

COMMERCE

FILED MAR 10 1999

SENATE FILE 383

BY BLACK, GRONSTAL, DELUHERY,  
KIBBIE, JUDGE, and FLYNN

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

**A BILL FOR**

1 An Act providing for investments by banks and insurance companies  
2 in Iowa agricultural industry finance corporations.

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

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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.

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

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

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

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

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

29 NEW PARAGRAPH. n. IOWA AGRICULTURAL INDUSTRY FINANCE  
30 CORPORATIONS. A company organized under this chapter may  
31 invest in an Iowa agricultural industry finance corporation by  
32 holding the shares or equity interests in or the corporate  
33 debt of an Iowa agricultural industry finance corporation. A  
34 company's investment in an Iowa agricultural industry finance  
35 corporation shall not be subject to the five percent aggregate

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

9 EXPLANATION

10 In 1998, the general assembly enacted Senate File 2415  
11 (1998 Iowa Acts, ch. 1207) which allowed the formation of  
12 agricultural industry finance corporations for the purpose of  
13 encouraging local agricultural producer-led ventures to expand  
14 production and processing of high value agricultural products.  
15 This bill amends provisions relating to investments made by  
16 banks and insurance companies.

17 Code section 12C.6A requires that public funds of the state  
18 be deposited in a financial institution which demonstrates a  
19 commitment to serve the needs of the local community in which  
20 it is chartered to do business. This required commitment may  
21 be demonstrated by participation in local community and rural  
22 development and redevelopment projects, and in state and  
23 federal business and economic development programs. This bill  
24 provides that the bank's participation may include investment  
25 in an Iowa agricultural industry finance corporation.

26 Code sections 511.8 and 515.35 limit the types of  
27 investments that life insurance companies and property and  
28 casualty insurance companies may hold. The bill provides that  
29 an insurance company may invest in an Iowa agricultural  
30 industry finance corporation by holding shares or equity  
31 interests in or the corporate debt of the corporation. The  
32 bill does not restrict a company from investing in below  
33 investment grade bonds. The bill provides that a company  
34 cannot invest more than 5 percent of its capital and surplus  
35 in any number of Iowa agricultural industry finance

1 corporations.

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