionment among  
35 themselves of insurance which may be afforded to applicants

1 who are in good faith entitled to, but who are unable to  
2 procure, such insurance through ordinary methods. If an  
3 agreement cannot be reached among the insurers, the  
4 commissioner, by rule, shall establish the terms so that an  
5 equitable apportionment among all insurers is accomplished.

6 Sec. 18. Section 515.F.5, subsection 4, Code 1995, is  
7 amended to read as follows:

8 4. Under rules adopted under chapter 17A, the commissioner  
9 may, by written order, suspend or modify the requirement of  
10 filing as to any kind of insurance, or subdivision or  
11 combination of insurance, or as to classes of risks, which are  
12 unnecessary to achieve the purposes of this chapter and the  
13 rates for which cannot practicably be filed before they are  
14 used. The commissioner may make an examination as the  
15 commissioner deems advisable to ascertain whether rates  
16 affected by the order meet the standards set forth in section  
17 515F.4.

18 Sec. 19. Section 518.14, Code 1995, is amended by striking  
19 the section and inserting in lieu thereof the following:

20 518.14 INVESTMENTS.

21 1. GENERAL CONSIDERATIONS. The following considerations  
22 apply in the interpretation of this section:

23 a. This section applies to the investments of county  
24 mutual insurance associations.

25 b. The purpose of this section is to protect and further  
26 the interests of policyholders, claimants, creditors, and the  
27 public by providing standards for the development and  
28 administration of programs for the investment of the assets of  
29 associations organized under this chapter. These standards,  
30 and the investment programs developed by associations, shall  
31 take into account the safety of the association's principal,  
32 investment yield and growth, stability in the value of the  
33 investment, and liquidity necessary to meet the association's  
34 expected business needs, and investment diversification.

35 All investments made pursuant to this section shall have

1 investment qualities and characteristics such that the  
2 speculative elements of the investments are not predominant.

3 c. Financial terms relating to county mutual insurance  
4 associations have the meanings assigned to them under  
5 statutory accounting methods. Financial terms relating to  
6 companies or associations other than county mutual insurance  
7 associations have the meanings assigned to them under  
8 generally accepted accounting principles.

9 d. Investments shall be valued in accordance with the  
10 valuation procedures established by the national association  
11 of insurance commissioners, unless the commissioner requires  
12 or finds another method of valuation reasonable under the  
13 circumstances.

14 e. If an investment qualifies under more than one  
15 subsection, an association may elect to hold the investment  
16 under the subsection of its choice. This section does not  
17 prevent an association from electing to hold an investment  
18 under a subsection different from the one under which it  
19 previously held the investment.

20 2. DEFINITIONS. For purposes of this section:

21 a. "Admitted assets", for purposes of computing percentage  
22 limitations on particular types of investments, means the  
23 assets which are authorized to be shown on the commissioner's  
24 annual statement blank as admitted assets as of the December  
25 31 immediately preceding the date the association acquires the  
26 investment.

27 b. "Clearing corporation" means as defined in section  
28 554.8102.

29 c. "Custodian bank" means as defined in section 554.8102.

30 d. "Issuer" means as defined in section 554.8201.

31 e. "Member bank" means a national bank, state bank, or  
32 trust company which is a member of the United States federal  
33 reserve system.

34 f. "National securities exchange" means an exchange  
35 registered under section 6 of the federal Securities Exchange

1 Act of 1934 or an exchange regulated under the laws of Canada.

2 g. "Obligations" includes bonds, notes, debentures,  
3 transportation equipment certificates, domestic repurchase  
4 agreements, and obligations for the payment of money not in  
5 default as to payments of principal and interest on the date  
6 of investment, which constitute general obligations of the  
7 issuer or payable only out of certain revenues or certain  
8 funds pledged or otherwise dedicated for payment of principal  
9 and interest on the obligations. A lease is an obligation if  
10 the lease is assigned to the insurer and is nonterminable by  
11 the lessee upon foreclosure of any lien upon the leased  
12 property, and if rental payments are sufficient to amortize  
13 the investment over the primary lease term.

14 3. INVESTMENTS IN NAME OF ASSOCIATION OR NOMINEE AND  
15 PROHIBITIONS.

16 a. An association's investments shall be held in its own  
17 name or the name of its nominee, except as follows:

18 (1) Investments may be held in the name of a clearing  
19 corporation or of a custodian bank or in the name of the  
20 nominee of either on the following conditions:

21 (a) The clearing corporation, custodian bank, or nominee  
22 must be legally authorized to hold the particular investment  
23 for the account of others.

24 (b) When the investment is evidenced by a certificate and  
25 held in the name of a custodian bank or the nominee of a  
26 custodian bank, a written agreement shall provide that  
27 certificates so deposited shall at all times be kept separate  
28 and apart from other deposits with the depository, so that at  
29 all times they may be identified as belonging solely to the  
30 association making the deposit.

31 (c) If a clearing corporation is to act as depository, the  
32 investment may be merged or held in bulk in the name of the  
33 clearing corporation or its nominee with other investments  
34 deposited with the clearing corporation by any other person,  
35 if a written agreement between the clearing corporation and

1 the association provides that adequate evidence of the deposit  
2 is to be obtained and retained by the association or a  
3 custodian bank.

4 (2) An association may loan stocks or obligations held by  
5 it under this chapter to a broker-dealer registered under the  
6 federal Securities Exchange Act of 1934 or to a member bank.

7 The loan must be evidenced by a written agreement which  
8 provides all of the following:

9 (a) That the loan will be fully collateralized by cash or  
10 obligations issued or guaranteed by the United States or an  
11 agency or an instrumentality of the United States, and that  
12 the collateral will be adjusted as necessary each business day  
13 during the term of the loan to maintain the required  
14 collateralization in the event of market value changes in the  
15 loaned securities or collateral.

16 (b) That the loan may be terminated by the association at  
17 any time, and that the borrower will return the loaned stocks  
18 or obligations within five business days after termination.

19 (c) That the association has the right to retain the  
20 collateral or use the collateral to purchase investments  
21 equivalent to the loaned securities if the borrower defaults  
22 under the terms of the agreement, and that the borrower  
23 remains liable for any losses and expenses incurred by the  
24 association due to default that are not covered by the  
25 collateral.

26 (3) An association may participate through a member bank  
27 in the United States federal reserve book entry system, and  
28 the records of the member bank shall at all times show that  
29 the investments are held for the association or for specific  
30 accounts of the association.

31 (4) An investment may consist of an individual interest in  
32 a pool of obligations or a fractional interest in a single  
33 obligation if the certificate of participation or interest or  
34 the confirmation of participation or interest in the  
35 investment is issued in the name of the association, the name

1 of the custodian bank, or the nominee of either, and, if the  
2 interest as evidenced by the certificate or confirmation is,  
3 if held by a custodian bank, kept separate and apart from the  
4 investments of others so that at all times the participation  
5 may be identified as belonging solely to the association  
6 making the investment.

7 (5) Transfers of ownership of investments held as  
8 described in paragraph "a", subparagraph (1), subparagraph  
9 subdivision (c), and subparagraphs (3) and (4), may be  
10 evidenced by bookkeeping entry on the books of the issuer of  
11 the investment, its transfer or recording agent, or the  
12 clearing corporation without physical delivery of a  
13 certificate evidencing the associations's investment.

14 b. Except as provided in paragraph "a", subparagraph (5),  
15 if an investment is not evidenced by a certificate, adequate  
16 evidence of the association's investment shall be obtained  
17 from the issuer or its transfer or recording agent and  
18 retained by the association, a custodian bank, or clearing  
19 corporation. Adequate evidence, for purposes of this  
20 paragraph, means a written receipt or other verification  
21 issued by the depository or issuer or a custodian bank which  
22 shows that the investment is held for the association.

23 4. INVESTMENTS. Except as otherwise permitted by this  
24 section, an association organized under this chapter shall  
25 only invest in the following:

26 a. UNITED STATES GOVERNMENT OBLIGATIONS. Obligations  
27 issued or guaranteed by the United States or an agency or  
28 instrumentality of the United States.

29 b. CERTAIN DEVELOPMENT BANK OBLIGATIONS. Obligations  
30 issued or guaranteed by the international bank for  
31 reconstruction and development, the Asian development bank,  
32 the inter-American development bank, the export-import bank,  
33 the world bank, or any United States government-sponsored  
34 organization of which the United States is a member, if the  
35 principal and interest is payable in United States dollars.

1 An association shall not invest more than five percent of its  
2 total admitted assets in the obligations of any one of these  
3 banks or organizations, and shall not invest more than a total  
4 of ten percent of its total admitted assets in the obligations  
5 authorized by this paragraph.

6 c. STATE OBLIGATIONS. Obligations issued or guaranteed by  
7 a state, a political subdivision of a state, or an  
8 instrumentality of a state.

9 d. CANADIAN GOVERNMENT OBLIGATIONS. Obligations issued or  
10 guaranteed by Canada, by an agency or province of Canada, by a  
11 political subdivision of such province, or by an  
12 instrumentality of any of those provinces or political  
13 subdivisions.

14 e. CORPORATE AND BUSINESS TRUST OBLIGATIONS. Obligations  
15 issued, assumed, or guaranteed by a corporation or business  
16 trust organized under the laws of the United States or a  
17 state, or the laws of Canada or a province of Canada, provided  
18 that an association shall not invest more than five percent of  
19 its admitted assets in the obligations of any one corporation  
20 or business trust. Investments shall be made only in  
21 investment grade bonds.

22 f. STOCKS. Common stocks, common stock equivalents,  
23 mutual fund shares, securities convertible into common stocks  
24 or common stock equivalents, or preferred stocks issued or  
25 guaranteed by a corporation incorporated under the laws of the  
26 United States or a state, or the laws of Canada or a province  
27 of Canada. Aggregate investments in nondividend paying stocks  
28 shall not exceed five percent of surplus.

29 (1) Stocks purchased under this lettered paragraph shall  
30 not exceed fifty percent of surplus. With the approval of the  
31 commissioner, an association may invest any amount in common  
32 stocks, preferred stocks, or other securities of one or more  
33 subsidiaries provided that after such investments the  
34 association's surplus as regards policyholders will be  
35 reasonable in relation to the association's outstanding



1 liabilities and adequate to its financial needs.

2 (2) An association shall not invest more than ten percent  
3 of its surplus in the stocks of any one corporation.

4 g. HOME OFFICE REAL ESTATE. Funds may be invested in a  
5 home office building, at the direction of the board of  
6 directors and with the prior approval of the commissioner of  
7 insurance. An association shall not invest more than twenty-  
8 five percent of its total admitted assets in such real estate.  
9 With the prior approval of the commissioner, an association  
10 may exceed the real estate investment limitation to effectuate  
11 a merger with, or the acquisition of, another association.

12 Sec. 20. Section 518.16, Code 1995, is amended by striking  
13 the section and inserting in lieu thereof the following:

14 518.16 QUALIFICATION OF AGENTS.

15 A person shall not solicit any application for insurance  
16 for an association in this state without having procured from  
17 the commissioner of insurance a license authorizing the person  
18 to act as an agent pursuant to chapter 522.

19 Sec. 21. NEW SECTION. 518.26 LOANS TO OFFICERS  
20 PROHIBITED.

21 Assets or other funds shall not be loaned directly or  
22 indirectly to an officer, director, or employee of the  
23 association, or directly or indirectly to a relative of an  
24 officer, director, or an employee of the association.

25 Sec. 22. NEW SECTION. 518.27 FORM -- APPROVAL.

26 The form of all policies, applications, agreements, and  
27 endorsements modifying the provisions of policies, and all  
28 permits and riders used in this state, issued or proposed to  
29 be issued by a county mutual insurance association doing  
30 business in this state under the provisions of this chapter,  
31 shall first be examined and approved by the commissioner of  
32 insurance.

33 Sec. 23. NEW SECTION. 518.28 FAILURE TO FILE COPY.

34 Upon the failure of a county mutual association to file a  
35 copy of its forms of policies or contracts pursuant to section

1 518.27, the commissioner of insurance may suspend its  
2 authority to transact business within the state until such  
3 forms of policies or contracts have been filed and approved.

4 Sec. 24. NEW SECTION. 518.29 DISAPPROVAL OF FILINGS.

5 If the commissioner finds that a filing does not meet the  
6 requirements of this chapter, written notice of disapproval  
7 shall be sent to the county mutual insurance association  
8 specifying in what respect the filing fails to meet the  
9 requirements of this chapter and stating that the filing is  
10 not effective. If a filing is disapproved by the  
11 commissioner, the association may request a hearing on the  
12 disapproval within thirty days. The association bears the  
13 burden of proving compliance with the standards established by  
14 this chapter.

15 If, at any time after a form has been approved, the  
16 commissioner finds that the form no longer meets the  
17 requirements of this chapter, the commissioner may order the  
18 discontinuance of the use of the form. The order of  
19 discontinuance shall be in writing and may be issued only  
20 after a hearing with at least ten days' prior notice to all  
21 county mutuals affected by the order. The order shall state  
22 the grounds upon which the order is based and when the order  
23 of discontinuance is effective.

24 Sec. 25. NEW SECTION. 518.30 CERTIFICATE REFUSED --  
25 ADMINISTRATIVE PENALTY.

26 The commissioner of insurance may suspend a county mutual  
27 insurance association's certificate of authority to do  
28 business if the association neglects or fails to comply with  
29 this chapter. In addition, an association organized or  
30 authorized under this chapter which fails to file the annual  
31 statement referred to in section 518.15 in the time required  
32 shall pay an administrative penalty in an amount of three  
33 hundred dollars to be collected in the name of the state for  
34 deposit in the general fund of the state. The commissioner  
35 may give notice to a county mutual insurance association which

1 has failed to file within the time required that the  
2 association is in violation of section 518.15 and this  
3 section. If the association fails to file the statement  
4 within ten days of the date of the notice, the association  
5 shall pay an additional sum of fifty dollars for each day the  
6 failure continues, to be paid into the general fund of the  
7 state.

8 Sec. 26. Section 518A.12, Code 1995, is amended by  
9 striking the section and inserting in lieu thereof the  
10 following:

11 518A.12 INVESTMENTS.

12 1. GENERAL CONSIDERATIONS. The following considerations  
13 apply in the interpretation of this section:

14 a. This section applies to the investments of mutual  
15 casualty assessment insurance associations.

16 b. The purpose of this section is to protect and further  
17 the interests of policyholders, claimants, creditors, and the  
18 public by providing standards for the development and  
19 administration of programs for the investment of the assets of  
20 associations organized under this chapter. These standards,  
21 and the investment programs developed by companies, shall take  
22 into account the safety of the association's principal,  
23 investment yield and growth, stability in the value of the  
24 investment, and liquidity necessary to meet the association's  
25 expected business needs, and investment diversification.

26 All investments made pursuant to this section shall have  
27 investment qualities and characteristics such that the  
28 speculative elements of the investments are not predominant.

29 c. Financial terms relating to mutual casualty assessment  
30 insurance associations have the meanings assigned to them  
31 under statutory accounting methods. Financial terms relating  
32 to companies other than mutual casualty assessment insurance  
33 associations have the meanings assigned to them under  
34 generally accepted accounting principles.

35 d. Investments shall be valued in accordance with the

1 valuation procedures established by the national association  
2 of insurance commissioners, unless the commissioner requires  
3 or finds another method of valuation reasonable under the  
4 circumstances.

5 e. If an investment qualifies under more than one  
6 subsection, an association may elect to hold the investment  
7 under the subsection of its choice. This section does not  
8 prevent an association from electing to hold an investment  
9 under a subsection different from the one under which it  
10 previously held the investment.

11 2. DEFINITIONS. For purposes of this section:

12 a. "Admitted assets", for purposes of computing percentage  
13 limitations on particular types of investments, means the  
14 assets which are authorized to be shown on the national  
15 association of insurance commissioner's annual statement blank  
16 as admitted assets as of the December 31 immediately preceding  
17 the date the association acquires the investment.

18 b. "Clearing corporation" means as defined in section  
19 554.8102.

20 c. "Custodian bank" means as defined in section 554.8102.

21 d. "Issuer" means as defined in section 554.8201.

22 e. "Member bank" means a national bank, state bank, or  
23 trust company which is a member of the United States federal  
24 reserve system.

25 f. "National securities exchange" means an exchange  
26 registered under section 6 of the federal Securities Exchange  
27 Act of 1934 or an exchange regulated under the laws of Canada.

28 g. "Obligations" includes bonds, notes, debentures,  
29 transportation equipment certificates, domestic repurchase  
30 agreements, and obligations for the payment of money not in  
31 default as to payments of principal and interest on the date  
32 of investment, which constitute general obligations of the  
33 issuer or payable only out of certain revenues or certain  
34 funds pledged or otherwise dedicated for payment of principal  
35 and interest on the obligations. A lease is an obligation if

1 the lease is assigned to the insurer and is nonterminable by  
2 the lessee upon foreclosure of any lien upon the leased  
3 property, and if rental payments are sufficient to amortize  
4 the investment over the primary lease term.

5 3. INVESTMENTS IN NAME OF ASSOCIATION OR NOMINEE AND  
6 PROHIBITIONS.

7 a. An association's investments shall be held in its own  
8 name or the name of its nominee, except as follows:

9 (1) Investments may be held in the name of a clearing  
10 corporation or of a custodian bank or in the name of the  
11 nominee of either on the following conditions:

12 (a) The clearing corporation, custodian bank, or nominee  
13 must be legally authorized to hold the particular investment  
14 for the account of others.

15 (b) When the investment is evidenced by a certificate and  
16 held in the name of a custodian bank or the nominee of a  
17 custodian bank, a written agreement shall provide that  
18 certificates so deposited shall at all times be kept separate  
19 and apart from other deposits with the depository, so that at  
20 all times they may be identified as belonging solely to the  
21 association making the deposit.

22 (c) If a clearing corporation is to act as depository, the  
23 investment may be merged or held in bulk in the name of the  
24 clearing corporation or its nominee with other investments  
25 deposited with the clearing corporation by any other person,  
26 if a written agreement between the clearing corporation and  
27 the association provides that adequate evidence of the deposit  
28 is to be obtained and retained by the association or a  
29 custodian bank.

30 (2) An association may loan stocks or obligations held by  
31 it under this chapter to a broker-dealer registered under the  
32 federal Securities Exchange Act of 1934 or to a member bank.  
33 The loan must be evidenced by a written agreement which  
34 provides all of the following:

35 (a) That the loan will be fully collateralized by cash or

1 obligations issued or guaranteed by the United States or an  
2 agency or an instrumentality of the United States, and that  
3 the collateral will be adjusted as necessary each business day  
4 during the term of the loan to maintain the required  
5 collateralization in the event of market value changes in the  
6 loaned securities or collateral.

7 (b) That the loan may be terminated by the association at  
8 any time, and that the borrower will return the loaned stocks  
9 or obligations within five business days after termination.

10 (c) That the association has the right to retain the  
11 collateral or use the collateral to purchase investments  
12 equivalent to the loaned securities if the borrower defaults  
13 under the terms of the agreement, and that the borrower  
14 remains liable for any losses and expenses incurred by the  
15 association due to default that are not covered by the  
16 collateral.

17 (3) An association may participate through a member bank  
18 in the United States federal reserve book entry system, and  
19 the records of the member bank shall at all times show that  
20 the investments are held for the association or for specific  
21 accounts of the association.

22 (4) An investment may consist of an individual interest in  
23 a pool of obligations or a fractional interest in a single  
24 obligation if the certificate of participation or interest or  
25 the confirmation of participation or interest in the  
26 investment is issued in the name of the association, the name  
27 of the custodian bank, or the nominee of either, and, if the  
28 interest as evidenced by the certificate or confirmation is,  
29 if held by a custodian bank, kept separate and apart from the  
30 investments of others so that at all times the participation  
31 may be identified as belonging solely to the association  
32 making the investment.

33 (5) Transfers of ownership of investments held as  
34 described in paragraph "a", subparagraph (1), subparagraph  
35 subdivision (c), and subparagraphs (3) and (4), may be

1 evidenced by bookkeeping entry on the books of the issuer of  
2 the investment, its transfer or recording agent, or the  
3 clearing corporation without physical delivery of a  
4 certificate evidencing the associations's investment.

5 b. Except as provided in paragraph "a", subparagraph (5),  
6 if an investment is not evidenced by a certificate, adequate  
7 evidence of the association's investment shall be obtained  
8 from the issuer or its transfer or recording agent and  
9 retained by the association, a custodian bank, or clearing  
10 corporation. Adequate evidence, for purposes of this  
11 paragraph, means a written receipt or other verification  
12 issued by the depository or issuer or a custodian bank which  
13 shows that the investment is held for the association.

14 4. INVESTMENTS. Except as otherwise permitted by this  
15 section, an association organized under this chapter shall  
16 only invest in the following:

17 a. UNITED STATES GOVERNMENT OBLIGATIONS. Obligations  
18 issued or guaranteed by the United States or an agency or  
19 instrumentality of the United States.

20 b. CERTAIN DEVELOPMENT BANK OBLIGATIONS. Obligations  
21 issued or guaranteed by the international bank for  
22 reconstruction and development, the Asian development bank,  
23 the inter-American development bank, the export-import bank,  
24 the world bank, or any United States government-sponsored  
25 organization of which the United States is a member, if the  
26 principal and interest is payable in United States dollars.  
27 An association shall not invest more than five percent of its  
28 total admitted assets in the obligations of any one of these  
29 banks or organizations, and shall not invest more than a total  
30 of ten percent of its total admitted assets in the obligations  
31 authorized by this paragraph.

32 c. STATE OBLIGATIONS. Obligations issued or guaranteed by  
33 a state, a political subdivision of a state, or an  
34 instrumentality of a state.

35 d. CANADIAN GOVERNMENT OBLIGATIONS. Obligations issued or

1 guaranteed by Canada, by an agency or province of Canada, by a  
2 political subdivision of such province, or by an  
3 instrumentality of any of those provinces or political  
4 subdivisions.

5 e. CORPORATE AND BUSINESS TRUST OBLIGATIONS. Obligations  
6 issued, assumed, or guaranteed by a corporation or business  
7 trust organized under the laws of the United States or a  
8 state, or the laws of Canada or a province of Canada, provided  
9 that an association shall not invest more than five percent of  
10 its admitted assets in the obligations of any one corporation  
11 or business trust. Investments shall be made only in  
12 investment grade bonds.

13 f. STOCKS. Common stocks, common stock equivalents,  
14 mutual fund shares, securities convertible into common stocks  
15 or common stock equivalents, or preferred stocks issued or  
16 guaranteed by a corporation incorporated under the laws of the  
17 United States or a state, or the laws of Canada or a province  
18 of Canada. Aggregate investments in nondividend paying stocks  
19 shall not exceed five percent of surplus.

20 (1) Stocks purchased under this lettered paragraph shall  
21 not exceed fifty percent of surplus. With the approval of the  
22 commissioner, an association may invest any amount in common  
23 stocks, preferred stocks, or other securities of one or more  
24 subsidiaries provided that after such investments the  
25 association's surplus as regards policyholders will be  
26 reasonable in relation to the association's outstanding  
27 liabilities and adequate to its financial needs.

28 (2) An association shall not invest more than ten percent  
29 of its surplus in the stocks of any one corporation.

30 g. HOME OFFICE REAL ESTATE. Funds may be invested in a  
31 home office building, at the direction of the board of  
32 directors and with the prior approval of the commissioner of  
33 insurance. An association shall not invest more than twenty-  
34 five percent of its total admitted assets in such real estate.  
35 With the prior approval of the commissioner, an association



1 may exceed the real estate investment limitation to effectuate  
2 a merger with, or the acquisition of, another association.

3 Sec. 27. Section 518A.17, unnumbered paragraph 3, Code  
4 1995, is amended to read as follows:

5 Not less than fifty percent of such aggregate amount of  
6 assessments, and other sums paid by the members shall be  
7 returned to the members, either through the payment of losses  
8 or through discounts, credits, or dividends, to be credited on  
9 the assessments required for the current or succeeding year,  
10 or, at the discretion of the board of directors, may be set  
11 aside ~~in the emergency fund as defined in section 518A.12~~ as  
12 surplus to policyholders, but no sum less than forty percent  
13 of such aggregate assessments, and other sums paid by the  
14 members, shall be returned to the members through payment of  
15 such losses or through discounts, credits, or dividends during  
16 the current or succeeding year.

17 Sec. 28. NEW SECTION. 518A.44 LIMITATION ON RISKS.

18 An association shall not expose itself to loss on any one  
19 risk or hazard to an amount exceeding ten percent of its  
20 surplus to policyholders unless one of the following applies:

21 1. The excess is reinsured in some other good and reliable  
22 company licensed to sell insurance in this state.

23 2. The excess is reinsured by a group of incorporated or  
24 individual unincorporated insurers who are authorized to sell  
25 insurance in at least one state of the United States and who  
26 possess assets which are held in trust for the benefit of the  
27 American policyholders in the sum of not less than fifty  
28 million dollars, and a certificate of such reinsurance shall  
29 be furnished to the insured.

30 3. The excess is reinsured with a company which has, with  
31 respect to the ceding insurer, created a trust fund, made a  
32 deposit, or obtained letters of credit, on terms satisfactory  
33 to the commissioner.

34 Sec. 29. NEW SECTION. 518A.51 LOANS TO OFFICERS  
35 PROHIBITED.

1 Assets or other funds shall not be loaned directly or  
2 indirectly to an officer, director, or employee of the  
3 association, or directly or indirectly to a relative of an  
4 officer, director, or employee of the association.

5 Sec. 30. NEW SECTION. 518A.52 FORM -- APPROVAL.

6 The form of all policies, applications, agreements, and  
7 endorsements modifying the provisions of policies, and all  
8 permits and riders used in this state, issued or proposed to  
9 be issued by a mutual casualty assessment insurance  
10 association doing business in this state under the provisions  
11 of this chapter, shall first be examined and approved by the  
12 commissioner of insurance.

13 Sec. 31. NEW SECTION. 518A.53 FAILURE TO FILE COPY.

14 Upon the failure of a mutual casualty assessment insurance  
15 association to file a copy of its forms of policies or  
16 contracts pursuant to section 518A.52, the commissioner of  
17 insurance may suspend its authority to transact business  
18 within the state until such forms of policies or contracts  
19 have been filed and approved.

20 Sec. 32. NEW SECTION. 518A.54 DISAPPROVAL OF FILINGS.

21 If the commissioner finds that a filing does not meet the  
22 requirements of this chapter, written notice of disapproval  
23 shall be sent to the mutual casualty assessment insurance  
24 association specifying in what respect the filing fails to  
25 meet the requirements of this chapter and stating that the  
26 filing is not effective. If a filing is disapproved by the  
27 commissioner, the association may request a hearing on the  
28 disapproval within thirty days. The association bears the  
29 burden of proving compliance with the standards established by  
30 this chapter.

31 If, at any time after a form has been approved, the  
32 commissioner finds that the form no longer meets the  
33 requirements of this chapter, the commissioner may order the  
34 discontinuance of the use of the form. The order of  
35 discontinuance shall be in writing and may be issued only

1 after a hearing with at least ten days' prior notice to all  
2 mutual casualty assessment insurance associations affected by  
3 the order. The order shall state the grounds upon which the  
4 order is based and when the order of discontinuance is  
5 effective.

6 Sec. 33. NEW SECTION. 518A.55 CERTIFICATE REFUSED --  
7 ADMINISTRATIVE PENALTY.

8 The commissioner of insurance may suspend a mutual casualty  
9 assessment insurance association's certificate of authority to  
10 do business if the association neglects or fails to comply  
11 with this chapter. In addition, an association organized or  
12 authorized under this chapter which fails to file the annual  
13 statement referred to in section 518A.18 in the time required  
14 shall pay an administrative penalty in an amount of three  
15 hundred dollars to be collected in the name of the state for  
16 deposit in the general fund of the state. The commissioner  
17 may give notice to a mutual casualty assessment insurance  
18 association which has failed to file within the time required  
19 that the association is in violation of section 518A.18 and  
20 this section. If the association fails to file the statement  
21 within ten days of the date of the notice the association  
22 shall pay an additional sum of fifty dollars for each day the  
23 failure continues, to be paid to the general fund of the  
24 state.

25 Sec. 34. Section 521.1, Code 1995, is amended to read as  
26 follows:

27 521.1 DEFINITIONS.

28 "Company" or "companies" when used in this chapter means a  
29 company or association organized under chapter 508, 511, 515,  
30 518, 518A, or 5207--except-county-mutuals.

31 Sec. 35. Section 521.2, Code 1995, is amended to read as  
32 follows:

33 521.2 LIFE COMPANIES -- CONSOLIDATION AND REINSURANCE.

34 No A company organized under the laws of this state to do  
35 the business of life insurance, either on the stock, mutual,

1 stipulated premium, or assessment plan, shall not consolidate  
2 with any other company or reinsure its risks, or any part  
3 thereof of such risks, with any other company, or assume or  
4 reinsure the whole or any part of the risks of any other  
5 company, except as hereinafter provided, ~~provided that nothing~~  
6 contained in this chapter. However, this chapter shall not be  
7 construed to prevent any company, as defined in section 521.1,  
8 from reinsuring a fractional part of any single risk.

9 Chapter 521A is applicable to a merger or consolidation  
10 made pursuant to this chapter, and the provisions of chapter  
11 521A and this chapter shall apply exclusively with respect to  
12 such merger or consolidation.

13 Sec. 36. Section 521B.2, subsection 4, paragraph a, Code  
14 1995, is amended to read as follows:

15 a. Credit is allowed if the reinsurance is ceded to an  
16 assuming insurer which maintains a trust fund in a qualified  
17 United States financial institution, as defined in section  
18 521B.4, subsection 2, for the payment of the valid claims of  
19 its United States policyholders and ceding insurers, their  
20 assigns, and successors in interest. The assuming insurer  
21 shall report annually to the commissioner information  
22 substantially the same as that required to be reported on the  
23 national association of insurance commissioners' annual  
24 statement form by licensed insurers to enable the commissioner  
25 to determine the sufficiency of the trust fund. In the case  
26 of a single assuming insurer, the trust shall consist of a  
27 trusted account representing the liabilities of the assuming  
28 insurer attributable to business written in the United States  
29 and, in addition, the assuming insurer shall maintain a  
30 trusted surplus of not less than twenty million dollars. In  
31 the case of a group ~~of~~ including individual unincorporated and  
32 incorporated underwriters, the trust shall consist of a  
33 trusted account representing the liabilities of the group  
34 attributable to business written in the United States and, in  
35 addition, the group shall maintain a trusted surplus of which

1 one hundred million dollars shall be held jointly for the  
2 benefit of United States ceding insurers of any member of the  
3 group. The incorporated members of the group shall not engage  
4 in any business other than underwriting as a member of the  
5 group and shall be subject to the same level of solvency  
6 regulation and control by the group's domiciliary regulator as  
7 are the unincorporated members. The group shall make  
8 available to the commissioner an annual certification of the  
9 solvency of each underwriter by the group's domiciliary  
10 regulator and its independent public accountants.

11 Sec. 37. 1994 Iowa Acts, chapter 1072, section 9, is  
12 amended to read as follows:

13 SEC. 9. CREATION OF INSURANCE FRAUD BUREAU CONTINGENT UPON  
14 FUNDING. The creation of an insurance fraud bureau within the  
15 insurance division shall only be implemented, and sections  
16 507E.2, 507E.4, 507E.5, 507E.6, and 507E.8 of this Act shall  
17 only be effective, if the state receives a federal grant for  
18 its implementation and the general assembly appropriates  
19 matching funds from the general fund of the state for its  
20 implementation.

21 Sec. 38. Sections 518A.33, 518A.34, and 518A.42, Code  
22 1995, are repealed.

23 EXPLANATION

24 Section 144C.4, which establishes the community health  
25 management information system governing board, is amended to  
26 add the insurance commissioner or the commissioner's designee  
27 as an ex officio, nonvoting member.

28 Section 507.2, subsection 3, is amended to provide that the  
29 commissioner may accept an examination report on a foreign or  
30 alien insurance company prepared by the regulatory authority  
31 for the company's state of domicile or port-of-entry state in  
32 lieu of an examination. Currently, such reports were only  
33 accepted until January 1, 1994, after which an examination  
34 report can only be accepted if the regulatory authority was at  
35 the time of examination accredited under the national

1 association of insurance commissioners.

2 Section 507A.10 is amended to provide that in addition to  
3 the assessment of a civil penalty, the commissioner may, after  
4 conducting a hearing pursuant to chapter 17A, issue a cease  
5 and desist order requiring a person or insurer from engaging  
6 in an activity found to violate chapter 507A.

7 Section 508.5 is amended to provide that a stock life  
8 insurance company that undergoes a change of control pursuant  
9 to chapter 521A, relating to insurance holding company  
10 systems, must maintain the minimum capital and surplus  
11 requirements mandated under section 508.5.

12 Section 508.9 is amended to provide that a mutual insurance  
13 company that undergoes a change of control pursuant to chapter  
14 521A must maintain the minimum surplus requirements mandated  
15 under section 508.9.

16 Section 513B.2, subsection 10, paragraph "b", is amended to  
17 provide that a health benefit plan does not include Medicare  
18 supplement or long-term care insurance for purposes of small  
19 group health benefit plans.

20 Section 514B.17 is amended to provide that the effect of  
21 cancellation of a prepaid group plan providing health care  
22 services to health maintenance organization enrollees, and the  
23 duty to provide notice concerning cancellation, is the same as  
24 is provided for the termination of accident or health  
25 insurance pursuant to section 509B.5, subsection 2. That  
26 section provides that the employer or group policyholder must  
27 notify the employees or members of the termination.

28 Section 514C.2 is amended to provide that skilled nursing  
29 care in a hospital is to be covered under a health service  
30 contract issued pursuant to chapter 514B, relating to health  
31 maintenance organizations.

32 Section 514G.7, subsection 3, is amended to provide that a  
33 long-term care insurance policy shall not define preexisting  
34 condition more restrictively than the existence of symptoms  
35 which would cause an ordinarily prudent person to seek

1 diagnosis, care, or treatment, or a condition for which  
2 medical advice or treatment was recommended by or received  
3 from a provider of health care services within six months  
4 preceding the effective date of coverage of an insured person.  
5 The subsection is amended to provided that a long-term care  
6 policy shall not exclude coverage for a loss or confinement  
7 which results from a preexisting condition unless the loss or  
8 confinement begins within six months after coverage is  
9 effective. The subsection is also amended to strike paragraph  
10 "c", which grants the commissioner discretionary authority to  
11 extend the limitation periods, relating to preexisting  
12 conditions, to specific age group categories in specific  
13 policy forms upon a finding that such extension is in the best  
14 interest of the public.

15 Section 514G.7, subsection 6, is rewritten to provide that  
16 an individual has the right to return an individual long-term  
17 care insurance policy within 30 days after its delivery.

18 Sections 515.8, 515.10, and 515.12 are amended to provide  
19 that an insurance company or mutual company which undergoes a  
20 change of control under chapter 521A must still maintain  
21 minimum capital or surplus reserves, as applicable, as  
22 provided in the amended sections.

23 Section 515.94 is amended to provide that an insurance  
24 company or association, upon the issue or renewal of a policy,  
25 must provide to the insured a copy of any application or  
26 representation of the insured related to the policy.  
27 Currently, that section provides that such application or  
28 representation must be attached to or endorsed on the policy.

29 Section 515.109 is amended to provide that the commissioner  
30 may exempt any specified person by order, or any class of  
31 persons by rule, or any specified risk by order, or any line  
32 or kind of insurance or any class of risk or combination of  
33 classes of risks by rule from the requirement that the forms  
34 related to such persons or risks be examined and approved if  
35 the commissioner determines that the examination is

1 unnecessary to achieve the purposes of this section.

2 Section 515A.15 is amended to require that all insurers  
3 participate in a residual market mechanism for assigned risks,  
4 and enter into an agreement among themselves to equitably  
5 apportion insurance to be afforded to applicants who are in  
6 good faith entitled to, but who are unable to procure, such  
7 insurance through ordinary methods. If an agreement is not  
8 reached, the commissioner, by rule, is to establish the terms  
9 so that an equitable apportionment among all insurers is  
10 accomplished.

11 Section 515F.5 is amended to provide that the commissioner  
12 may suspend the requirement that an insurer file rates or  
13 rating plans with respect to casualty insurance if the  
14 commissioner determines that the filing is unnecessary to  
15 achieve the purposes of chapter 515F.

16 Section 518.14 is stricken and replaced with language which  
17 applies similar investment requirements provided for in  
18 chapter 515 with respect to insurance companies other than  
19 life insurance companies, to county mutual insurance  
20 associations.

21 Section 518.16, which relates to the qualification of  
22 producers for county mutual insurance associations, is amended  
23 to provide that an agent for a county mutual insurance  
24 association must be licensed pursuant to chapter 522, which  
25 generally relates to the licensing of insurance agents.

26 New section 518.26 is created which prohibits an  
27 association from loaning assets or other funds to an officer,  
28 director, or employee of the association, or a relative of an  
29 officer or director.

30 New section 518.27 is created and requires all policies,  
31 applications, and agreements and endorsements to be filed with  
32 the insurance commissioner. The forms must be examined and  
33 approved prior to their use.

34 New section 518.28 is created and provides that the  
35 commissioner may suspend a county mutual association's



1 authority to transact business in this state for failure to  
2 file the forms as required.

3 New section 518.29 is created and provides that upon the  
4 commissioner's disapproval of a filing by the association,  
5 written notice is to be provided to the association specifying  
6 the reason for the disapproval. The association may request a  
7 hearing on the disapproval within 30 days.

8 New section 518.30 is created and provides that the  
9 insurance commissioner may withhold a certificate of authority  
10 to transact business from an association failing to comply  
11 with the provisions of chapter 518. An administrative penalty  
12 of \$300 may be assessed against an association for failure to  
13 file an annual statement as required in section 518.15. If  
14 the association fails to file the statement within 10 days of  
15 the date of the notice, the association shall pay an  
16 additional sum of \$50 for each day the failure continues, to  
17 be paid to the state general fund.

18 Section 518A.12 is amended to strike language relating to  
19 the emergency fund for mutual casualty assessment insurance  
20 associations and substitutes language which applies similar  
21 investment requirements provided for in chapter 515 with  
22 respect to insurance companies other than life insurance  
23 companies, to mutual casualty assessment insurance  
24 associations.

25 Section 518A.17 is amended to provide that 50 percent of  
26 the aggregate amount of assessments collected by an  
27 association engaged in writing hail insurance may be set aside  
28 as surplus to policyholders. Currently, that amount may be  
29 set aside in an emergency fund.

30 New section 518A.44 is created to provide that a mutual  
31 casualty assessment insurance association is not to expose  
32 itself to loss on any single risk in an amount exceeding 10  
33 percent of surplus, except as allowed under that section.

34 This language applies the same standard which currently  
35 applies to nonlife companies under chapter 515.

1 New section 518A.51 is created which prohibits an  
2 association from loaning assets or other funds to an officer,  
3 director, or employee of the association, or a relative of an  
4 officer or director.

5 New section 518A.52 is created and requires all policies,  
6 applications, and agreements and endorsements to be filed with  
7 the insurance commissioner. The forms must be examined and  
8 approved prior to their use.

9 New section 518A.53 is created and provides that the  
10 commissioner may suspend a mutual casualty assessment  
11 association's authority to transact business in this state for  
12 failure to file the forms as required.

13 New section 518A.54 is created and provides that upon the  
14 commissioner's disapproval of a filing by the association,  
15 written notice is to be provided to the association specifying  
16 the reason for the disapproval. The association may request a  
17 hearing on the disapproval within 30 days.

18 New section 518A.55 is created and provides that the  
19 insurance commissioner may suspend a certificate of authority  
20 to transact business from an association failing to comply  
21 with the provisions of chapter 518A. An administrative  
22 penalty of \$300 may be assessed against an association for  
23 failure to file an annual statement as required in section  
24 518A.18. If the association fails to file the statement  
25 within 10 days of the date of the notice the association shall  
26 pay an additional sum of \$50 for each day the failure  
27 continues, to be paid to the state general fund.

28 Section 521.1 is amended to include county mutual insurance  
29 associations in the definition of "company" for the purpose of  
30 chapter 521, which relates to consolidations and reinsurance.

31 Section 521.2 is amended to provide that chapter 521A is  
32 applicable to a merger or consolidation of insurance companies  
33 pursuant to chapter 521, and that chapters 521A and 521 are  
34 exclusive with respect to the merger or consolidation.

35 Section 521B.2 is amended to provide that incorporated

1 underwriters are not to engage in any business other than  
2 underwriting as a member of a group to which reinsurance is  
3 ceded, and that such underwriters are subject to the same  
4 level of solvency regulation as unincorporated members.

5 1994 Iowa Acts, chapter 1072, section 9, which provides  
6 that the establishment of a fraud bureau within the insurance  
7 division and that the Act is only effective if the state  
8 receives a federal grant, is amended to provide that only the  
9 effectiveness of the establishment of the fraud bureau and  
10 sections directly related to the bureau is subject to the  
11 receipt of a federal grant. Section 507E.3, which relates to  
12 fraudulent statements and establishes a penalty, and section  
13 507E.7, which provides immunity from liability to persons  
14 alleging acts in violation of this chapter in good faith, are  
15 to become effective irrespective of the receipt of a federal  
16 grant.

17 Sections 518A.33, 518A.34, and 518A.42 are repealed.  
18 Sections 518A.33 and 518A.34 relate to the bond and additional  
19 security required of the secretary and treasurer of a mutual  
20 casualty assessment insurance association. Section 518A.42  
21 provides that the commissioner is to issue an agent's license  
22 to a person as requested by such association upon the payment  
23 of 50 cents.

24 BACKGROUND STATEMENT

25 SUBMITTED BY THE AGENCY

26 The insurance division's departmental bill contains  
27 amendments to several chapters dealing with insurance company  
28 regulation. The majority of the sections in the bill provide  
29 changes to the Code chapters regulating county and state  
30 mutual associations, and contain clarifications with regard to  
31 association investment standards and administration.

32

33

34

35

HOUSE FILE 247

AN ACT

RELATING TO THE REGULATION OF INSURANCE, INCLUDING THE AUTHORITY OF THE INSURANCE DIVISION TO REGULATE CERTAIN POLICIES AND CONTRACTS AND PARTIES TO SUCH POLICIES AND CONTRACTS, PROVIDING FOR COORDINATION OF HEALTH CARE BENEFITS WITH STATE MEDICAL ASSISTANCE AND FOR CONTINUATION OF HEALTH CARE BENEFITS PURSUANT TO COURT-ORDERED MEDICAL CHILD SUPPORT AND FOR COVERAGE FOR AN ADOPTED CHILD.

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

Section 1. Section 87.4, Code 1995, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The workers' compensation premium written on a municipality which is a member of an insurance pool which provides workers' compensation insurance coverage to a statewide group of municipalities, as defined in section 670.1, shall not be considered in the determination of any assessments levied pursuant to an agreement established under section 515A.15.

Sec. 2. Section 144C.4, Code 1995, is amended by adding the following new subsection:

NEW SUBSECTION. 1A. The commissioner or the commissioner's designee shall serve as an ex officio, nonvoting member of the board.

Sec. 3. NEW SECTION. 505.22 CERTAIN RELIGIOUS ORGANIZATION ACTIVITIES EXEMPT FROM REGULATION.

A religious organization which, through its publication to subscribers, solicits funds for the payment of medical expenses of other subscribers, shall not be considered to be engaging in the business of insurance for purposes of this chapter or any other provision of Title XIII, and shall not be

subject to the jurisdiction of the commissioner of insurance, if all of the following apply:

1. The religious publication is provided by a nonprofit charitable organization described in section 501(c)(3) of the Internal Revenue Code.

2. Participation is limited to subscribers who are members of the same denomination or religion.

3. The publication is registered with the United States postal service and acts as an organizational clearinghouse for information between subscribers who have financial, physical, or medical needs, and subscribers who choose to assist with those needs, matching subscribers with the present ability to pay with subscribers with a present financial or medical need.

4. The organization, through its publication, provides for the payment for subscriber financial or medical needs through direct payments from one subscriber to another.

5. The organization, through its publication, suggests amounts to contribute that are voluntary among the subscribers, with no assumption of risk or promise to pay either among the subscribers or between the subscribers and the publication.

Sec. 4. Section 507.2, subsection 3, Code 1995, is amended to read as follows:

3. In lieu of an examination under this chapter of any foreign or alien insurer licensed in this state, the commissioner may accept an examination report on the company as prepared by the regulatory authority for insurance for the company's state of domicile or port-of-entry state until ~~January 17, 1994. Thereafter, such reports shall only be accepted if the regulatory authority was at the time of the examination accredited under the national association of insurance commissioners' financial regulation standards and accreditation program or the examination is performed under the supervision of an accredited regulatory authority or with the participation of one or more examiners who are employed by~~

~~the accredited state and who, after a review of the examination work papers and report, state under oath that the examination was performed in a manner consistent with standards and procedures required by their insurance department.~~

Sec. 5. Section 507A.10, Code 1995, is amended to read as follows:

507A.10 CEASE AND DESIST ORDER -- CIVIL PENALTY.

~~The commissioner Upon a determination by the commissioner, after a hearing conducted pursuant to chapter 17A, that a person or insurer has violated a provision of this chapter, the commissioner shall reduce the findings of the hearing to writing and deliver a copy of the findings to the person or insurer, may issue an order requiring the person or insurer to cease and desist from engaging in the conduct resulting in the violation, and may assess a civil penalty of not more than fifty thousand dollars against a the person or insurer who has violated a provision of this chapter.~~

Sec. 6. Section 507B.4, subsection 7, Code 1995, is amended by adding the following new paragraph:

NEW PARAGRAPH. c. Making or permitting any discrimination in the sale of insurance solely on the basis of domestic abuse as defined in section 236.2.

Sec. 7. Section 508.5, Code 1995, is amended to read as follows:

508.5 CAPITAL AND SURPLUS REQUIRED.

A stock life insurance company shall not be authorized to transact business under this chapter with less than two million five hundred thousand dollars capital stock fully paid for in cash and two million five hundred thousand dollars of surplus paid in cash or invested as provided by law. A stock life insurance company shall not increase its capital stock unless the amount of the increase is fully paid in cash. The stock shall be divided into shares of not less than one dollar par value each. A stock life insurance company authorized to

do business in Iowa that undergoes a change of control as defined under chapter 521A shall maintain the minimum capital and surplus requirements mandated by this section.

Sec. 8. Section 508.9, Code 1995, is amended to read as follows:

508.9 MUTUAL COMPANIES -- CONDITIONS.

Level premium and natural premium life insurance companies organized under the laws of this state upon the mutual plan shall, before issuing policies, have actual applications on at least two hundred and fifty lives for an average amount of one thousand dollars each. A list of the applications giving the name, age, residence, amount of insurance, and annual premium of each applicant shall be filed with the commissioner of insurance, and a deposit made with the commissioner of an amount equal to three-fifths of the whole annual premium on the applications, in cash or the securities required by section 508.5. In addition, a deposit of cash or securities of the character provided by law for the investment of funds for life insurance companies in the sum of five million dollars shall be made with the commissioner, which shall constitute a security fund for the protection of policyholders. The contribution to the security fund shall not give to contributors to the fund or to other persons any voting or other power in the management of the affairs of the company. The security fund may be repaid to the contributors to the security fund with interest at six percent from the date of contribution, at any time, in whole or in part, if the repayment does not reduce the surplus of the company below the amount of five million dollars and then only if consent in writing for the repayment is obtained from the commissioner of insurance. Upon compliance with this section, the commissioner shall issue to the mutual company the certificate prescribed in this chapter. A mutual insurance company authorized to do business in Iowa that undergoes a change of control as defined in chapter 521A shall maintain the minimum surplus requirement mandated by this section.

Sec. 9. Section 513B.2, subsection 10, paragraph b, Code 1995, is amended to read as follows:

b. "Health benefit plan" does not include accident-only, credit, dental, Medicare supplement, long-term care, or disability income insurance, coverage issued as a supplement to liability insurance, workers' compensation or similar insurance, or automobile medical-payment insurance.

Sec. 10. Section 514B.10, Code 1995, is amended to read as follows:

514B.10 CHARGES----APPROVAL-REQUIRED.

~~No-schedule-of-charges-for-enrollees-coverage-for-health care-services-or-amendment-to-the-schedule-may-be-used-by-a health-maintenance-organization-until-a-copy-of-the-schedule or-amendment-to-the-schedule-has-been-filed-with-and-approved by-the-commissioner.~~ Charges to enrollees may be established in accordance with actuarial principles for various categories of enrollees, but the charges shall not be determined according to the status of an individual enrollee's health or sex and shall not be excessive, inadequate, or unfairly discriminatory.

Sec. 11. Section 514B.17, Code 1995, is amended to read as follows:

514B.17 CANCELLATION OF ENROLLEES.

1. An enrollee enrolled in a prepaid individual plan shall not be canceled except for the failure to pay the charges permitted under section 514B.10 or for other reasons stated in the rules ~~promulgated~~ adopted by the commissioner and subject to review in accordance with chapter 17A. No Except as provided in subsection 2 concerning prepaid group plans, notice of cancellation to an enrollee shall not be effective unless delivered to the enrollee by the health maintenance organization in a manner prescribed by the commissioner and at least thirty days before the effective date of cancellation and unless accompanied by a statement of reason for cancellation. At any time before cancellation of the policy

for nonpayment, the enrollee may pay to the health maintenance organization the full amount due, including court costs if any, and from the date of payment by the enrollee or the collection of the judgment, coverage shall revive and be in full force and effect.

2. The effect of cancellation of a prepaid group plan providing health care services to enrollees, and the duty to provide notice and liability for benefits, is the same as provided under section 509B.5, subsection 2, for the termination of accident or health insurance for employees or members.

Sec. 12. Section 514C.2, Code 1995, is amended to read as follows:

514C.2 SKILLED NURSING CARE COVERED IN HOSPITALS.

An insurer, a hospital service corporation, or a medical service corporation, which covers the costs of skilled nursing care under an individual or group policy of accident and health insurance regulated under chapter 509 or 514A, or under a nonprofit hospital or medical and surgical service plan regulated under chapter 514, or a health care service contract regulated under chapter 514B, shall also cover the costs of skilled nursing care in a hospital if the level of care needed by the insured or subscriber has been reclassified from acute care to skilled nursing care and no designated skilled nursing care beds or swing beds are available in the hospital or in another hospital or health care facility within a thirty-mile radius of the hospital. The insurer or corporation shall reimburse the insured or subscriber based on the skilled nursing care rate.

Sec. 13. NEW SECTION. 514C.8 COORDINATION OF HEALTH CARE BENEFITS WITH STATE MEDICAL ASSISTANCE.

1. An insurer, health maintenance organization, or hospital and medical service plan providing health care coverage to individuals in this state shall not consider the availability of or eligibility for medical assistance under

Title XIX of the federal Social Security Act and chapter 249A, when determining eligibility of the individual for coverage or calculating payments to the individual under the health care coverage plan.

2. The state acquires the rights of an individual to payment from an insurer, health maintenance organization, or hospital or medical service plan to the extent payment for covered expenses is made pursuant to chapter 249A for health care items or services provided to the individual. Upon presentation of proof that payment was made pursuant to chapter 249A for covered expenses, the insurer, health maintenance organization, or hospital or medical service plan shall make payment to the state medical assistance program to the extent of the coverage provided in the policy or contract.

3. An insurer shall not impose requirements on the state with respect to the assignment of rights pursuant to this section that are different from the requirements applicable to an agent or assignee of a covered individual.

4. For purposes of this section, "insurer" means an entity which offers a health benefit plan, including a group health plan under the federal Employee Retirement Income Security Act of 1974.

Sec. 14. NEW SECTION. 514C.9 MEDICAL SUPPORT --  
INSURANCE REQUIREMENTS.

1. An insurer shall not deny coverage or enrollment of a child under the health plan of the obligor upon any of the following grounds:

- a. The child is born out of wedlock.
- b. The child is not claimed as a dependent on the obligor's federal income tax return.
- c. The child does not reside with the obligor or in the insurer's service area. This section shall not be construed to require a health maintenance organization regulated under chapter 514B to provide any services or benefits for treatment outside of the geographic area described in its certificate of

authority which would not be provided to a member outside of that geographic area pursuant to the terms of the health maintenance organizations contract.

2. An insurer of an obligor providing health care coverage to the child for which the obligor is legally responsible to provide support shall do all of the following:

- a. Provide information to the obligee or other legal custodian of the child as necessary for the child to obtain benefits through the coverage of the insurer.
- b. Allow the obligee or other legal custodian of the child, or the provider with the approval of the obligee or other legal custodian of the child, to submit claims for covered services without the approval of the obligor.
- c. Make payment on a claim submitted in paragraph "b" directly to the obligee or other legal custodian of the child, the provider, or the state medical assistance agency for claims submitted by the obligee or other legal custodian of the child, by the provider with the approval of the obligee or other legal custodian of the child, or by the state medical assistance agency.

3. If an obligor is required by a court order or administrative order to provide health coverage for a child and the obligor is eligible for dependent health coverage, the insurer shall do all of the following:

- a. Allow the obligor to enroll under dependent coverage a child who is eligible for coverage pursuant to the applicable terms and conditions of the health benefit plan and the standard enrollment guidelines of the insurer without regard to an enrollment season restriction.
- b. Enroll a child who is eligible for coverage under the applicable terms and conditions of the health benefit plan and the standard enrollment guidelines of the insurer, without regard to any time of enrollment restriction, under dependent coverage upon application by the obligee or other legal custodian of the child or by the department of human services

in the event an obligor required by a court order or administrative order fails to apply for coverage for the child.

c. Maintain coverage and not cancel the child's enrollment unless the insurer obtains satisfactory written evidence of any of the following:

- (1) The court order or administrative order is no longer in effect.
- (2) The child is eligible for or will enroll in comparable health coverage through an insurer which shall take effect not later than the effective date of the cancellation of enrollment of the original coverage.
- (3) The employer has eliminated dependent health coverage for its employees.

(4) The obligor is no longer paying the required premium because the employer no longer owes the obligor compensation, or because the obligor's employment has terminated and the obligor has not elected to continue coverage.

4. A group health plan shall establish reasonable procedures to determine whether a child is covered under a qualified medical child support order issued pursuant to chapter 252E. The procedures shall be in writing, provide for prompt notice of each person specified in the medical child support order as eligible to receive benefits under the group health plan upon receipt by the plan of the medical child support order, and allow an obligee or other legal custodian of the child under chapter 252E to designate a representative for receipt of copies of notices in regard to the medical child support order that are sent to the obligee or other legal custodian of the child and the department of human services' child support recovery unit.

5. For purposes of this section, unless the context otherwise requires:

a. "Child" means a person, other than an obligee's spouse or former spouse, who is recognized under a qualified medical

child support order as having a right to enrollment under a group health plan as the obligor's dependent.

b. "Court order" or "administrative order" means a ruling by a court or administrative agency in regard to the support an obligor shall provide to the obligor's child.

c. "Insurer" means an entity which offers a health benefit plan.

d. "Obligee" means an obligee as defined in section 252E.1.

e. "Obligor" means an obligor as defined in section 252E.1.

f. "Qualified medical child support order" means a child support order which creates or recognizes a child's right to receive health benefits for which the child is eligible under a group health benefit plan, describes or determines the type of coverage to be provided, specifies the length of time for which the order applies, and specifies the plan to which the order applies.

Sec. 15. NEW SECTION. 514C.10 COVERAGE FOR ADOPTED CHILD.

1. DEFINITIONS. For purposes of this section, unless the context otherwise requires:

a. "Child" means, with respect to an adoption or a placement for adoption of a child, an individual who has not attained age eighteen as of the date of the issuance of a final adoption decree, or upon an interlocutory adoption decree becoming a final adoption decree, as provided in chapter 600, or as of the date of the placement for adoption.

b. "Placement for adoption" means the assumption and retention of a legal obligation for the total or partial support of the child in anticipation of the adoption of the child. The child's placement with a person terminates upon the termination of such legal obligation.

2. COVERAGE REQUIRED. A policy or contract providing for third-party payment or prepayment of health or medical



expenses shall provide coverage benefits to a dependent child adopted by, or placed for adoption with, an insured or enrollee under the same terms and conditions as apply to a biological, dependent child of the insured or enrollee. The issuer of the policy or contract shall not restrict coverage under the policy or contract for a dependent child adopted by, or placed for adoption with, the insured or enrollee solely on the basis of a preexisting condition of such dependent child at the time that the child would otherwise become eligible for coverage under the plan, if the adoption or placement occurs while the insured or enrollee is eligible for coverage under the policy or contract. This section applies to the following classes of third-party payment provider contracts or policies delivered, issued for delivery, continued, or renewed in this state on or after July 1, 1995:

- a. Individual or group accident and sickness insurance providing coverage on an expense-incurred basis.
- b. An individual or group hospital or medical service contract issued pursuant to chapter 509, 514, or 514A.
- c. An individual or group health maintenance organization contract regulated under chapter 514B.
- d. An individual or group Medicare supplemental policy, unless coverage pursuant to such policy is preempted by federal law.
- e. An organized delivery system licensed by the director of public health.

Sec. 16. Section 514G.7, subsection 3, paragraphs a and b, Code 1995, are amended by striking the paragraphs and inserting in lieu thereof the following:

- a. A long-term care insurance policy or certificate shall not use a definition of preexisting condition which is more restrictive than the following: "Preexisting condition" means the existence of symptoms which would cause an ordinarily prudent person to seek diagnosis, care, or treatment, or a condition for which medical advice or treatment was

recommended by or received from a provider of health care services within six months preceding the effective date of coverage of an insured person.

- b. A long-term care insurance policy shall not exclude coverage for a loss or confinement which is the result of a preexisting condition unless the loss or confinement begins within six months following the effective date of coverage of an insured person.

Sec. 17. Section 514G.7, subsection 3, paragraph c, Code 1995, is amended by striking the paragraph.

Sec. 18. Section 514G.7, subsection 6, Code 1995, is amended by striking the subsection and inserting in lieu thereof the following:

6. RIGHT TO RETURN AFTER EXAMINATION. An individual long-term care insurance policyholder has the right to return the policy within thirty days of its delivery and to have the premium refunded if, after examination, the insured person is not satisfied for any reason. Long-term care insurance policies must have a notice prominently printed on the first page or attached to the first page stating in substance that the policyholder has the right to return the policy within thirty days of its delivery and to have the premium refunded as provided in this subsection.

Sec. 19. Section 515.8, Code 1995, is amended to read as follows:

515.8 PAID-UP CAPITAL REQUIRED.

An insurance company other than a life insurance company shall not be incorporated to transact business upon the stock plan with less than two million five hundred thousand dollars capital, the entire amount of which shall be fully paid up in cash and invested as provided by law. An insurance company other than a life insurance company shall not increase its capital stock unless the amount of the increase is fully paid up in cash. The stock shall be divided into shares of not less than one dollar each. An insurance company authorized to

do business in Iowa that undergoes a change of control as defined under chapter 521A shall maintain the minimum capital requirements mandated by this section.

Sec. 20. Section 515.10, Code 1995, is amended to read as follows:

515.10 SURPLUS REQUIRED.

An insurance company other than a life insurance company shall have, in addition to the required paid-up capital, a surplus in cash or invested in securities authorized by law of not less than two million five hundred thousand dollars. An insurance company authorized to do business in Iowa that undergoes a change of control as defined under chapter 521A shall maintain the minimum surplus requirements mandated by this section.

Sec. 21. Section 515.12, subsection 5, Code 1995, is amended to read as follows:

5. The mutual company shall have in cash or in securities in which insurance companies are authorized to invest, surplus in an amount not less than five million dollars. The surplus so required may be advanced in accordance with section 515.19. A mutual company authorized to do business in Iowa that undergoes a change of control as defined under chapter 521A shall maintain the minimum surplus requirements mandated by this section.

However, the surplus requirements do not apply to a company which establishes and maintains a guaranty fund as provided by section 515.20.

Sec. 22. Section 515.94, Code 1995, is amended to read as follows:

515.94 COPY OF APPLICATION -- DUTY TO ATTACH.

All insurance companies or associations shall, upon the issue or renewal of any policy, ~~attach-to-such-policy-or endorse-thereon~~ provide to the insured, a true copy of any application or representation of the assured insured which, by the terms of such policy, is made a part thereof of the

policy, or of the contract of insurance, or referred to therein in the contract of insurance, or which may in any manner affect the validity of such policy.

Sec. 23. Section 515.109, Code 1995, is amended to read as follows:

515.109 FORMS OF POLICIES AND ENDORSEMENTS -- APPROVAL.

1. The form of all policies, and of applications, and of agreements or endorsements modifying the provisions of policies, and of all permits and riders used generally throughout the state, issued or proposed to be issued by any insurance company doing business in this state under the provisions of this chapter, shall first be examined and approved by the commissioner of insurance.

2. The commissioner, upon a determination that the examination required under subsection 1 is unnecessary to achieve the purposes of this section, may exempt either of the following:

a. Any specified person by order, or any class of persons by rule.

b. Any specified risk by order, or any line or kind or insurance or subdivision of insurance or any class of risk or combination of classes of risks by rule.

Sec. 24. Section 515A.15, Code 1995, is amended to read as follows:

515A.15 ASSIGNED RISKS.

Agreements may shall be made among insurers with respect to the equitable apportionment among them of insurance which may be afforded applicants who are in good faith entitled to but who are unable to procure such insurance through ordinary methods and such insurers may agree among themselves on the use of reasonable rate modifications for such insurance, such the agreements and rate modifications to be subject to the approval of the commissioner.

For purposes of this section, "insurer" includes, in addition to insurers defined pursuant to section 515A.2, a

self-insurance association formed on or after July 1, 1995, pursuant to section 87.4 except for an association comprised of cities or counties, or both, or an association comprised of community colleges as defined in section 260C.2, which have entered into an agreement pursuant to chapter 28E for the purpose of establishing a self-insured program for the payment of workers' compensation benefits.

Sec. 25. Section 515F.5, subsection 4, Code 1995, is amended to read as follows:

4. Under rules adopted under chapter 17A, the commissioner may, by written order, suspend or modify the requirement of filing as to any kind of insurance, or subdivision or combination of insurance, or as to classes of risks, which are unnecessary to achieve the purposes of this chapter and the rates for which cannot practicably be filed before they are used. The commissioner may make an examination as the commissioner deems advisable to ascertain whether rates affected by the order meet the standards set forth in section 515F.4.

Sec. 26. Section 518.14, Code 1995, is amended by striking the section and inserting in lieu thereof the following:

518.14 INVESTMENTS.

1. GENERAL CONSIDERATIONS. The following considerations apply in the interpretation of this section:

a. This section applies to the investments of county mutual insurance associations.

b. The purpose of this section is to protect and further the interests of policyholders, claimants, creditors, and the public by providing standards for the development and administration of programs for the investment of the assets of associations organized under this chapter. These standards, and the investment programs developed by associations, shall take into account the safety of the association's principal, investment yield and growth, stability in the value of the investment, and liquidity necessary to meet the association's expected business needs, and investment diversification.

All investments made pursuant to this section shall have investment qualities and characteristics such that the speculative elements of the investments are not predominant.

c. Financial terms relating to county mutual insurance associations have the meanings assigned to them under statutory accounting methods. Financial terms relating to companies or associations other than county mutual insurance associations have the meanings assigned to them under generally accepted accounting principles.

d. Investments shall be valued in accordance with the valuation procedures established by the national association of insurance commissioners, unless the commissioner requires or finds another method of valuation reasonable under the circumstances.

e. If an investment qualifies under more than one subsection, an association may elect to hold the investment under the subsection of its choice. This section does not prevent an association from electing to hold an investment under a subsection different from the one under which it previously held the investment.

2. DEFINITIONS. For purposes of this section:

a. "Admitted assets", for purposes of computing percentage limitations on particular types of investments, means the assets which are authorized to be shown on the commissioner's annual statement blank as admitted assets as of the December 31 immediately preceding the date the association acquires the investment.

b. "Clearing corporation" means as defined in section 554.8102.

c. "Custodian bank" means as defined in section 554.8102.

d. "Issuer" means as defined in section 554.8201.

e. "Member bank" means a national bank, state bank, or trust company which is a member of the United States federal reserve system.

f. "National securities exchange" means an exchange registered under section 6 of the federal Securities Exchange Act of 1934 or an exchange regulated under the laws of Canada.

g. "Obligations" includes bonds, notes, debentures, transportation equipment certificates, domestic repurchase agreements, and obligations for the payment of money not in default as to payments of principal and interest on the date of investment, which constitute general obligations of the issuer or payable only out of certain revenues or certain funds pledged or otherwise dedicated for payment of principal and interest on the obligations. A lease is an obligation if the lease is assigned to the insurer and is nonterminable by the lessee upon foreclosure of any lien upon the leased property, and if rental payments are sufficient to amortize the investment over the primary lease term.

3. INVESTMENTS IN NAME OF ASSOCIATION OR NOMINEE AND PROHIBITIONS.

a. An association's investments shall be held in its own name or the name of its nominee, except as follows:

(1) Investments may be held in the name of a clearing corporation or of a custodian bank or in the name of the nominee of either on the following conditions:

(a) The clearing corporation, custodian bank, or nominee must be legally authorized to hold the particular investment for the account of others.

(b) When the investment is evidenced by a certificate and held in the name of a custodian bank or the nominee of a custodian bank, a written agreement shall provide that certificates so deposited shall at all times be kept separate and apart from other deposits with the depository, so that at all times they may be identified as belonging solely to the association making the deposit.

(c) If a clearing corporation is to act as depository, the investment may be merged or held in bulk in the name of the clearing corporation or its nominee with other investments

deposited with the clearing corporation by any other person, if a written agreement between the clearing corporation and the association provides that adequate evidence of the deposit is to be obtained and retained by the association or a custodian bank.

(2) An association may loan stocks or obligations held by it under this chapter to a broker-dealer registered under the federal Securities Exchange Act of 1934 or to a member bank. The loan must be evidenced by a written agreement which provides all of the following:

(a) That the loan will be fully collateralized by cash or obligations issued or guaranteed by the United States or an agency or an instrumentality of the United States, and that the collateral will be adjusted as necessary each business day during the term of the loan to maintain the required collateralization in the event of market value changes in the loaned securities or collateral.

(b) That the loan may be terminated by the association at any time, and that the borrower will return the loaned stocks or obligations within five business days after termination.

(c) That the association has the right to retain the collateral or use the collateral to purchase investments equivalent to the loaned securities if the borrower defaults under the terms of the agreement, and that the borrower remains liable for any losses and expenses incurred by the association due to default that are not covered by the collateral.

(3) An association may participate through a member bank in the United States federal reserve book entry system, and the records of the member bank shall at all times show that the investments are held for the association or for specific accounts of the association.

(4) An investment may consist of an individual interest in a pool of obligations or a fractional interest in a single obligation if the certificate of participation or interest or

the confirmation of participation or interest in the investment is issued in the name of the association, the name of the custodian bank, or the nominee of either, and, if the interest as evidenced by the certificate or confirmation is, if held by a custodian bank, kept separate and apart from the investments of others so that at all times the participation may be identified as belonging solely to the association making the investment.

(5) Transfers of ownership of investments held as described in paragraph "a", subparagraph (1), subparagraph subdivision (c), and subparagraphs (3) and (4), may be evidenced by bookkeeping entry on the books of the issuer of the investment, its transfer or recording agent, or the clearing corporation without physical delivery of a certificate evidencing the associations's investment.

b. Except as provided in paragraph "a", subparagraph (5), if an investment is not evidenced by a certificate, adequate evidence of the association's investment shall be obtained from the issuer or its transfer or recording agent and retained by the association, a custodian bank, or clearing corporation. Adequate evidence, for purposes of this paragraph, means a written receipt or other verification issued by the depository or issuer or a custodian bank which shows that the investment is held for the association.

4. INVESTMENTS. Except as otherwise permitted by this section, an association organized under this chapter shall only invest in the following:

a. UNITED STATES GOVERNMENT OBLIGATIONS. Obligations issued or guaranteed by the United States or an agency or instrumentality of the United States.

b. CERTAIN DEVELOPMENT BANK OBLIGATIONS. Obligations issued or guaranteed by the international bank for reconstruction and development, the Asian development bank, the inter-American development bank, the export-import bank, the world bank, or any United States government-sponsored

organization of which the United States is a member, if the principal and interest is payable in United States dollars. An association shall not invest more than five percent of its total admitted assets in the obligations of any one of these banks or organizations, and shall not invest more than a total of ten percent of its total admitted assets in the obligations authorized by this paragraph.

c. STATE OBLIGATIONS. Obligations issued or guaranteed by a state, a political subdivision of a state, or an instrumentality of a state.

d. CANADIAN GOVERNMENT OBLIGATIONS. Obligations issued or guaranteed by Canada, by an agency or province of Canada, by a political subdivision of such province, or by an instrumentality of any of those provinces or political subdivisions.

e. CORPORATE AND BUSINESS TRUST OBLIGATIONS. Obligations issued, assumed, or guaranteed by a corporation or business trust organized under the laws of the United States or a state, or the laws of Canada or a province of Canada, provided that an association shall not invest more than five percent of its admitted assets in the obligations of any one corporation or business trust. Investments shall be made only in investment grade bonds.

f. STOCKS. Common stocks, common stock equivalents, mutual fund shares, securities convertible into common stocks or common stock equivalents, or preferred stocks issued or guaranteed by a corporation incorporated under the laws of the United States or a state, or the laws of Canada or a province of Canada. Aggregate investments in nondividend paying stocks shall not exceed five percent of surplus.

(1) Stocks purchased under this lettered paragraph shall not exceed fifty percent of surplus. With the approval of the commissioner, an association may invest any amount in common stocks, preferred stocks, or other securities of one or more subsidiaries provided that after such investments the

association's surplus as regards policyholders will be reasonable in relation to the association's outstanding liabilities and adequate to its financial needs.

(2) An association shall not invest more than ten percent of its surplus in the stocks of any one corporation.

g. HOME OFFICE REAL ESTATE. Funds may be invested in a home office building, at the direction of the board of directors and with the prior approval of the commissioner of insurance. An association shall not invest more than twenty-five percent of its total admitted assets in such real estate. With the prior approval of the commissioner, an association may exceed the real estate investment limitation to effectuate a merger with, or the acquisition of, another association.

Sec. 27. Section 518.16, Code 1995, is amended by striking the section and inserting in lieu thereof the following:

518.16 QUALIFICATION OF AGENTS.

A person shall not solicit any application for insurance for an association in this state without having procured from the commissioner of insurance a license authorizing the person to act as an agent pursuant to chapter 522.

Sec. 28. NEW SECTION. 518.26 LOANS TO OFFICERS PROHIBITED.

Assets or other funds shall not be loaned directly or indirectly to an officer, director, or employee of the association, or directly or indirectly to a relative of an officer, director, or an employee of the association.

Sec. 29. NEW SECTION. 518.27 FORM -- APPROVAL.

The form of all policies, applications, agreements, and endorsements modifying the provisions of policies, and all permits and riders used in this state, issued or proposed to be issued by a county mutual insurance association doing business in this state under the provisions of this chapter, shall first be examined and approved by the commissioner of insurance.

Sec. 30. NEW SECTION. 518.28 FAILURE TO FILE COPY.

Upon the failure of a county mutual association to file a copy of its forms of policies or contracts pursuant to section 518.27, the commissioner of insurance may suspend its authority to transact business within the state until such forms of policies or contracts have been filed and approved.

Sec. 31. NEW SECTION. 518.29 DISAPPROVAL OF FILINGS.

If the commissioner finds that a filing does not meet the requirements of this chapter, written notice of disapproval shall be sent to the county mutual insurance association specifying in what respect the filing fails to meet the requirements of this chapter and stating that the filing is not effective. If a filing is disapproved by the commissioner, the association may request a hearing on the disapproval within thirty days. The association bears the burden of proving compliance with the standards established by this chapter.

If, at any time after a form has been approved, the commissioner finds that the form no longer meets the requirements of this chapter, the commissioner may order the discontinuance of the use of the form. The order of discontinuance shall be in writing and may be issued only after a hearing with at least ten days' prior notice to all county mutuals affected by the order. The order shall state the grounds upon which the order is based and when the order of discontinuance is effective.

Sec. 32. NEW SECTION. 518.30 CERTIFICATE SUSPENSION.

The commissioner of insurance may suspend a county mutual insurance association's certificate of authority to do business if the association neglects or fails to comply with this chapter.

Sec. 33. Section 518A.12, Code 1995, is amended by striking the section and inserting in lieu thereof the following:

518A.12 INVESTMENTS.

1. GENERAL CONSIDERATIONS. The following considerations apply in the interpretation of this section:

a. This section applies to the investments of mutual casualty assessment insurance associations.

b. The purpose of this section is to protect and further the interests of policyholders, claimants, creditors, and the public by providing standards for the development and administration of programs for the investment of the assets of associations organized under this chapter. These standards, and the investment programs developed by companies, shall take into account the safety of the association's principal, investment yield and growth, stability in the value of the investment, and liquidity necessary to meet the association's expected business needs, and investment diversification.

All investments made pursuant to this section shall have investment qualities and characteristics such that the speculative elements of the investments are not predominant.

c. Financial terms relating to mutual casualty assessment insurance associations have the meanings assigned to them under statutory accounting methods. Financial terms relating to companies other than mutual casualty assessment insurance associations have the meanings assigned to them under generally accepted accounting principles.

d. Investments shall be valued in accordance with the valuation procedures established by the national association of insurance commissioners, unless the commissioner requires or finds another method of valuation reasonable under the circumstances.

e. If an investment qualifies under more than one subsection, an association may elect to hold the investment under the subsection of its choice. This section does not prevent an association from electing to hold an investment under a subsection different from the one under which it previously held the investment.

2. DEFINITIONS. For purposes of this section:

a. "Admitted assets", for purposes of computing percentage limitations on particular types of investments, means the assets which are authorized to be shown on the national association of insurance commissioner's annual statement blank as admitted assets as of the December 31 immediately preceding the date the association acquires the investment.

b. "Clearing corporation" means as defined in section 554.8102.

c. "Custodian bank" means as defined in section 554.8102.

d. "Issuer" means as defined in section 554.8201.

e. "Member bank" means a national bank, state bank, or trust company which is a member of the United States federal reserve system.

f. "National securities exchange" means an exchange registered under section 6 of the federal Securities Exchange Act of 1934 or an exchange regulated under the laws of Canada.

g. "Obligations" includes bonds, notes, debentures, transportation equipment certificates, domestic repurchase agreements, and obligations for the payment of money not in default as to payments of principal and interest on the date of investment, which constitute general obligations of the issuer or payable only out of certain revenues or certain funds pledged or otherwise dedicated for payment of principal and interest on the obligations. A lease is an obligation if the lease is assigned to the insurer and is nonterminable by the lessee upon foreclosure of any lien upon the leased property, and if rental payments are sufficient to amortize the investment over the primary lease term.

3. INVESTMENTS IN NAME OF ASSOCIATION OR NOMINEE AND PROHIBITIONS.

a. An association's investments shall be held in its own name or the name of its nominee, except as follows:

(1) Investments may be held in the name of a clearing corporation or of a custodian bank or in the name of the nominee of either on the following conditions:

(a) The clearing corporation, custodian bank, or nominee must be legally authorized to hold the particular investment for the account of others.

(b) When the investment is evidenced by a certificate and held in the name of a custodian bank or the nominee of a custodian bank, a written agreement shall provide that certificates so deposited shall at all times be kept separate and apart from other deposits with the depository, so that at all times they may be identified as belonging solely to the association making the deposit.

(c) If a clearing corporation is to act as depository, the investment may be merged or held in bulk in the name of the clearing corporation or its nominee with other investments deposited with the clearing corporation by any other person, if a written agreement between the clearing corporation and the association provides that adequate evidence of the deposit is to be obtained and retained by the association or a custodian bank.

(2) An association may loan stocks or obligations held by it under this chapter to a broker-dealer registered under the federal Securities Exchange Act of 1934 or to a member bank. The loan must be evidenced by a written agreement which provides all of the following:

(a) That the loan will be fully collateralized by cash or obligations issued or guaranteed by the United States or an agency or an instrumentality of the United States, and that the collateral will be adjusted as necessary each business day during the term of the loan to maintain the required collateralization in the event of market value changes in the loaned securities or collateral.

(b) That the loan may be terminated by the association at any time, and that the borrower will return the loaned stocks or obligations within five business days after termination.

(c) That the association has the right to retain the collateral or use the collateral to purchase investments

equivalent to the loaned securities if the borrower defaults under the terms of the agreement, and that the borrower remains liable for any losses and expenses incurred by the association due to default that are not covered by the collateral.

(3) An association may participate through a member bank in the United States federal reserve book entry system, and the records of the member bank shall at all times show that the investments are held for the association or for specific accounts of the association.

(4) An investment may consist of an individual interest in a pool of obligations or a fractional interest in a single obligation if the certificate of participation or interest or the confirmation of participation or interest in the investment is issued in the name of the association, the name of the custodian bank, or the nominee of either, and, if the interest as evidenced by the certificate or confirmation is, if held by a custodian bank, kept separate and apart from the investments of others so that at all times the participation may be identified as belonging solely to the association making the investment.

(5) Transfers of ownership of investments held as described in paragraph "a", subparagraph (1), subparagraph subdivision (c), and subparagraphs (3) and (4), may be evidenced by bookkeeping entry on the books of the issuer of the investment, its transfer or recording agent, or the clearing corporation without physical delivery of a certificate evidencing the association's investment.

b. Except as provided in paragraph "a", subparagraph (5), if an investment is not evidenced by a certificate, adequate evidence of the association's investment shall be obtained from the issuer or its transfer or recording agent and retained by the association, a custodian bank, or clearing corporation. Adequate evidence, for purposes of this paragraph, means a written receipt or other verification



issued by the depository or issuer or a custodian bank which shows that the investment is held for the association.

4. INVESTMENTS. Except as otherwise permitted by this section, an association organized under this chapter shall only invest in the following:

a. UNITED STATES GOVERNMENT OBLIGATIONS. Obligations issued or guaranteed by the United States or an agency or instrumentality of the United States.

b. CERTAIN DEVELOPMENT BANK OBLIGATIONS. Obligations issued or guaranteed by the international bank for reconstruction and development, the Asian development bank, the inter-American development bank, the export-import bank, the world bank, or any United States government-sponsored organization of which the United States is a member, if the principal and interest is payable in United States dollars. An association shall not invest more than five percent of its total admitted assets in the obligations of any one of these banks or organizations, and shall not invest more than a total of ten percent of its total admitted assets in the obligations authorized by this paragraph.

c. STATE OBLIGATIONS. Obligations issued or guaranteed by a state, a political subdivision of a state, or an instrumentality of a state.

d. CANADIAN GOVERNMENT OBLIGATIONS. Obligations issued or guaranteed by Canada, by an agency or province of Canada, by a political subdivision of such province, or by an instrumentality of any of those provinces or political subdivisions.

e. CORPORATE AND BUSINESS TRUST OBLIGATIONS. Obligations issued, assumed, or guaranteed by a corporation or business trust organized under the laws of the United States or a state, or the laws of Canada or a province of Canada, provided that an association shall not invest more than five percent of its admitted assets in the obligations of any one corporation or business trust. Investments shall be made only in investment grade bonds.

f. STOCKS. Common stocks, common stock equivalents, mutual fund shares, securities convertible into common stocks or common stock equivalents, or preferred stocks issued or guaranteed by a corporation incorporated under the laws of the United States or a state, or the laws of Canada or a province of Canada. Aggregate investments in nondividend paying stocks shall not exceed five percent of surplus.

(1) Stocks purchased under this lettered paragraph shall not exceed fifty percent of surplus. With the approval of the commissioner, an association may invest any amount in common stocks, preferred stocks, or other securities of one or more subsidiaries provided that after such investments the association's surplus as regards policyholders will be reasonable in relation to the association's outstanding liabilities and adequate to its financial needs.

(2) An association shall not invest more than ten percent of its surplus in the stocks of any one corporation.

g. HOME OFFICE REAL ESTATE. Funds may be invested in a home office building, at the direction of the board of directors and with the prior approval of the commissioner of insurance. An association shall not invest more than twenty-five percent of its total admitted assets in such real estate. With the prior approval of the commissioner, an association may exceed the real estate investment limitation to effectuate a merger with, or the acquisition of, another association.

Sec. 34. Section 518A.17, unnumbered paragraph 3, Code 1995, is amended to read as follows:

Not less than fifty percent of such aggregate amount of assessments, and other sums paid by the members shall be returned to the members, either through the payment of losses or through discounts, credits, or dividends, to be credited on the assessments required for the current or succeeding year, or, at the discretion of the board of directors, may be set aside in-the-emergency-fund-as-defined-in-section-518A-12 as surplus to policyholders, but no sum less than forty percent

of such aggregate assessments, and other sums paid by the members, shall be returned to the members through payment of such losses or through discounts, credits, or dividends during the current or succeeding year.

Sec. 35. NEW SECTION. 518A.44 LIMITATION ON RISKS.

An association shall not expose itself to loss on any one risk or hazard to an amount exceeding ten percent of its surplus to policyholders unless one of the following applies:

1. The excess is reinsured in some other good and reliable company licensed to sell insurance in this state.

2. The excess is reinsured by a group of incorporated or individual unincorporated insurers who are authorized to sell insurance in at least one state of the United States and who possess assets which are held in trust for the benefit of the American policyholders in the sum of not less than fifty million dollars, and a certificate of such reinsurance shall be furnished to the insured.

3. The excess is reinsured with a company which has, with respect to the ceding insurer, created a trust fund, made a deposit, or obtained letters of credit, on terms satisfactory to the commissioner.

Sec. 36. NEW SECTION. 518A.51 LOANS TO OFFICERS PROHIBITED.

Assets or other funds shall not be loaned directly or indirectly to an officer, director, or employee of the association, or directly or indirectly to a relative of an officer, director, or employee of the association.

Sec. 37. NEW SECTION. 518A.52 FORM -- APPROVAL.

The form of all policies, applications, agreements, and endorsements modifying the provisions of policies, and all permits and riders used in this state, issued or proposed to be issued by a mutual casualty assessment insurance association doing business in this state under the provisions of this chapter, shall first be examined and approved by the commissioner of insurance.

Sec. 38. NEW SECTION. 518A.53 FAILURE TO FILE COPY.

Upon the failure of a mutual casualty assessment insurance association to file a copy of its forms of policies or contracts pursuant to section 518A.52, the commissioner of insurance may suspend its authority to transact business within the state until such forms of policies or contracts have been filed and approved.

Sec. 39. NEW SECTION. 518A.54 DISAPPROVAL OF FILINGS.

If the commissioner finds that a filing does not meet the requirements of this chapter, written notice of disapproval shall be sent to the mutual casualty assessment insurance association specifying in what respect the filing fails to meet the requirements of this chapter and stating that the filing is not effective. If a filing is disapproved by the commissioner, the association may request a hearing on the disapproval within thirty days. The association bears the burden of proving compliance with the standards established by this chapter.

If, at any time after a form has been approved, the commissioner finds that the form no longer meets the requirements of this chapter, the commissioner may order the discontinuance of the use of the form. The order of discontinuance shall be in writing and may be issued only after a hearing with at least ten days' prior notice to all mutual casualty assessment insurance associations affected by the order. The order shall state the grounds upon which the order is based and when the order of discontinuance is effective.

Sec. 40. NEW SECTION. 518A.55 CERTIFICATE SUSPENSION.

The commissioner of insurance may suspend a mutual casualty assessment insurance association's certificate of authority to do business if the association neglects or fails to comply with this chapter.

Sec. 41. Section 521.1, Code 1995, is amended to read as follows:

521.1 DEFINITIONS.

"Company" or "companies" when used in this chapter means a company or association organized under chapter 508, 511, 515, 518, 518A, or 520, except-county-mutuals and includes a mutual insurance holding company organized pursuant to section 521A.14.

Sec. 42. Section 521.2, Code 1995, is amended to read as follows:

521.2 LIFE COMPANIES -- CONSOLIDATION AND REINSURANCE.

No A company organized under the laws of this state to do the business of life insurance, either on the stock, mutual, stipulated premium, or assessment plan, shall not consolidate with any other company or reinsure its risks, or any part thereof of such risks, with any other company, or assume or reinsure the whole or any part of the risks of any other company, except as hereinafter provided; ~~provided that nothing contained in this chapter. However, this chapter shall not be construed to prevent any company, as defined in section 521.1, from reinsuring a fractional part of any single risk.~~

Sec. 43. NEW SECTION. 521.16 APPLICABILITY OF CHAPTER.

Chapter 521A is applicable to a merger or consolidation made pursuant to this chapter, and the provisions of chapter 521A and this chapter shall apply exclusively with respect to such merger or consolidation.

Sec. 44. NEW SECTION. 521A.14 MUTUAL INSURANCE HOLDING COMPANIES.

1. a. A domestic mutual insurance company upon approval of the commissioner, may reorganize by forming an insurance holding company based upon a mutual plan and continuing the corporate existence of the reorganizing insurance company as a stock insurance company. The commissioner, after a public hearing as provided in section 521A.3, subsection 4, paragraph "b", if satisfied that the interests of the policyholders are properly protected and that the plan of reorganization is fair and equitable to the policyholders, may approve the proposed plan of reorganization and may require as a condition of

approval such modifications of the proposed plan of reorganization as the commissioner finds necessary for the protection of the policyholder's interests. The commissioner may retain consultants as provided in section 521A.3, subsection 4, paragraph "c". A reorganization pursuant to this section is subject to section 521A.3, subsections 1, 2, and 3. The commissioner shall retain jurisdiction over a mutual insurance holding company organized pursuant to this section to assure that policyholder interests are protected.

b. All of the initial shares of the capital stock of the reorganized insurance company shall be issued to the mutual insurance holding company. The membership interests of the policyholders of the reorganized insurance company shall become membership interests in the mutual insurance holding company. Policyholders of the reorganized insurance company shall be members of the mutual insurance holding company in accordance with the articles of incorporation and bylaws of the mutual insurance holding company. The mutual insurance holding company shall at all times own a majority of the voting shares of the capital stock of the reorganized insurance company.

2. a. A domestic mutual insurance company, upon the approval of the commissioner, may reorganize by merging its policyholders membership interests into a mutual insurance holding company formed pursuant to subsection 1 and continuing the corporate existence of the reorganizing insurance company as a stock insurance company subsidiary of the mutual insurance holding company. The commissioner, after a public hearing as provided in section 521A.3, subsection 4, paragraph "b", if satisfied that the interest of the policyholders are properly protected and that the merger is fair and equitable to the policyholders, may approve the proposed merger and may require as a condition of approval such modifications of the proposed merger as the commissioner finds necessary for the protection of the policyholder's interests. The commissioner

may retain consultants as provided in section 521A.3, subsection 4, paragraph "c". A merger pursuant to this section is subject to section 521A.3, subsections 1, 2, and 3. The commissioner shall retain jurisdiction over the mutual insurance holding company organized pursuant to this section to assure that policyholder interests are protected.

b. All of the initial shares of the capital stock of the reorganized insurance company shall be issued to the mutual insurance holding company. The membership interests of the policyholders of the reorganized insurance company shall become membership interests in the mutual insurance holding company. Policyholders of the reorganized insurance company shall be members of the mutual insurance holding company in accordance with the articles of incorporation and bylaws of the mutual insurance holding company. The mutual insurance holding company shall at all times own a majority of the voting shares of the capital stock of the reorganized insurance company. A merger of policyholder's membership interests in a mutual insurance company into a mutual insurance holding company shall be deemed to be a merger of insurance companies pursuant to chapter 521 and chapter 521 is also applicable.

3. A mutual insurance holding company resulting from the reorganization of a domestic mutual insurance company organized under chapter 491 shall be incorporated pursuant to chapter 491. This requirement shall supersede any conflicting provisions of section 491.1. The articles of incorporation and any amendments to such articles of the mutual insurance holding company shall be subject to approval of the commissioner and the attorney general in the same manner as those of an insurance company.

4. A mutual insurance holding company is deemed to be an insurer subject to chapter 507C and shall automatically be a party to any proceeding under chapter 507C involving an insurance company which as a result of a reorganization

pursuant to subsection 1 or 2 is a subsidiary of the mutual insurance holding company. In any proceeding under chapter 507C involving the reorganized insurance company, the assets of the mutual insurance holding company are deemed to be assets of the estate of the reorganized insurance company for purposes of satisfying the claims of the reorganized insurance company's policyholders. A mutual insurance holding company shall not dissolve or liquidate without the approval of the commissioner or as ordered by the district court pursuant to chapter 507C.

5. a. Chapters 508B and 515G are not applicable to a reorganization or merger pursuant to this section.

b. Chapter 508B is applicable to demutualization of a mutual insurance holding company which resulted from the reorganization of a domestic mutual life insurance company organized under chapter 508 as if it were a mutual life insurance company.

c. Chapter 515G is applicable to demutualization of a mutual insurance holding company which resulted from the reorganization of a domestic mutual property and casualty insurance company organized under chapter 515 as if it were a mutual property and casualty insurance company.

6. A membership interest in a domestic mutual insurance holding company shall not constitute a security as defined in section 502.102.

Sec. 45. Section 521B.2, subsection 4, paragraph a, Code 1995, is amended to read as follows:

a. Credit is allowed if the reinsurance is ceded to an assuming insurer which maintains a trust fund in a qualified United States financial institution, as defined in section 521B.4, subsection 2, for the payment of the valid claims of its United States policyholders and ceding insurers, their assigns, and successors in interest. The assuming insurer shall report annually to the commissioner information substantially the same as that required to be reported on the

national association of insurance commissioners' annual statement form by licensed insurers to enable the commissioner to determine the sufficiency of the trust fund. In the case of a single assuming insurer, the trust shall consist of a trusted account representing the liabilities of the assuming insurer attributable to business written in the United States and, in addition, the assuming insurer shall maintain a trusted surplus of not less than twenty million dollars. In the case of a group of including individual unincorporated and incorporated underwriters, the trust shall consist of a trusted account representing the liabilities of the group attributable to business written in the United States and, in addition, the group shall maintain a trusted surplus of which one hundred million dollars shall be held jointly for the benefit of United States ceding insurers of any member of the group. The incorporated members of the group shall not engage in any business other than underwriting as a member of the group and shall be subject to the same level of solvency regulation and control by the group's domiciliary regulator as are the unincorporated members. The group shall make available to the commissioner an annual certification of the solvency of each underwriter by the group's domiciliary regulator and its independent public accountants.

Sec. 46. 1994 Iowa Acts, chapter 1072, section 9, is amended to read as follows:

SEC. 9. CREATION OF INSURANCE FRAUD BUREAU CONTINGENT UPON FUNDING. The creation of an insurance fraud bureau within the insurance division shall only be implemented, and sections 507E.2, 507E.4, 507E.5, 507E.6, and 507E.8 of this Act shall only be effective, if the state receives a federal grant for its implementation and the general assembly appropriates matching funds from the general fund of the state for its implementation.

Sec. 47. Sections 518A.33, 518A.34, and 518A.42, Code 1995, are repealed.

Sec. 48. The Code editor is directed to codify new section 521A.14, as enacted in this Act, as a separate division of chapter 521A.

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RON J. CORBETT  
Speaker of the House

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LEONARD L. BOSWELL  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 247, Seventy-sixth General Assembly.

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ELIZABETH ISAACSON  
Chief Clerk of the House

Approved , 1995

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TERRY E. BRANSTAD  
Governor