

FILED FEB 18 1997

SENATE FILE 160
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 108)

(P. 358)

Passed Senate, Date 2-24-97 Passed House, Date 3/5/97 (P. 506)
Vote: Ayes 46 Nays 0 Vote: Ayes 95 Nays 0
Approved March 13, 1997

A BILL FOR

1 An Act relating to funds held by life insurance companies and
2 providing an effective date.

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

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S.F. 160

1 Section 1. Section 508.32, Code 1997, is amended by adding
2 the following new unnumbered paragraphs:

3 NEW UNNUMBERED PARAGRAPH. As used in this section, life
4 insurance policies and annuity contracts include accident and
5 health insurance policies and contracts, and include
6 undertakings, duties, and obligations incidental to or in
7 furtherance of any such policies or contracts. As used in
8 this section, proceeds include additions and contributions.
9 Funds held by an insurance company as authorized by this
10 section may be held in a separate account established pursuant
11 to section 508A.1, except that section 508A.1, subsection 5,
12 shall not be applicable to such account. However, funds held
13 by an insurance company as authorized in this section shall
14 not be chargeable with liabilities arising out of any other
15 business the company may conduct.

16 NEW UNNUMBERED PARAGRAPH. An instrument or agreement
17 issued or used by an insurance company as authorized by this
18 section does not constitute a security as defined in section
19 502.102.

20 Sec. 2. NEW SECTION. 508.32A FUNDS HELD IN CUSTODIAL OR
21 SIMILAR ACCOUNT.

22 A life insurance company organized under this chapter and
23 doing business in this state may hold funds, including
24 additions and contributions, as custodian in a custodial or
25 similar account in conjunction with an accident and health
26 insurance policy. Funds held by an insurance company as
27 authorized by this section may be invested by such company in
28 the manner specified in the account instrument or agreement,
29 and may be held in a separate account established pursuant to
30 section 508A.1. Funds held by an insurance company as
31 authorized by this section shall not be chargeable with
32 liabilities arising out of any other business the company may
33 conduct.

34 An instrument or agreement issued or used by an insurance
35 company as authorized by this section does not constitute a

1 security as defined in section 502.102.

2 Sec. 3. This Act, being deemed of immediate importance,
3 takes effect upon enactment.

4 EXPLANATION

5 This bill amends provisions of Code chapter 508 regarding
6 the ability of a life insurance company to hold funds in a
7 custodial or separate account for the purpose of a medical
8 savings account or similar account, as authorized under
9 federal or state law.

10 Code section 508.32 is amended to provide that life
11 insurance policies and annuity contracts include accident and
12 health insurance policies and contracts, and undertakings,
13 duties, and obligations which are incidental to or in
14 furtherance of such life insurance policies, annuity
15 contracts, and accident and health insurance policies and
16 contracts. The bill provides that a life insurance company
17 may hold funds in a separate account established pursuant to
18 section 508A.1, except that the requirement that the funds in
19 such separate account must be owned by the insurance company
20 and the prohibition against the insurance company holding
21 itself out as trustee do not apply. The bill provides that
22 funds held by an insurance company in conjunction with an
23 accident and health insurance policy are not chargeable with
24 liabilities arising out of any other business of the company.

25 New Code section 508.32A is created and authorizes a life
26 insurance company to hold funds as a custodian in a custodial
27 or similar account in conjunction with an accident and health
28 insurance policy. Funds held in such account are not
29 chargeable with liabilities arising out of any other business
30 of the company. The bill also provides that an instrument or
31 agreement issued or used by an insurance company as authorized
32 under this section does not constitute a security under
33 section 502.102.

34 The bill takes effect upon enactment.

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Maddox, Chair
Douglas
Gronstal

SSB 108

Commerce
Succeeded By

SENATE FILE SF HF 160
BY (PROPOSED COMMITTEE ON
COMMERCE BILL BY
CHAIRPERSON JENSEN)

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

A BILL FOR

1 An Act relating to funds held by insurance companies and
2 providing an effective date.

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

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1 Section 1. Section 508.32, Code 1997, is amended by adding
2 the following new unnumbered paragraphs:

3 NEW UNNUMBERED PARAGRAPH. As used in this section, life
4 insurance policies and annuity contracts include accident and
5 health insurance policies and contracts, and include
6 undertakings, duties, and obligations incidental to or in
7 furtherance of any such policies or contracts. As used in
8 this section, proceeds include additions and contributions.
9 Funds held by an insurance company as authorized by this
10 section may be held in a separate account established pursuant
11 to section 508A.1, except that section 508A.1, subsection 5,
12 shall not be applicable to such account. However, funds held
13 by an insurance company as authorized in this section shall
14 not be chargeable with liabilities arising out of any other
15 business the company may conduct.

16 NEW UNNUMBERED PARAGRAPH. Funds held by an insurance
17 company in conjunction with an accident and health insurance
18 policy as authorized by this section do not constitute a
19 security as defined in section 502.102.

20 Sec. 2. NEW SECTION. 508.32A FUNDS HELD IN CUSTODIAL OR
21 SIMILAR ACCOUNT.

22 A life insurance company organized under this chapter and
23 doing business in this state may hold funds, including
24 additions and contributions, as custodian in a custodial or
25 similar account in conjunction with an accident and health
26 insurance policy. Funds held by an insurance company as
27 authorized by this section may be invested by such company in
28 the manner specified in the account instrument or agreement.
29 Funds held by an insurance company as authorized by this
30 section shall not be chargeable with liabilities arising out
31 of any other business the company may conduct.

32 Funds held by an insurance company in conjunction with an
33 accident and health insurance policy as authorized by this
34 section do not constitute a security as defined in section
35 502.102.

1 Sec. 3. NEW SECTION. 508A.1A FUNDS HELD IN SEPARATE
2 ACCOUNT.

3 As used in section 508A.1, life insurance and annuities
4 include accident and health insurance policies and contracts,
5 and include undertakings, duties, and obligations incidental
6 to or in furtherance of any such policies or contracts. As
7 used in this section, proceeds and benefits include additions
8 and contributions.

9 Funds held by an insurance company in conjunction with an
10 accident and health insurance policy as authorized by this
11 section do not constitute a security as defined in section
12 502.102.

13 Sec. 4. This Act, being deemed of immediate importance,
14 takes effect upon enactment.

15 EXPLANATION

16 This bill amends provisions of Code chapters 508 and 508A
17 regarding the ability of a life insurance company to hold
18 funds in a custodial or separate account for the purpose of a
19 medical savings account or similar account, as authorized
20 under federal or state law.

21 Code section 508.32 is amended to provide that life
22 insurance policies and annuity contracts include accident and
23 health insurance policies and contracts, and undertakings,
24 duties, and obligations which are incidental to or in
25 furtherance of such life insurance policies, annuity
26 contracts, and accident and health insurance policies and
27 contracts. The bill provides that a life insurance company
28 may hold funds in a separate account established pursuant to
29 section 508A.1, except that the requirement that the funds in
30 such separate account must be owned by the insurance company
31 and the prohibition against the insurance company holding
32 itself out as trustee do not apply. The bill provides that
33 funds held by an insurance company in conjunction with an
34 accident and health insurance policy are not chargeable with
35 liabilities arising out of any other business of the company

1 and do not constitute a security under section 502.102.

2 New Code section 508.32A is created and authorizes a life
3 insurance company to hold funds as a custodian in a custodial
4 or similar account in conjunction with an accident and health
5 insurance policy. Funds held in such account are not
6 chargeable with liabilities arising out of any other business
7 of the company and do not constitute a security under section
8 502.102.

9 New Code section 508A.1 is created and provides that life
10 insurance and annuities include accident and health insurance
11 policies and contracts. Funds held in a separate account
12 pursuant to this section are not chargeable with liabilities
13 arising out of any other business of the company and do not
14 constitute a security under section 502.102.

15 The bill takes effect upon enactment.

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SENATE FILE 160

AN ACT

RELATING TO FUNDS HELD BY LIFE INSURANCE COMPANIES AND
PROVIDING AN EFFECTIVE DATE.

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

Section 1. Section 508.32, Code 1997, is amended by adding the following new unnumbered paragraphs:

NEW UNNUMBERED PARAGRAPH. As used in this section, life insurance policies and annuity contracts include accident and health insurance policies and contracts, and include undertakings, duties, and obligations incidental to or in furtherance of any such policies or contracts. As used in this section, proceeds include additions and contributions. Funds held by an insurance company as authorized by this section may be held in a separate account established pursuant to section 508A.1, except that section 508A.1, subsection 5, shall not be applicable to such account. However, funds held by an insurance company as authorized in this section shall not be chargeable with liabilities arising out of any other business the company may conduct.

NEW UNNUMBERED PARAGRAPH. An instrument or agreement issued or used by an insurance company as authorized by this section does not constitute a security as defined in section 502.102.

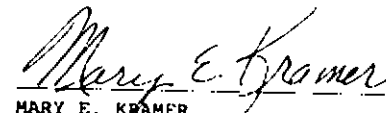
Sec. 2. NEW SECTION. 508.32A FUNDS HELD IN CUSTODIAL OR SIMILAR ACCOUNT.

A life insurance company organized under this chapter and doing business in this state may hold funds, including additions and contributions, as custodian in a custodial or similar account in conjunction with an accident and health insurance policy. Funds held by an insurance company as authorized by this section may be invested by such company in

the manner specified in the account instrument or agreement, and may be held in a separate account established pursuant to section 508A.1. Funds held by an insurance company as authorized by this section shall not be chargeable with liabilities arising out of any other business the company may conduct.

An instrument or agreement issued or used by an insurance company as authorized by this section does not constitute a security as defined in section 502.102.

Sec. 3. This Act, being deemed of immediate importance, takes effect upon enactment.


MARY E. KRAMER
President of the Senate


RON J. CORBETT
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 160, Seventy-seventh General Assembly.

Approved  March 13, 1997

TERRY E. BRANSTAD
Governor

MARY PAT GUNDERSON
Secretary of the Senate