

4/6/99 Returned to agriculture

MAR 17 1999

Place On Calendar

HOUSE FILE 699
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HF 406)

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

A BILL FOR

1 An Act relating to Iowa agricultural industry finance
2 corporations and investments by banks and insurance companies.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23

HF 699

1 Section 1. Section 12C.6A, subsection 4, paragraph g, Code
2 1999, is amended to read as follows:

3 g. Participation in local community and rural development
4 and redevelopment projects, and in state and federal business
5 and economic development programs, including investment in an
6 Iowa agricultural industry finance corporation formed under
7 the Iowa agricultural industry finance Act pursuant to chapter
8 15E or in an investment fund controlled by an Iowa
9 agricultural industry finance corporation.

10 Sec. 2. Section 511.8, Code 1999, is amended by adding the
11 following new subsection:

12 NEW SUBSECTION. 22. IOWA AGRICULTURAL INDUSTRY FINANCE
13 CORPORATIONS. The investment program of a company organized
14 under chapter 508 may include the shares or equity interests
15 in or the corporate debt of an Iowa agricultural industry
16 finance corporation. A company's investment in an Iowa
17 agricultural industry finance corporation shall not be subject
18 to any aggregate investment limitation on below investment
19 grade bonds. However, a company shall not invest more than
20 five percent of its capital and surplus in any number of Iowa
21 agricultural industry finance corporations. For purposes of
22 this subsection, all of the following shall apply:

23 a. The bond of an Iowa agricultural industry finance
24 corporation shall be valued as provided in subsection 17.

25 b. The shares or equity interest of an Iowa agricultural
26 industry finance corporation shall be valued at book value.

27 Sec. 3. Section 515.35, subsection 4, Code 1999, is
28 amended by adding the following new paragraph and relettering
29 subsequent paragraphs:

30 NEW PARAGRAPH. n. IOWA AGRICULTURAL INDUSTRY FINANCE
31 CORPORATIONS. A company organized under this chapter may
32 invest in an Iowa agricultural industry finance corporation by
33 holding the shares or equity interests in or the corporate
34 debt of an Iowa agricultural industry finance corporation. A
35 company's investment in an Iowa agricultural industry finance

1 corporation shall not be subject to the five percent aggregate
2 investment limitation on below investment grade bonds as
3 otherwise required in this subsection. However, a company
4 shall not invest more than five percent of its capital and
5 surplus in any number of Iowa agricultural industry finance
6 corporations. For purposes of this paragraph, the bond of an
7 Iowa agricultural industry finance corporation or the shares
8 or equity interest of an Iowa agricultural industry finance
9 corporation shall be valued as provided in subsection 1.

10

EXPLANATION

11 In 1998, the general assembly enacted Senate File 2415
12 (1998 Iowa Acts, ch. 1207) which allowed the formation of
13 agricultural industry finance corporations for the purpose of
14 encouraging local agricultural producer-led ventures to expand
15 production and processing of high value agricultural products.
16 This bill amends provisions relating to investments made by
17 banks and insurance companies. Code section 12C.6A requires
18 that public funds of the state be deposited in a bank which
19 demonstrates a commitment to serve the needs of the local
20 community in which it is chartered to do business. This
21 required commitment may be demonstrated by participation in
22 local community and rural development and redevelopment
23 projects, and in state and federal business and economic
24 development programs. This bill provides that the bank's
25 participation may include investment in an Iowa agricultural
26 industry finance corporation or an investment fund controlled
27 by an Iowa agricultural industry finance corporation.

28 Code sections 511.8 and 515.35 limit the types of
29 investments that life insurance companies and property and
30 casualty insurance companies may hold. The bill provides that
31 an insurance company may invest in an Iowa agricultural
32 industry finance corporation by holding shares or equity
33 interests in or the corporate debt of the corporation. The
34 bill does not restrict a company from investing in below
35 investment grade bonds. The bill provides that a company

1 cannot invest more than 5 percent of its capital and surplus
2 in any number of Iowa agricultural industry finance
3 corporations.

- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28
- 29
- 30
- 31
- 32
- 33
- 34
- 35