

# House Study Bill 178

## Bill Text

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1 1 Section 1. Section [507.3](#), subsection 1, Code 1997, is  
1 2 amended to read as follows:  
1 3 1. Upon determining that an examination should be  
1 4 conducted, the commissioner or the commissioner's designee may  
1 5

~~issue an examination warrant appointing~~  
~~appoint~~ one or more  
1 6 examiners to perform the examination and

~~instructing~~  
~~instruct~~  
1 7 them as to the scope of the examination. In conducting the  
1 8 examination, the examiner shall observe those guidelines and  
1 9 procedures set forth in the examiners' handbook adopted by the  
1 10 national association of insurance commissioners. The  
1 11 commissioner may also employ other guidelines as the  
1 12 commissioner deems appropriate.  
1 13 Sec. 2. Section [507C.34](#), subsection 2, paragraph a,  
1 14 subparagraph (3), Code 1997, is amended to read as follows:  
1 15 (3) Claims falling within the priorities established in  
1 16 section 507C.42,

~~subsections~~  
~~subsection 1~~

~~and 2~~

~~and 2~~  
1 17 Sec. 3. Section [507C.42](#), Code 1997, is amended to read as  
1 18 follows:  
1 19 507C.42 PRIORITY OF DISTRIBUTION.  
1 20 The priority of distribution of claims from the insurer's  
1 21 estate shall be in accordance with the order in which each  
1 22 class of claims is set forth. Claims in each class shall be  
1 23 paid in full or adequate funds retained for the payment before  
1 24 the members of the next class receive any payment. Subclasses  
1 25 shall not be established within a class. The order of  
1 26 distribution of claims is:  
1 27 1. Class 1. The costs and expenses of administration,  
1 28 including but not limited to the following:  
1 29 a. The actual and necessary costs of preserving or  
1 30 recovering the assets of the insurer.  
1 31 b. Compensation for all authorized services rendered in  
1 32 the liquidation.  
1 33 c. Necessary filing fees.  
1 34 d. The fees and mileage payable to witnesses.  
1 35 e. Authorized reasonable attorney's fees and other  
2 1 professional services rendered in the liquidation.  
2 2 f. The reasonable expenses of a guaranty association or  
2 3 foreign guaranty association in handling claims.  
2 4

~~2. Class 2. Reasonable compensation to employees for~~

2 5

~~services performed to the extent that they do not exceed two~~

~~2 6~~

~~months of monetary compensation and represent payment for~~

~~2 7~~

~~services performed within one year before the filing of the~~

~~2 8~~

~~petition for liquidation or, if the rehabilitation preceded~~

~~2 9~~

~~liquidation, within one year before the filing of the petition~~

~~2 10~~

~~for rehabilitation. Officers and directors are not entitled~~

~~2 11~~

~~to the benefit of this priority. The priority is in lieu of~~

~~2 12~~

~~other similar priority which may be authorized by law as to~~

~~2 13~~

~~wages or compensation of employees.~~

~~2 14~~

~~3~~

~~2. Class~~

~~3~~

~~2. Claims under policies, including claims~~

~~2 15 of the federal or any state or local government, for losses~~

~~2 16 incurred, including third-party claims, claims against the~~

~~2 17 insurer for liability for bodily injury or for injury to or~~

~~2 18 destruction of tangible property which are not under policies,~~

~~2 19 claims of a guaranty association or foreign guaranty~~

~~2 20 association, and claims for unearned premium. Claims under~~

~~2 21 life insurance and annuity policies, whether for death~~

~~2 22 proceeds, annuity proceeds, or investment values, shall be~~

~~2 23 treated as loss claims. That portion of a loss,~~

~~2 24 indemnification for which is provided by other benefits or~~

~~2 25 advantages recovered by the claimant, shall not be included in~~

~~2 26 this class, other than benefits or advantages recovered or~~

~~2 27 recoverable in discharge of familial obligations of support or~~

~~2 28 by way of succession at death or as proceeds of life~~

~~2 29 insurance, or as gratuities. A payment by an employer to an~~

~~2 30 employee is not a gratuity.~~

~~2 31 3. Class 3. Claims of the federal government except those~~

~~2 32 under class 2.~~

~~2 33 4. Class 4. Reasonable compensation to employees for~~

~~2 34 services performed to the extent that they do not exceed two~~

~~2 35 months of monetary compensation and represent payment for~~

~~3 1 services performed within one year before the filing of the~~

~~3 2 petition for liquidation or, if the rehabilitation preceded~~

~~3 3 liquidation, within one year before the filing of the petition~~

~~3 4 for rehabilitation. Officers and directors are not entitled~~

~~3 5 to the benefit of this priority. The priority is in lieu of~~

3 6 other similar priority which may be authorized by law as to  
3 7 wages or compensation of employees.  
3 8

~~4~~  
- 5. Class

~~4~~  
- 5. Claims of general creditors, including  
3 9 claims of ceding and assuming reinsurers in their capacity as  
3 10 such, and subrogation claims.  
3 11

~~5~~  
- 6. Class

~~5~~  
- 6. Claims of  
~~the federal or~~  
- any state or  
3 12 local government except those under class

~~3~~  
- 2. Claims,  
3 13 including those of a governmental body for a penalty or  
3 14 forfeiture, are allowed in this class only to the extent of  
3 15 the pecuniary loss sustained from the act, transaction, or  
3 16 proceeding out of which the penalty or forfeiture arose, with  
3 17 reasonable and actual costs incurred. The remainder of such  
3 18 claims shall be postponed to the class of claims under  
3 19 subsection

~~8~~  
- 9.  
3 20

~~6~~  
- 7. Class

~~6~~  
- 7. Claims filed late or any other claims  
3 21 other than claims under subsections

~~7~~  
- 8 and

~~8~~  
- 9.  
3 22

~~7~~  
- 8. Class

~~7~~  
- 8. Surplus or contribution notes, or similar  
3 23 obligations, and premium refunds on assessable policies.  
3 24 Payments to members of domestic mutual insurance companies are  
3 25 limited in accordance with law.  
3 26

~~8~~  
- 9. Class

~~8~~  
- 9. The claims of shareholders or other  
3 27 owners.

3 28 Sec. 4. Section [507C.59](#), Code 1997, is amended to read as  
3 29 follows:

3 30 507C.59 SUBORDINATION OF CLAIMS FOR NONCOOPERATION.

3 31 If an ancillary receiver in another state or foreign  
3 32 country, whether called by that name or not, fails to transfer  
3 33 to the domiciliary liquidator in this state assets within the  
3 34 ancillary receiver's control other than special deposits,  
3 35 diminished only by the expenses of the ancillary receivership,  
4 1 the claims filed in the ancillary receivership, other than  
4 2 special deposit claims or secured claims, shall be placed in  
4 3 the class of claims under section 507C.42, subsection

~~7~~

~~8.~~

4 4 Sec. 5. Section [508.10](#), Code 1997, is amended by adding  
4 5 the following new unnumbered paragraph:

4 6 NEW UNNUMBERED PARAGRAPH. A foreign company authorized to  
4 7 do business in this state shall not assumptively reinsure a  
4 8 block of business which includes policyholders residing in  
4 9 this state to a company not authorized to do business in this  
4 10 state without the prior written approval of the commissioner.

4 11 Sec. 6. Section [508.14](#), Code 1997, is amended to read as  
4 12 follows:

4 13 508.14 VIOLATION BY DOMESTIC COMPANY - DISSOLUTION OR  
4 14 ADMINISTRATIVE PENALTY.

4 15 1. Upon a failure of a company organized under the laws of  
4 16 this state to make the deposit provided in section 511.8,  
4 17 subsection 16, or file the statement in the time herein  
4 18 stated, or to file in a timely manner any financial statement  
4 19 required by rule of the commissioner of insurance, the  
4 20 commissioner of insurance shall notify the attorney general of  
4 21 the default, who shall at once apply to the district court of  
4 22 the county where the home office of the company is located for  
4 23 an order requiring the company to show cause, upon reasonable  
4 24 notice to be fixed by the court, why its business shall not be  
4 25 discontinued. If, upon the hearing,

~~no~~

- sufficient cause is

4 26 not shown, the court shall decree its dissolution.

4 27 2. In lieu of a district court action authorized by this  
4 28 section, the commissioner may impose an administrative penalty  
4 29 of

~~three~~

- five hundred dollars upon the company. The right of  
4 30 the company to transact further new business in this state  
4 31 shall immediately cease until the requirements of this chapter  
4 32 have been fully complied with.

4 33 3. The commissioner may give notice to a company, which  
4 34 has failed to file evidence of deposit and all delinquent  
4 35 statements within the time fixed, that the company is in  
5 1 violation of this section. If the company fails to file  
5 2 evidence of deposit and all delinquent statements within ten  
5 3 days of the date of the notice, the company is subject to an  
5 4 additional administrative penalty of one hundred dollars for  
5 5 each day the failure continues.

5 6 4. Amounts received by the commissioner pursuant to  
5 7 subsections 2 and 3 shall be paid to the treasurer of state  
5 8 for deposit in the general fund of the state as provided in  
5 9 section 505.7.

5 10 Sec. 7. Section [511.36](#), subsection 2, Code 1997, is  
5 11 amended to read as follows:

5 12 2. The rate of interest charged on a policy loan made  
5 13 under subsection 1, paragraph "b", shall not exceed the  
5 14 greater of the following:

5 15 a. The published monthly average for the calendar month

5 16 ending two months before the date on which the rate is  
5 17 determined. For purposes of this subsection, "published  
5 18 monthly average" means one of the following:  
5 19 (1) Moody's corporate bond yield average-monthly average  
5 20 corporates as published in Moody's investors service, inc., or  
5 21 any successor to the investors service.  
5 22 (2) If Moody's corporate bond yield average-monthly  
5 23 average corporates is no longer published, a substantially  
5 24 similar average established by rule issued by the commissioner  
5 25 of insurance.  
5 26

~~On or before the first day of each month, the commissioner~~

5 27

~~of insurance shall determine the published monthly average for~~

5 28

~~the calendar month ending one month before the date on which~~

5 29

~~the monthly average is determined, and publish the rate, as a~~

5 30

~~notice in the Iowa administrative bulletin or as a legal~~

5 31

~~notice in a newspaper of general circulation published in Polk~~

5 32

~~county prior to the first day of the following calendar month.~~

5 33

~~This published monthly average is effective on the first day~~

5 34

~~of the following calendar month. The determination of this~~

5 35

~~published monthly average by the commissioner of insurance is~~

6 1

~~exempt from chapter 17A.~~

6 2 b. The rate used to compute the cash surrender values  
6 3 under the policy during the applicable period plus one percent  
6 4 per annum.

6 5 Sec. 8. Section [515.35](#), subsection 3, paragraph a,  
6 6 subparagraph (2), subparagraph subdivision (a), Code 1997, is  
6 7 amended to read as follows:

6 8 (a) That the loan will be fully collateralized by cash,  
6 9 cash equivalents, or obligations issued or guaranteed by the  
6 10 United States or an agency or an instrumentality of the United  
6 11 States, and that the collateral will be adjusted as necessary  
6 12 each business day during the term of the loan to maintain the  
6 13 required collateralization in the event of market value  
6 14 changes in the loaned securities or collateral.

6 15 Sec. 9. Section [515.51](#), Code 1997, is amended to read as  
6 16 follows:

6 17 515.51 POLICIES - EXECUTION - REQUIREMENTS.

6 18 All policies or contracts of insurance made or entered into  
6 19 by the company may be made either with or without the seal of  
6 20 the company, but shall be subscribed by the president, or such  
6 21 other officer as may be designated by the directors for that  
6 22 purpose, and be attested to by the secretary of the company.  
6 23

~~A policy or contract authorized by this chapter shall not be~~

6 24

~~delivered in this state unless it is an individual policy or~~

6 25

~~contract form~~

~~A group motor vehicle or group homeowners policy~~

6 26 shall not be written or delivered within this state unless  
6 27 such policy is an individual policy or contract form.

6 28 Sec. 10. NEW SECTION. 515.68A FOREIGN COMPANIES -  
6 29 REINSURANCE.

6 30 A foreign company authorized to do business in this state  
6 31 shall not assumptively reinsure a block of business which  
6 32 includes policyholders residing in this state to a company not  
6 33 authorized to do business in this state without the prior  
6 34 written approval of the commissioner.

6 35 Sec. 11. Section [515B.1](#), Code 1997, is amended by striking  
7 1 the section and inserting in lieu thereof the following:

7 2 515B.1 SCOPE.

7 3 This chapter shall apply to all kinds of direct insurance  
7 4 authorized to be written by an insurer licensed to operate in  
7 5 this state under chapter 515 or chapter 520, but shall not be  
7 6 applicable to the following:

7 7 1. Life, annuity, health, or disability insurance.

7 8 2. Mortgage guaranty, financial guaranty or other forms of  
7 9 insurance offering protection against investment risks.

7 10 3. Fidelity or surety bonds, or any other bonding  
7 11 obligations.

7 12 4. Credit insurance, vendors' single interest insurance,  
7 13 or collateral protection insurance or any similar insurance  
7 14 protecting the interests of a creditor arising out of a  
7 15 creditor-debtor transaction.

7 16 5. Insurance warranties or service contracts, including  
7 17 insurance that provides for the repair, replacement, or  
7 18 service of goods or property, or indemnification for repair,  
7 19 replacement, or service, for the operational or structural  
7 20 failure of the goods or property due to a defect in materials,  
7 21 workmanship, or normal wear and tear, or provides  
7 22 reimbursement for the liability incurred by the issuer of  
7 23 agreements or service contracts that provide such benefits.

7 24 6. Title insurance.

7 25 7. Ocean marine insurance.

7 26 8. A transaction or combination of transactions between a  
7 27 person, including affiliates of such person, and an insurer,  
7 28 including affiliates of such insurer, which involves the  
7 29 transfer of investment or credit risk unaccompanied by  
7 30 transfer of insurance risk.

7 31 9. Insurance provided by or guaranteed by government.

7 32 Sec. 12. Section [515B.2](#), Code 1997, is amended by adding  
7 33 the following new subsection:

7 34 NEW SUBSECTION. 1A. "Claimant" means an insured making a  
7 35 first party claim or any person instituting a liability claim  
8 1 against an insolvent insurer. "Claimant" does not include a  
8 2 person who is an affiliate of an insolvent insurer.

8 3 Sec. 13. Section [515B.5](#), subsection 1, paragraph a, Code  
8 4 1997, is amended by striking the paragraph and inserting in  
8 5 lieu thereof the following:

8 6 a. Be obligated to pay covered claims existing prior to  
8 7 the final order of liquidation and arising within thirty days  
8 8 after the final order of liquidation, or before the policy  
8 9 expiration date if less than thirty days after the final order  
8 10 of liquidation, or before the insured replaces the policy or  
8 11 causes its cancellation, if the insured does so within thirty  
8 12 days of the final order of liquidation. Such obligation shall  
8 13 be satisfied by paying to the claimant an amount as follows:

8 14 (1) The full amount of a covered claim for benefits under  
8 15 a workers' compensation insurance coverage.

8 16 (2) An amount in excess of one hundred dollars but not  
8 17 exceeding ten thousand dollars per policy for a covered claim  
8 18 for the return of unearned premium.

8 19 (3) An amount not exceeding the lesser of the policy  
8 20 limits or three hundred thousand dollars per claim for all  
8 21 covered claims for all damages arising out of any one or  
8 22 series of accidents, occurrences, or incidents, regardless of  
8 23 the number of persons making claims or the number of  
8 24 applicable policies.

8 25 Sec. 14. Section [515B.5](#), subsection 1, paragraph c, Code  
8 26 1997, is amended by adding the following new unnumbered  
8 27 paragraph:

8 28 NEW UNNUMBERED PARAGRAPH. The association shall also have  
8 29 the right to pursue and retain for its own account salvage and  
8 30 subrogation recoverable on paid covered claim obligations. An  
8 31 obligation of the association to defend an insured shall cease  
8 32 upon the association's payment of an amount equal to the  
8 33 lesser of the association's covered claim obligation or the  
8 34 applicable policy limits.

8 35 Sec. 15. Section [515B.8](#), subsection 2, Code 1997, is  
9 1 amended to read as follows:

9 2 2. The association and any similar entity in another state  
9 3 shall be recognized as claimants in the liquidation of an  
9 4 insolvent insurer for any amounts paid by them on covered  
9 5 claim obligations as determined under this chapter or under  
9 6 similar law in another state, and shall receive dividends and  
9 7 any other distributions at the priority set forth under the  
9 8 applicable liquidation law. The receiver, liquidator, or  
9 9 statutory successor of an insolvent insurer shall be bound by  
9 10 determinations of covered claim eligibility under this chapter  
9 11 and by settlements of covered claims made by the association  
9 12 or a similar organization in another state. The court having  
9 13 jurisdiction shall grant such claims priority

~~including the~~

9 14

~~deductible portion thereof,~~

~~equal to that which the claimant~~

9 15 would have been entitled in the absence of this chapter

9 16 against the assets of the insolvent insurer

~~over all other~~

9 17

~~claims not having statutory or secured priority~~

~~The expenses~~

9 18 of the association or similar organization in handling claims  
9 19 shall be accorded the same priority as the liquidator's  
9 20 expenses.

9 21 Sec. 16. Section [515B.15](#), unnumbered paragraph 1, Code  
9 22 1997, is amended to read as follows:

9 23 All proceedings to which the insolvent insurer is a party  
9 24 or in which it is obligated to defend a party shall be stayed  
9 25 from the date of the insolvency to and including the date set  
9 26 as the deadline for the filing of claims against the insolvent  
9 27 insurer or its receiver. However, upon application, the court  
9 28 having jurisdiction of the receivership, may lengthen or  
9 29 shorten the period, either as to all claims or as to any  
9 30 particular claim. The association may, at the option of the  
9 31 association, waive such stay as to specific cases involving  
9 32 covered claims.

9 33 Sec. 17. Section [515B.16](#), Code 1997, is amended to read as  
9 34 follows:

9 35 515B.16 ACTIONS AGAINST THE ASSOCIATION.

10 1 Actions against the association shall be brought against it  
10 2 in

~~its~~

~~the association's own name and only~~ in the Polk county

10 3 district court. Service of original notice in actions against  
10 4 the association may be made on any officer thereof or upon the  
10 5 commissioner of insurance on its behalf. The commissioner  
10 6 shall promptly transmit any notice so served upon the  
10 7 commissioner to the association.

10 8 Sec. 18. Section [518.7](#), Code 1997, is amended to read as  
10 9 follows:

10 10 518.7 OFFICERS AND DIRECTORS - ELECTION.

10 11 Officers or directors shall be elected in the manner and  
10 12 for the length of time prescribed in the articles of  
10 13 incorporation. The same person shall not simultaneously hold  
10 14 the offices of president and secretary.

10 15 Sec. 19. Section [518A.6](#), Code 1997, is amended to read as  
10 16 follows:

10 17 518A.6 OFFICERS - ELECTION.

10 18 Officers or directors shall be elected in the manner and  
10 19 for the length of time prescribed in the articles of  
10 20 incorporation or bylaws. The same person shall not  
10 21 simultaneously hold the offices of president and secretary.

10 22 Sec. 20. Section [521.13](#), Code 1997, is amended to read as  
10 23 follows:

10 24 521.13 CONSOLIDATION PROHIBITED - EXCEPTION.

10 25

~~No~~

~~A~~ company or companies as described in section 521.1

10 26 shall not consolidate or reinsure except insofar as provided  
10 27 by section 515.49 with any other company or companies

~~not~~

10 28

~~authorized to transact business in this state~~

~~or any insurance~~

10 29 company or companies organized under the laws of another state  
10 30 without the commission's approval.

10 31 Sec. 21. Section [521A.1](#), subsection 6, unnumbered  
10 32 paragraph 1, Code 1997, is amended to read as follows:

10 33 "Insurer" means a company qualified and licensed by the  
10 34 insurance division to transact the business of insurance in  
10 35 this state by certificate issued pursuant to chapters 508,  
11 1 514B, 515,

~~518A,~~

~~515E,~~ and 520, except that it shall not

11 2 include:

11 3 Sec. 22. Section [521A.3](#), subsection 4, paragraph a, Code  
11 4 1997, is amended to read as follows:

11 5 a. The commissioner shall approve any merger or other  
11 6 acquisition of control referred to in subsection 1

~~of this~~

11 7

~~section unless~~

- if, after a public hearing

~~thereon~~

- on such

11 8 merger or acquisition, the applicant has demonstrated to the  
11 9 commissioner

~~finds any~~

- all of the following:

11 10 (1) After the change of control the domestic insurer  
11 11 referred to in subsection 1

~~of this section would not~~

- will be

11 12 able to satisfy the requirements for the issuance of a license  
11 13 to write the line or lines of insurance for which it is  
11 14 presently licensed.

11 15 (2) The effect of the merger or other acquisition of  
11 16 control

~~would be~~

- will not substantially

~~to~~

- lessen competition

11 17 in insurance in this state

~~or tend to create a monopoly~~

11 18

~~therein~~

11 19 (3) The financial condition of any acquiring party

~~is such~~

11 20

~~as might~~

- will not jeopardize the financial stability of the

11 21 insurer, or prejudice the interest of its policyholders.

11 22 (4) The plans or proposals which the acquiring party has  
11 23 to liquidate the insurer, sell its assets or consolidate or  
11 24 merge it with any person, or to make any other material change  
11 25 in its business or corporate structure or management, are not  
11 26 unfair

~~and~~

- or unreasonable to policyholders of the insurer and

11 27 are not

~~in~~

- contrary to the public interest.

11 28 (5) The competence, experience, and integrity of those  
11 29 persons who would control the operation of the insurer are  
11 30

~~such that it would not be in the interest~~

- sufficient to

11 31 indicate that the interests of policyholders of the insurer  
11 32 and of the public

~~to permit~~

- will not be jeopardized by the

11 33 merger or other acquisition of control.

11 34 Sec. 23. Section [515B.25](#), Code 1997, is repealed.

11 35 EXPLANATION

12 1 This bill amends provisions of the insurance code relating  
12 2 generally to the operation and regulation of insurers and the  
12 3 operation of the insurance division of the department of  
12 4 commerce.

12 5 Code section 507.3 is amended by striking language  
12 6 requiring the commissioner to issue an examination warrant  
12 7 when appointing an examiner.

12 8 Code section 507C.34 is amended by striking certain claims  
12 9 for which amounts are to be reserved as indicated in the  
12 10 proposal of the liquidator of an insolvent insurer. This  
12 11 change is a conforming change as a result of the amendment to  
12 12 section 507C.42.

12 13 Code section 507C.42 relates to the priority of  
12 14 distribution of claims from an insurer's estate and is amended  
12 15 by establishing a separate class of claims related to the  
12 16 federal government. These claims are third in priority.  
12 17 Currently, these claims are fifth in priority and included  
12 18 with a class of claims including those of state and local  
12 19 governments. The section is also amended by moving the  
12 20 existing class 2 claims to class 4. These claims include  
12 21 reasonable compensation to employees involved in the  
12 22 liquidation.

12 23 Code section 507C.59 is amended to conform with the  
12 24 amendments to section 507C.42.

12 25 Code section 508.10 is amended to prevent a foreign life  
12 26 insurance company from assumptively reinsuring a block of  
12 27 business which includes Iowa policyholders to a company not  
12 28 authorized to transact business in Iowa without the prior  
12 29 written approval of the commissioner.

12 30 Code section 508.14 is amended by increasing from \$300 to  
12 31 \$500 an administrative penalty which may be levied against an  
12 32 insurance company failing to make a required deposit or timely  
12 33 file certain statements. The levy of the administrative  
12 34 penalty is in lieu of district court action which is currently  
12 35 authorized. Additionally, the company's authority to transact  
13 1 new business immediately ceases until the requirements of the  
13 2 section are met. The commissioner may give notice to a  
13 3 company that is in violation of the section. If the company  
13 4 fails to file evidence of deposit and the statement as  
13 5 required after notice, the company is subject to an additional  
13 6 administrative penalty of \$100 for each day the failure  
13 7 continues. Amounts received by the commissioner under this  
13 8 section are to be deposited in the general fund of the state.

13 9 Code section 511.36 is amended by striking language which  
13 10 specifically directs the insurance commissioner to determine  
13 11 the published monthly average which is the interest rate which  
13 12 may be charged on life insurance policy loans associated with  
13 13 policies issued after July 1, 1984. The published monthly  
13 14 average is defined in the section as the Moody's corporate  
13 15 bond yield average-monthly average corporates as published in  
13 16 Moody's investors service, inc., or any successor to the  
13 17 investors service, or, if Moody's corporate bond yield  
13 18 average-monthly average corporates is no longer published, a  
13 19 substantially similar average established by rule issued by  
13 20 the commissioner of insurance.

13 21 Code section 515.51 is amended to provide that a group  
13 22 motor vehicle or group homeowners policy or contract of  
13 23 insurance shall not be written or delivered in Iowa unless the

13 24 policy is an individual policy or contract form. Currently,  
13 25 all policies or contracts of insurance, other than life  
13 26 insurance, are prohibited from being delivered unless such  
13 27 policies or contracts are an individual policy or contract  
13 28 form.

13 29 New Code section 515.68A is created and prohibits a foreign  
13 30 nonlife insurance company from assumptively reinsuring a block  
13 31 of business which includes Iowa policyholders to a company not  
13 32 authorized to transact business in Iowa without the prior  
13 33 written approval of the commissioner.

13 34 Code section 515B.1, establishing the scope of the chapter  
13 35 regarding the insurance guaranty association, is amended to  
14 1 expand the exemptions to the applicability of the chapter to  
14 2 include vendor's single interest insurance, collateral  
14 3 protection insurance, or similar coverage arising out of a  
14 4 creditor-debtor transaction; insurance warranties or service  
14 5 contracts; annuity insurance; and insurance provided by or  
14 6 guaranteed by government.

14 7 Code section 515B.2 is amended to define the term  
14 8 "claimant" as an insured making a first party claim or a  
14 9 person instituting a liability claim against an insolvent  
14 10 insurer.

14 11 Code section 515B.5 is amended by striking language  
14 12 providing that the guaranty fund is obligated for the amount  
14 13 of a covered claim which is in excess of \$100 and less than  
14 14 \$300,000 for all damages arising out of any one accident,  
14 15 occurrence, or incident regardless of the number of persons  
14 16 making claims. The bill provides that the obligation of the  
14 17 fund is satisfied upon payment to the claimant of an amount in  
14 18 excess of \$100 but not exceeding \$10,000 per policy for a  
14 19 covered claim for the return of unearned premium. The bill  
14 20 provides that the association has a right to pursue for its  
14 21 own account, salvage and subrogation recoverable on paid  
14 22 claims. The bill also provides that the guaranty  
14 23 association's obligation to defend against a claim ceases upon  
14 24 the payment of the lesser of the amount of the covered claim  
14 25 or the applicable policy limits.

14 26 Code section 515B.8 is amended to provide that the guaranty  
14 27 association or other similar out-of-state entity shall be  
14 28 recognized as a claimant in the liquidation of an insolvent  
14 29 insurer to the extent of amounts paid for covered claims.

14 30 Code section 515B.15 is amended to permit the guaranty  
14 31 association to waive a stay of proceedings with respect to  
14 32 specific covered claims.

14 33 Code section 515B.16 is amended to provide that an action  
14 34 against the guaranty association can only be brought against  
14 35 the association in Polk county district court.

15 1 Code sections 518.7 (county mutual insurance associations)  
15 2 and 518A.6 (mutual casualty assessment insurance associations)  
15 3 are amended to provide that the same person is prohibited from  
15 4 simultaneously holding the offices of president and secretary  
15 5 of such associations.

15 6 Code section 521.13 is amended to prohibit the  
15 7 consolidation of certain insurance companies and associations  
15 8 without the approval of the commission created under that  
15 9 chapter.

15 10 The definition of "insurer" contained in chapter 521A  
15 11 (insurance holding company systems) is amended to exclude  
15 12 mutual casualty assessment insurance associations under  
15 13 chapter 518A and include risk retention groups and purchasing  
15 14 groups under chapter 515E.

15 15 Code section 521A.3 is amended to provide that the  
15 16 commissioner shall approve a merger or other acquisition of  
15 17 control of a domestic insurer if, after public hearing, the  
15 18 applicant has made an affirmative showing of certain facts.  
15 19 Currently, the commissioner is to approve the merger unless,  
15 20 after public hearing, the commissioner finds that any of the

15 21 existing factors have not been met.  
15 22 Code section 515B.25 is repealed and pertains to the early  
15 23 access to assets of an insolvent insurer by the receiver for  
15 24 distribution.  
15 25 LSB 1334DP 77  
15 26 mj/sc/14.2