

Substitutes for HF 2297
3/10/98

H- 3/4/98 Pursued on file

FILED FEB 28 1998

SENATE FILE 2279
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 2090)

Passed Senate, Date ^(P.543) 3/3/98 Passed House, ^(P.279) Date 3/10/98
Vote: Ayes 49 Nays 0 Vote: Ayes 93 Nays 0
Approved March 19, 1998

A BILL FOR

1 An Act relating to authorized investments by insurance companies
2 in obligations of foreign governments and foreign
3 corporations.

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

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S.F. 2279

1 Section 1. Section 511.8, subsection 19, unnumbered
2 paragraph 1, Code 1997, is amended to read as follows:

3 Bonds or other evidences of indebtedness, not to include
4 currency, issued, assumed, or guaranteed by a foreign
5 government other than Canada, or by a corporation incorporated
6 under the laws of a foreign government other than Canada. ~~Any~~
7 ~~such~~ Such governmental obligations must be valid, legally
8 authorized and issued, and on the date of acquisition have
9 predominantly investment qualities and characteristics as
10 provided by rule. ~~Any-such~~ Such corporate obligations must
11 meet the qualifications established in subsection 5 ~~of this~~
12 ~~section~~ for bonds and other evidences of indebtedness issued,
13 assumed, or guaranteed by a corporation incorporated under the
14 laws of the United States or Canada. Foreign investments
15 authorized by this subsection are not eligible in excess of
16 ~~two ten~~ percent of the legal reserve of the life insurance
17 company or association. Investments in obligations of a
18 foreign government other than Canada are not eligible in
19 excess of two percent of the legal reserve in the securities
20 of foreign governments of any one foreign nation. Investments
21 in a corporation incorporated under the laws of a foreign
22 government other than Canada are not eligible in excess of two
23 percent of the legal reserve in the securities of any one
24 foreign corporation.

25 Sec. 2. Section 515.35, subsection 4, paragraph i, Code
26 Supplement 1997, is amended to read as follows:

27 i. FOREIGN INVESTMENTS. Obligations of and investments in
28 foreign countries, as follows:

29 (1) A company may acquire and hold other investments in
30 foreign countries that are required to be held as a condition
31 of doing business in those countries, so long as such
32 investments are of substantially the same types as those
33 eligible for investment under this section.

34 (2) A company ~~may~~ shall not invest ~~not~~ more than two
35 percent of its admitted assets ~~in the obligations of foreign~~

1 governments,--corporations,--or-business-trusts,--or in the
2 stocks or stock equivalents of foreign corporations or
3 business trusts, other than the stocks or stock equivalents of
4 foreign corporations or business trusts incorporated or formed
5 under the laws of Canada, and then only if the obligations,
6 stocks, or stock equivalents of such foreign corporations or
7 business trusts are regularly traded on the New York, London,
8 Paris, Zurich, Hong Kong, Toronto, or Tokyo stock exchange, or
9 a similar exchange approved by the commissioner by rule or
10 order.

11 (3) A company may invest in the obligations of a foreign
12 government other than Canada or of a corporation incorporated
13 under the laws of a foreign government other than Canada. Any
14 such governmental obligation must be valid, legally authorized
15 and issued, and on the date of acquisition have predominantly
16 investment qualities and characteristics as provided by rule.
17 Any such corporate obligation must on the date of acquisition
18 have investment qualities and characteristics, and must not
19 have speculative elements which are predominant, as provided
20 by rule. A company shall not invest more than two percent of
21 its admitted assets in the obligations of a foreign government
22 other than Canada. A company shall not invest more than two
23 percent of its admitted assets in the obligations of a
24 corporation incorporated under the laws of a foreign
25 government other than a corporation incorporated under the
26 laws of Canada.

27 (4) A company shall not invest more than ten percent of
28 its admitted assets in foreign investments pursuant to this
29 paragraph.

30 EXPLANATION

31 This bill amends provisions relating to authorized
32 investments of domestic insurance companies in foreign
33 governments and foreign corporations. The bill amends Code
34 section 511.8, relating to life insurance companies and
35 associations, and Code section 515.35, relating to insurance

1 companies other than life insurance. The bill provides that
2 investments in foreign government obligations must, at the
3 time of acquisition, have predominantly investment qualities
4 and characteristics as provided by rule of the insurance
5 commissioner. The bill provides that investments in foreign
6 governments and foreign corporations are limited to an
7 investment of 2 percent of the company's assets in any one
8 foreign government or corporation, and limited to a total
9 investment of 10 percent of the company's assets in foreign
10 investments. The limitation is determined as a percentage of
11 the reserves of a life insurance company or the admitted
12 assets of a nonlife company. The limitation established does
13 not include investments in the government of Canada or
14 corporations incorporated under the laws of Canada.

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*Groutal
Douglas
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SSB 2090
Commerce
Succeeded By
SF/HF 2279

SENATE FILE
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 authorized investments by insurance companies
2 in obligations of foreign governments and foreign
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4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 511.8, subsection 19, unnumbered
2 paragraph 1, Code 1997, is amended to read as follows:

3 Bonds or other evidences of indebtedness, not to include
4 currency, issued, assumed, or guaranteed by a foreign
5 government other than Canada, or by a corporation incorporated
6 under the laws of a foreign government other than Canada. Any
7 such Such governmental obligations must be valid, legally
8 authorized and issued, and on the date of acquisition have
9 predominantly investment qualities and characteristics as
10 provided by rule. ~~Any-such~~ Such corporate obligations must
11 meet the qualifications established in subsection 5 ~~of this~~
12 ~~section~~ for bonds and other evidences of indebtedness issued,
13 assumed, or guaranteed by a corporation incorporated under the
14 laws of the United States or Canada. Foreign investments
15 authorized by this subsection are not eligible in excess of
16 two ten percent of the legal reserve of the life insurance
17 company or association. Investments in obligations of a
18 foreign government other than Canada are not eligible in
19 excess of two percent of the legal reserve in the securities
20 of foreign governments of any one foreign nation. Investments
21 in a corporation incorporated under the laws of a foreign
22 government other than Canada are not eligible in excess of two
23 percent of the legal reserve in the securities of any one
24 foreign corporation.

25 Sec. 2. Section 515.35, subsection 4, paragraph i, Code
26 Supplement 1997, is amended to read as follows:

27 i. FOREIGN INVESTMENTS. Obligations of and investments in
28 foreign countries, as follows:

29 (1) A company may acquire and hold other investments in
30 foreign countries that are required to be held as a condition
31 of doing business in those countries, so long as such
32 investments are of substantially the same types as those
33 eligible for investment under this section.

34 (2) A company may shall not invest not more than two
35 percent of its admitted assets ~~in-the-obligations-of-foreign~~

1 governments, corporations, or business trusts, or in the
 2 stocks or stock equivalents of foreign corporations or
 3 business trusts, other than the stocks or stock equivalents of
 4 foreign corporations or business trusts incorporated or formed
 5 under the laws of Canada, and then only if the obligations,
 6 stocks, or stock equivalents of such foreign corporations or
 7 business trusts are regularly traded on the New York, London,
 8 Paris, Zurich, Hong Kong, Toronto, or Tokyo stock exchange, or
 9 a similar exchange approved by the commissioner by rule or
 10 order.

11 (3) A company may invest in the obligations of a foreign
 12 government other than Canada or of a corporation incorporated
 13 under the laws of a foreign government other than Canada. Any
 14 such governmental obligation must be valid, legally authorized
 15 and issued, and on the date of acquisition have predominantly
 16 investment qualities and characteristics as provided by rule.
 17 Any such corporate obligation must on the date of acquisition
 18 have investment qualities and characteristics, and must not
 19 have speculative elements which are predominant, as provided
 20 by rule. A company shall not invest more than two percent of
 21 its admitted assets in the obligations of a foreign government
 22 other than Canada. A company shall not invest more than two
 23 percent of its admitted assets in the obligations of a
 24 corporation incorporated under the laws of a foreign
 25 government other than a corporation incorporated under the
 26 laws of Canada.

27 (4) A company shall not invest more than ten percent of
 28 its admitted assets in foreign investments pursuant to this
 29 paragraph.

30 EXPLANATION

31 This bill amends provisions relating to authorized
 32 investments of domestic insurance companies in foreign
 33 governments and foreign corporations. The bill amends Code
 34 section 511.8, relating to life insurance companies and
 35 associations, and Code section 515.35, relating to insurance

1 companies other than life insurance. The bill provides that
2 investments in foreign government obligations must, at the
3 time of acquisition, have predominantly investment qualities
4 and characteristics as provided by rule of the insurance
5 commissioner. The bill provides that investments in foreign
6 governments and foreign corporations are limited to an
7 investment of 2 percent of the company's assets in any one
8 foreign government or corporation, and limited to a total
9 investment of 10 percent of the company's assets in foreign
10 investments. The limitation is determined as a percentage of
11 the reserves of a life insurance company or the admitted
12 assets of a nonlife company. The limitation established does
13 not include investments in the government of Canada or
14 corporations incorporated under the laws of Canada.

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SENATE FILE 2279

AN ACT
RELATING TO AUTHORIZED INVESTMENTS BY INSURANCE COMPANIES IN OBLIGATIONS OF FOREIGN GOVERNMENTS AND FOREIGN CORPORATIONS.

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

Section 1. Section 511.8, subsection 19, unnumbered paragraph 1, Code 1997, is amended to read as follows:

Bonds or other evidences of indebtedness, not to include currency, issued, assumed, or guaranteed by a foreign government other than Canada, or by a corporation incorporated under the laws of a foreign government other than Canada. Any such Such governmental obligations must be valid, legally authorized and issued, and on the date of acquisition have predominantly investment qualities and characteristics as provided by rule. Any such Such corporate obligations must meet the qualifications established in subsection 5 of this section for bonds and other evidences of indebtedness issued, assumed, or guaranteed by a corporation incorporated under the laws of the United States or Canada. Foreign investments authorized by this subsection are not eligible in excess of two ten percent of the legal reserve of the life insurance company or association. Investments in obligations of a foreign government other than Canada are not eligible in excess of two percent of the legal reserve in the securities of foreign governments of any one foreign nation. Investments in a corporation incorporated under the laws of a foreign government other than Canada are not eligible in excess of two percent of the legal reserve in the securities of any one foreign corporation.

Sec. 2. Section 515.35, subsection 4, paragraph i, Code Supplement 1997, is amended to read as follows:

i. FOREIGN INVESTMENTS. Obligations of and investments in foreign countries, as follows:

(1) A company may acquire and hold other investments in foreign countries that are required to be held as a condition of doing business in those countries, so long as such investments are of substantially the same types as those eligible for investment under this section.

(2) A company may shall not invest not more than two percent of its admitted assets in the obligations of foreign governments, corporations, or business trusts, or in the stocks or stock equivalents of foreign corporations or business trusts, other than the stocks or stock equivalents of foreign corporations or business trusts incorporated or formed under the laws of Canada, and then only if the obligations, stocks, or stock equivalents of such foreign corporations or business trusts are regularly traded on the New York, London, Paris, Zurich, Hong Kong, Toronto, or Tokyo stock exchange, or a similar exchange approved by the commissioner by rule or order.

(3) A company may invest in the obligations of a foreign government other than Canada or of a corporation incorporated under the laws of a foreign government other than Canada. Any such governmental obligation must be valid, legally authorized and issued, and on the date of acquisition have predominantly investment qualities and characteristics as provided by rule. Any such corporate obligation must on the date of acquisition have investment qualities and characteristics, and must not have speculative elements which are predominant, as provided by rule. A company shall not invest more than two percent of its admitted assets in the obligations of a foreign government other than Canada. A company shall not invest more than two percent of its admitted assets in the obligations of a corporation incorporated under the laws of a foreign government other than a corporation incorporated under the laws of Canada.

(4) A company shall not invest more than ten percent of its admitted assets in foreign investments pursuant to this paragraph.

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 2279, Seventy-seventh General Assembly.

MARY PAT GUNDERSON
Secretary of the Senate

Approved March 19, 1998

TERRY E. BRANSTAD
Governor