

**House File 482 - Introduced**

HOUSE FILE 482

BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HSB 125)

**A BILL FOR**

1 An Act relating to various matters under the purview of the  
2 insurance division of the department of commerce.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 502.604, subsections 2 and 4, Code 2011,  
2 are amended to read as follows:

3 2. *Summary process.* An order under subsection 1 is  
4 effective on the date of issuance. Upon issuance of the order,  
5 the administrator shall promptly serve each person subject to  
6 the order with a copy of the order and a notice that the order  
7 has been entered. The order must include a statement of any  
8 restitution order, civil penalty, or costs of investigation  
9 the administrator will seek, a statement of the reasons for  
10 the order, and notice that, within thirty days after receipt  
11 of a request in a record from the person, the matter will be  
12 scheduled for a hearing. If a person subject to the order does  
13 not request a hearing and none is ordered by the administrator  
14 within thirty days after the date of service of the order,  
15 the order, including an order for restitution, the imposition  
16 of a civil penalty, or a requirement for payment of costs of  
17 investigation sought in the order, becomes final as to that  
18 person by operation of law. If a hearing is requested or  
19 ordered, the administrator, after notice of and opportunity  
20 for hearing to each person subject to the order, may modify or  
21 vacate the order or extend it until final determination.

22 4. *Civil penalty — restitution — corrective action.* In  
23 a final order under subsection 3, the administrator may  
24 impose a civil penalty up to an amount not to exceed a  
25 maximum of five thousand dollars for a single violation or  
26 five hundred thousand dollars for more than one violation,  
27 order restitution, or take other corrective action as the  
28 administrator deems necessary and appropriate to accomplish  
29 compliance with the laws of the state relating to all  
30 securities business transacted in the state.

31 Sec. 2. Section 505.8, subsections 1 and 10, Code 2011, are  
32 amended to read as follows:

33 1. The commissioner of insurance shall be the head of the  
34 division, and shall have general control, supervision, and  
35 direction over all insurance business transacted in the state,

1 and shall enforce all the laws of the state relating to ~~such~~  
2 federal and state insurance business transacted in the state.

3 10. The commissioner may, after a hearing conducted  
4 pursuant to chapter 17A, assess fines or penalties, assess  
5 costs of an investigation or proceeding, order restitution,  
6 or take other corrective action as the commissioner deems  
7 necessary and appropriate to accomplish compliance with the  
8 laws of the state relating to all insurance business transacted  
9 in the state.

10 Sec. 3. Section 505.8, Code 2011, is amended by adding the  
11 following new subsection:

12 NEW SUBSECTION. 19. The commissioner may adopt  
13 administrative rules pursuant to chapter 17A as necessary to  
14 effectuate the insurance provisions of the federal Patient  
15 Protection and Affordable Care Act of 2010, or other applicable  
16 federal laws.

17 Sec. 4. Section 505.18, subsection 2, unnumbered paragraph  
18 1, Code 2011, is amended to read as follows:

19 The commissioner in collaboration with the consumer advocate  
20 shall prepare and deliver a report to the governor and to the  
21 general assembly no later than November 15 of each year that  
22 provides findings regarding health spending costs for health  
23 insurance ~~plans~~ carriers in the state for the previous ~~fiscal~~  
24 calendar year. The commissioner may contract with outside  
25 vendors or entities to assist in providing the information  
26 contained in the annual report. The report shall provide, at a  
27 minimum, the following information:

28 Sec. 5. Section 505.18, subsection 2, paragraph d, Code  
29 2011, is amended to read as follows:

30 *d.* A ranking and quantification of those factors that result  
31 in higher costs and those factors that result in lower costs  
32 for each health insurance ~~plan offered~~ carrier in the state.

33 Sec. 6. Section 505.19, subsection 3, Code 2011, is amended  
34 to read as follows:

35 3. The consumer advocate shall solicit public comments on

1 each proposed health insurance rate increase application if  
2 the increase exceeds the average annual health spending growth  
3 rate as provided in subsection 1, and shall post without delay  
4 during the normal business hours of the division, all comments  
5 received on the insurance division's internet site prior to  
6 approval or disapproval of the proposed rate increase by the  
7 commissioner.

8 Sec. 7. Section 507E.8, Code 2011, is amended to read as  
9 follows:

10 **507E.8 Peace Law enforcement officer status.**

11 1. Bureau investigators shall have the power and status  
12 of peace law enforcement officers who by the nature of their  
13 duties may be required to perform the duties of a peace officer  
14 when making arrests for criminal violations established as a  
15 result of their investigations pursuant to this chapter.

16 2. The general laws applicable to arrests by peace law  
17 enforcement officers of the state also apply to bureau  
18 investigators. Bureau investigators shall have the power  
19 to execute arrest warrants and search warrants for the  
20 same criminal violations, serve subpoenas issued for the  
21 examination, investigation, and trial of all offenses  
22 identified through their investigations, and arrest upon  
23 probable cause without warrant a person found in the act of  
24 committing a violation of the provisions of this chapter.

25 Sec. 8. Section 508C.5, Code 2011, is amended by adding the  
26 following new subsections:

27 NEW SUBSECTION. 2A. "*Authorized assessment*", or the  
28 term "*authorized*" when used in the context of an assessment,  
29 means that a resolution has been passed by the board of  
30 directors of the association whereby an assessment will be  
31 called immediately or in the future from member insurers for  
32 a specified amount. An assessment is authorized when the  
33 resolution is passed.

34 NEW SUBSECTION. 2B. "*Benefit plan*" means a specific  
35 employee, union, or association of natural persons benefit

1 plan.

2 NEW SUBSECTION. 2C. *“Called assessment”*, or the term  
3 *“called”* when used in the context of an assessment, means that  
4 a notice has been issued by the association to member insurers  
5 requiring that an authorized assessment be paid within the time  
6 frame set forth within the notice. An authorized assessment  
7 becomes a called assessment when notice is mailed by the  
8 association to member insurers.

9 Sec. 9. Section 508C.5, subsection 5, Code 2011, is amended  
10 to read as follows:

11 5. *“Covered policy”* means a policy or contract ~~within the~~  
12 ~~scope of this chapter as~~ or a portion of a policy or contract  
13 for which coverage is provided under section 508C.3.

14 Sec. 10. Section 508C.5, Code 2011, is amended by adding the  
15 following new subsections:

16 NEW SUBSECTION. 12A. *“Plan sponsor”* means any of the  
17 following:

18 a. The employer in the case of a benefit plan established or  
19 maintained by a single employer.

20 b. The employee organization in the case of a benefit plan  
21 established or maintained by an employee organization.

22 c. In the case of a benefit plan established or maintained  
23 by two or more employers or jointly by one or more employers  
24 and one or more employee organizations, the association,  
25 committee, joint board of trustees, or other similar group of  
26 representatives of the parties who establish or maintain the  
27 benefit plan.

28 NEW SUBSECTION. 13A. *“Principal place of business”* of a  
29 plan sponsor or a person other than a natural person means the  
30 single state in which the natural persons who establish policy  
31 for the direction, control, and coordination of the operations  
32 of the entity as a whole primarily exercise that function as  
33 determined pursuant to section 508C.8A.

34 NEW SUBSECTION. 13B. *“Receivership court”* means a court in  
35 an insolvent or impaired insurer’s state having jurisdiction

1 over the conservation, rehabilitation, or liquidation of the  
2 insurer.

3 Sec. 11. Section 508C.5, subsection 14, Code 2011, is  
4 amended to read as follows:

5 14. "*Resident*" means a person to whom a contractual  
6 obligation is owed and who resides in a state on the date of  
7 entry of a court order that determines a member insurer is an  
8 impaired insurer or a court order that determines a member  
9 insurer is an insolvent insurer, ~~whichever occurs first~~. A  
10 person may be a resident of only one state, which in the case of  
11 a person other than a natural person shall be the state of that  
12 person's principal place of business. A citizen of the United  
13 States who is a resident of a foreign country, or is a resident  
14 of a United States possession, territory, or protectorate that  
15 does not have an association similar to the association created  
16 by this chapter, shall be deemed a resident of the state or  
17 domicile of the insurer that issued the policy or contract.

18 Sec. 12. NEW SECTION. 508C.8A **Principal place of business**  
19 **— determination.**

20 1. The principal place of business of a plan sponsor or a  
21 person other than a natural person shall be determined by the  
22 association in its reasonable judgment by considering all of  
23 the following factors:

24 a. The state in which the primary executive and  
25 administrative headquarters of the entity is located.

26 b. The state in which the principal office of the chief  
27 executive officer of the entity is located.

28 c. The state in which the board of directors or similar  
29 governing person or persons of the entity conducts the majority  
30 of its meetings.

31 d. The state in which the executive or management committee  
32 of the board of directors or similar governing person or  
33 persons of the entity conducts the majority of its meetings.

34 e. The state from which the management of the overall  
35 operations of the entity is directed.

1     2. In the case of a benefit plan sponsored by affiliated  
2 companies comprising a consolidated corporation, the principal  
3 place of business of the entity shall be deemed to be the state  
4 in which the holding company or controlling affiliate has its  
5 principal place of business as determined by the association  
6 using the factors enumerated in subsection 1. However, if more  
7 than fifty percent of the participants in the benefit plan are  
8 employed in a single state, that state shall be determined to  
9 be the principal place of business of the entity.

10    3. In the case of a benefit plan established or maintained  
11 by two or more employers, or jointly by one or more employers  
12 and one or more employee organizations, the principal place  
13 of business of the entity shall be deemed to be the principal  
14 place of business of the association, committee, joint board  
15 of trustees, or other similar group of representatives of  
16 the parties who establish or maintain the benefit plan. In  
17 lieu of a specific or clear designation of the principal  
18 place of business of the entity under this subsection, the  
19 principal place of business of the entity shall be deemed to  
20 be the principal place of business of the employer or employee  
21 organization that has the largest investment in the benefit  
22 plan in question.

23    Sec. 13. Section 508C.9, subsections 2 through 6, Code 2011,  
24 are amended to read as follows:

25    2. There are two classes of assessments as follows:

26    a. Class A assessments shall be ~~made~~ authorized and called  
27 for the purpose of meeting administrative and legal costs and  
28 other ~~general expenses and examinations conducted under section~~  
29 ~~508C.12, subsection 5,~~ Class A assessments may be authorized  
30 and called whether or not related to a particular impaired or  
31 insolvent insurer.

32    b. Class B assessments shall be ~~made~~ authorized and called  
33 to the extent necessary to carry out the powers and duties of  
34 the association under section 508C.8 with regard to an impaired  
35 ~~domestic insurer or an insolvent domestic, foreign, or alien~~

1 insurer.

2 3. a. The amount of a class A assessment shall be  
3 determined by the board ~~and to the extent that class A~~  
4 ~~assessments do not exceed one hundred dollars per company~~  
5 ~~in any one calendar year may be made on a per capita basis~~  
6 and may be authorized and called on a pro rata or non-pro  
7 rata basis. If pro rata, the board may provide that the  
8 assessment be credited against future class B assessments.  
9 The total of all non-pro rata assessments shall not exceed  
10 three hundred dollars per member insurer in any one calendar  
11 year. The amount of a class B assessment shall be allocated  
12 for assessment purposes among the accounts ~~as the liabilities~~  
13 ~~and expenses of the association, either experienced or~~  
14 ~~reasonably expected, are attributable to those accounts, all~~  
15 ~~as determined by the association and on as equitable a basis~~  
16 ~~as is reasonably practical pursuant to an allocation formula~~  
17 which may be based on the premiums or reserves of the impaired  
18 or insolvent insurer or on any other standard deemed by the  
19 board in its sole discretion as being fair and reasonable under  
20 the circumstances.

21 b. ~~Class A assessments in excess of one hundred dollars~~  
22 ~~per company per calendar year and class B assessments against~~  
23 ~~member insurers for each account shall be in the proportion~~  
24 ~~that the average of the aggregate premiums received on business~~  
25 ~~in this state by each assessed member insurer on policies or~~  
26 ~~contracts related to that~~ covered by each account for the three  
27 most recent calendar years for which information is available,  
28 preceding the year in which the insurer became ~~impaired or~~  
29 ~~insolvent, is~~ or, in the case of an assessment with respect to  
30 an impaired insurer, the three most recent calendar years for  
31 which information is available preceding the year in which the  
32 insurer became impaired, bears to the average of the aggregate  
33 premiums received on business in this state for those calendar  
34 years by all assessed member insurers on policies related to  
35 ~~that account for the three most recent calendar years for which~~



1 ~~information is available preceding the assessment.~~

2 c. Assessments for funds to meet the requirements of the  
3 association with respect to an impaired or insolvent insurer  
4 shall not be ~~made~~ authorized or called until necessary to  
5 implement the purposes of this chapter. Classification  
6 of assessments under ~~this subsection~~ 2 and computation  
7 of assessments under this subsection shall be made with  
8 a reasonable degree of accuracy, recognizing that exact  
9 determinations may not always be possible. The association  
10 shall notify each member insurer of its anticipated pro rata  
11 share of an authorized assessment not yet called within one  
12 hundred eighty days after the assessment is authorized.

13 4. The association may abate or defer, in whole or in part,  
14 the assessment of a member insurer if, in the opinion of the  
15 board, payment of the assessment would endanger the ability of  
16 the member insurer to fulfill its contractual obligations. If  
17 an assessment against a member insurer is abated or deferred,  
18 in whole or in part, the amount by which the assessment is  
19 abated or deferred may be assessed against the other member  
20 insurers in a manner consistent with the basis for assessments  
21 set forth in this section. Once the conditions that caused  
22 an abatement or deferral have been removed or rectified, the  
23 member insurer shall pay all assessments that were abated  
24 or deferred pursuant to a repayment plan approved by the  
25 association.

26 5. a. (1) The Subject to the provisions of subparagraph  
27 (2) of this paragraph "a", the total of all assessments upon  
28 authorized by the association with respect to a member insurer  
29 for each account of the accounts established pursuant to  
30 section 508C.6, and designated as the health insurance account,  
31 the life insurance account, the annuity account, and the  
32 unallocated annuity contract account, shall not in any one  
33 calendar year exceed two percent of the average of the that  
34 member insurer's average annual premiums received in this state  
35 on the policies and contracts covered by the account during

1 the three ~~most recent~~ calendar years ~~for which information is~~  
 2 ~~available~~, preceding the year in which the insurer becomes  
 3 impaired or insolvent, ~~on the policies related to that account.~~

4 (2) ~~However, if~~ If two or more assessments are authorized  
 5 in one calendar year with respect to insurers that become  
 6 impaired or insolvent in different calendar years, the average  
 7 annual premiums for purposes of the aggregate assessment  
 8 percentage limitation referred to in subparagraph (1) of this  
 9 paragraph "a" shall be equal, and limited, to the higher of the  
 10 three-year average annual premiums for the applicable account  
 11 as calculated pursuant to this section.

12 (3) ~~If the maximum assessment for an account, together~~  
 13 ~~with the other assets of the association in the account,~~  
 14 ~~does not provide in any one year in the either account an~~  
 15 ~~amount sufficient to carry out the responsibilities of the~~  
 16 ~~association, the necessary additional funds shall be assessed~~  
 17 ~~for the account in succeeding years as soon as permitted by~~  
 18 ~~this chapter.~~

19 b. The board may provide in its plan of operation a method  
 20 of allocating funds among claims, whether relating to one  
 21 or more impaired or insolvent insurers, when the maximum  
 22 assessment will be insufficient to cover anticipated claims.

23 ~~b. c.~~ If the maximum assessment under paragraph "a" for any  
 24 account, other than the health insurance account, either the  
 25 life insurance account, the annuity account, or the unallocated  
 26 annuity contract account in one year does not provide an amount  
 27 sufficient to carry out the responsibilities of the association  
 28 in any succeeding year, the board, pursuant to subsection 3,  
 29 paragraph "a" "b", shall assess access any of the other said  
 30 accounts for the necessary additional amount and allocate the  
 31 amount for assessment among the accounts, other than the health  
 32 insurance account, in the following sequence: from the life  
 33 insurance account, to the annuity account, to the unallocated  
 34 annuity contract account; from the annuity account, to the  
 35 unallocated annuity contract account, to the life insurance

1 ~~account; from the unallocated annuity contract account, to the~~  
2 ~~annuity account, to the life insurance account; provided that~~  
3 ~~no amount shall be allocated to an account for assessment until~~  
4 ~~the maximum amount has been allocated to the preceding account,~~  
5 subject to the maximum assessments stated in paragraph "a" of  
6 this subsection.

7 6. By an equitable method as established in the plan  
8 of operation, the board may refund to member insurers, in  
9 proportion to the contribution of each insurer to that account,  
10 the amount by which the assets of the account, including assets  
11 accruing from assignment, subrogation, net realized gains, and  
12 income from investments, exceed the amount the board finds is  
13 necessary to carry out during the coming year the obligations  
14 of the association with regard to that account. A reasonable  
15 amount may be retained in any account to provide funds for the  
16 continuing expenses of the association and for future ~~losses if~~  
17 ~~refunds are impractical~~ claims.

18 Sec. 14. Section 508C.9, Code 2011, is amended by adding the  
19 following new subsections:

20 NEW SUBSECTION. 9. *a.* A member insurer that wishes to  
21 protest all or part of an assessment shall pay when due the  
22 full amount of the assessment as set forth in the notice  
23 provided by the association. The payment shall be made  
24 available to meet association obligations during the pendency  
25 of the protest or any subsequent appeal. The payment shall  
26 be accompanied by a statement in writing that the payment is  
27 made under protest and setting forth a brief statement of the  
28 grounds for the protest.

29 *b.* Within sixty days following the payment of an assessment  
30 under protest by a member insurer, the association shall  
31 either notify the protesting member insurer in writing of  
32 its determination with respect to the protest or notify the  
33 protesting member insurer that additional time is required to  
34 resolve the issues raised by the protest.

35 *c.* Within thirty days after a final decision has been made,

1 the association shall notify the protesting member insurer in  
2 writing of that final decision. Within sixty days of receipt  
3 of notice of the final decision, the protesting member insurer  
4 may appeal that final decision to the commissioner.

5 *d.* As an alternative to rendering a final decision with  
6 respect to a protest of an assessment, the association may  
7 refer the protest to the commissioner for a final decision,  
8 with or without a recommendation from the association.

9 *e.* If a protest or subsequent appeal of an assessment is  
10 upheld in favor of the protesting member insurer, the amount  
11 paid in error or the excess shall be refunded to the member  
12 insurer. Interest on a refund due a protesting member insurer  
13 shall be paid at the rate actually earned by the association  
14 during the pendency of the protest or any subsequent appeal.

15 NEW SUBSECTION. 10. The association may request  
16 information from member insurers in order to aid in the  
17 exercise of the association's power under this section, and the  
18 member insurers shall promptly comply with such a request.

19 Sec. 15. Section 508C.11, subsection 1, paragraph c, Code  
20 2011, is amended by striking the paragraph.

21 Sec. 16. Section 508C.11, subsection 3, Code 2011, is  
22 amended to read as follows:

23 3. ~~An~~ A final action of the board of directors or the  
24 association may be appealed to the commissioner by a member  
25 insurer if the appeal is taken within ~~thirty~~ sixty days of the  
26 member insurer's receipt of notice of the final action being  
27 appealed. A final action or order of the commissioner is  
28 subject to judicial review pursuant to chapter 17A in a court  
29 of competent jurisdiction.

30 Sec. 17. Section 508C.12, subsection 1, paragraphs b  
31 through d, Code 2011, are amended to read as follows:

32 *b.* Report to the board of directors when the commissioner  
33 has taken any of the actions set forth in paragraph "a" or has  
34 received a report from any other commissioner indicating that a  
35 ~~member insurer is impaired or insolvent~~ such action has been

1 taken in another state. Reports to the board of directors  
2 shall contain all significant details of the action taken or  
3 the report received from another commissioner.

4 c. Report to the board of directors when there is reasonable  
5 cause to believe from an examination, whether completed or in  
6 process, of a member ~~company~~ insurer that the ~~company~~ insurer  
7 may be an impaired or insolvent insurer.

8 d. Furnish to the board of directors the national  
9 association of insurance commissioners' ~~early warning tests.~~  
10 The insurance regulatory information system ratios, and  
11 listing of insurers not included in the ratios, developed  
12 by the national association of insurance commissioners, and  
13 the board may use the information in carrying out its duties  
14 and responsibilities under this section. The report and the  
15 information contained in the report shall be kept confidential  
16 by the board of directors until such time as it is made public  
17 by the commissioner or other lawful authority.

18 Sec. 18. Section 508C.12, subsection 2, Code 2011, is  
19 amended to read as follows:

20 2. The commissioner may seek the advice and recommendations  
21 of the board of directors concerning any matter affecting  
22 the commissioner's duties and responsibilities regarding the  
23 financial condition of member ~~companies~~ insurers and companies  
24 seeking admission to transact insurance business in this state.

25 Sec. 19. Section 508C.12, subsection 7, Code 2011, is  
26 amended by striking the subsection.

27 Sec. 20. Section 508C.16, Code 2011, is amended to read as  
28 follows:

29 **508C.16 Immunity — indemnification.**

30 1. A member insurer and its agents and employees, the  
31 association and its agents and employees, members of the board  
32 of directors, and the commissioner and the commissioner's  
33 representatives are not liable for any action taken by them  
34 or omission by them while acting within the scope of their  
35 employment and in the performance of their powers and duties

1 under this chapter and such immunity granted under this section  
2 shall extend to their participation in any organization of one  
3 or more state associations of similar purposes and to that  
4 organization and its agents and employees.

5 2. Sections 490.850 through 490.859 apply to the  
6 association.

7 Sec. 21. Section 508C.17, Code 2011, is amended to read as  
8 follows:

9 **508C.17 Stay of proceedings — reopening default judgments.**

10 Proceedings in which the insolvent insurer is a party in a  
11 court in this state shall be stayed ~~sixty~~ one hundred eighty  
12 days from the date an order of liquidation, rehabilitation,  
13 or conservation is final to permit proper legal action by the  
14 association on matters germane to its powers or duties. The  
15 association may apply to have a judgment under a decision,  
16 order, verdict, or finding based on default, set aside by the  
17 same court that entered the judgment, and shall be permitted to  
18 defend against the suit on the merits.

19 Sec. 22. Section 508C.18, Code 2011, is amended to read as  
20 follows:

21 **508C.18 Prohibited advertisements.**

22 A person, including an insurer, agent or affiliate of an  
23 insurer, shall not make, publish, disseminate, circulate, or  
24 place before the public, or cause directly or indirectly, to  
25 be made, published, disseminated, circulated, or placed before  
26 the public in a newspaper, magazine, or other publication,  
27 or in the form of a notice, circular, pamphlet, letter, or  
28 poster, or over a radio station or television station, or in  
29 any other way, an advertisement, announcement, or statement,  
30 written or oral, which uses the existence of the insurance  
31 guaranty association of this state for the purpose of sales,  
32 solicitation, or inducement to purchase any form of insurance  
33 covered by this chapter. However, this section does not apply  
34 to the association or any other entity which does not sell or  
35 solicit insurance.

1     Sec. 23. NEW SECTION. 508C.18A Notice to policyholders —  
2 summary of chapter and disclosure.

3     1. *a.* Within one hundred eighty days after enactment of  
4 this section, the association shall prepare a summary document  
5 describing the general purposes and current provisions of  
6 this chapter and containing a disclosure in compliance with  
7 subsection 2. This summary document shall be submitted to the  
8 commissioner for approval. The approved summary document and  
9 disclosure shall be delivered to the owner of an insurance  
10 policy or contract as provided in this section.

11     *b.* This subsection is repealed July 1, 2012.

12     2. *a.* On or after March 1, 2012, an insurer shall not  
13 deliver an insurance policy or contract in Iowa to the owner  
14 of the policy or contract unless a summary document describing  
15 the general purposes and current provisions of this chapter  
16 and containing a disclosure in compliance with subsection 3 is  
17 delivered to the policy or contract owner at the same time.

18     *b.* The summary document shall also be available upon request  
19 by an insurance policy or contract owner.

20     *c.* The distribution, delivery, contents, or interpretation  
21 of this summary document does not guarantee that either  
22 the insurance policy or contract or the owner of the policy  
23 or contract is covered in the event of the impairment or  
24 insolvency of a member insurer.

25     *d.* The summary document shall be revised by the association  
26 and approved by the commissioner as amendments to this chapter  
27 may require. Failure to receive a summary document does not  
28 give the insurance policy or contract owner, certificate  
29 holder, or insured any greater rights than those stated in this  
30 chapter.

31     3. The summary document prepared pursuant to this section  
32 shall contain a clear and conspicuous disclosure on its face.  
33 The commissioner shall establish the form and content of the  
34 disclosure which shall do all of the following:

35     *a.* State the name and address of the association and the

1 Iowa insurance division.

2 *b.* Prominently warn the insurance policy or contract owner  
3 that the association may not cover the policy or contract or,  
4 if coverage is available, it will be subject to substantial  
5 limitations and exclusions and conditioned on continued  
6 residence in this state.

7 *c.* State the types of insurance policies and contracts for  
8 which the association will provide coverage.

9 *d.* State that the insurer and its agents are prohibited by  
10 law from using the existence of the association for the purpose  
11 of sales, solicitation, or inducement to purchase any form of  
12 insurance.

13 *e.* State that the insurance policy or contract owner should  
14 not rely on coverage from the association when selecting an  
15 insurer.

16 *f.* Explain rights available and procedures for filing a  
17 complaint to allege a violation of any provisions of this  
18 chapter.

19 *g.* Provide other information as directed by the  
20 commissioner, including but not limited to sources for  
21 information about the financial condition of an insurer  
22 provided that the information is not proprietary and is subject  
23 to disclosure under chapter 22.

24 4. A member insurer shall retain evidence of compliance with  
25 the provisions of this section for as long as the insurance  
26 policy or contract for which the notice is given remains in  
27 effect.

28 Sec. 24. Section 511.8, subsection 16, Code 2011, is amended  
29 by adding the following new paragraph:

30 NEW PARAGRAPH. *h.* Financial instruments used in hedging  
31 transactions, and securities pledged as collateral for  
32 financial instruments used in highly effective hedging  
33 transactions, eligible for inclusion in the legal reserve under  
34 subsection 22 may be made a part of the deposit by filing a  
35 verified statement of the financial instruments or securities



1 pursuant to the terms and conditions of the applicable hedging  
2 transaction agreement or of the applicable collateral agreement  
3 or other credit support agreement.

4 Sec. 25. Section 511.8, subsection 22, Code 2011, is amended  
5 by adding the following new paragraph:

6 NEW PARAGRAPH. *i.* Securities held in the legal reserve of  
7 a life insurance company or association pledged as collateral  
8 for financial instruments used in highly effective hedging  
9 transactions as defined in the national association of  
10 insurance commissioners' Statement of Statutory Accounting  
11 Principles No. 86 shall continue to be eligible for inclusion  
12 on the legal reserve of the life insurance company or  
13 association subject to all of the following:

14 (1) The life insurance company or association does not  
15 include the financial instruments used in highly effective  
16 hedging transactions for which the securities are pledged as  
17 collateral in the legal reserve of the life insurance company  
18 or association, provided, however, that this subparagraph  
19 shall not exclude securities pledged to a counterparty,  
20 clearing organization, or clearinghouse on an upfront basis  
21 in the form of initial margin, independent amount, or other  
22 securities pledged as a precondition of entering into financial  
23 instruments used in highly effective hedging transactions from  
24 inclusion in the legal reserve of the life insurance company  
25 or association.

26 (2) Securities pledged as collateral for financial  
27 instruments used in highly effective hedging transactions are  
28 not eligible in excess of ten percent of the legal reserve of  
29 the life insurance company or association, less any financial  
30 instruments used in hedging transactions held in the legal  
31 reserve under this subsection.

32 (3) Securities pledged to a counterparty, clearing  
33 organization, or clearinghouse on an upfront basis in  
34 the form of initial margin, independent amount, or other  
35 securities pledged as a precondition of entering into financial

1 instruments used in highly effective hedging transactions are  
2 not eligible in excess of one percent of the legal reserve of  
3 the life insurance company or association.

4 Sec. 26. Section 514C.18, subsection 1, paragraph a, Code  
5 2011, is amended by striking the paragraph and inserting in  
6 lieu thereof the following:

7 a. Equipment and supplies.

8 Sec. 27. Section 515.125, subsection 1, Code 2011, is  
9 amended to read as follows:

10 1. Unless otherwise provided in section 515.127, 515.128,  
11 515.129, 515.129A, 515.129B, or 515.129C, a policy or contract  
12 of insurance provided for in this chapter shall not be  
13 forfeited, suspended, or canceled except by notice to the  
14 insured as provided in this chapter. A notice of cancellation  
15 is not effective unless mailed or delivered by the insurer to  
16 the named insured at least thirty days before the effective  
17 date of cancellation or, where cancellation is for nonpayment  
18 of a premium, assessment, or installment provided for in the  
19 policy, or in a note or contract for the payment thereof, at  
20 least ten days prior to the date of cancellation. The notice  
21 may be made in person, or by sending by mail a letter addressed  
22 to the insured at the insured's address as given in or upon  
23 the policy, anything in the policy, application, or a separate  
24 agreement to the contrary notwithstanding.

25 Sec. 28. Section 515.126, Code 2011, is amended to read as  
26 follows:

27 **515.126 Cancellation of policy — notice to insured or**  
28 **mortgagee.**

29 1. Unless otherwise provided in section 515.127 ~~or~~,  
30 515.128, 515.129, 515.129A, 515.129B, or 515.129C, at any time  
31 after the maturity of a premium, assessment, or installment  
32 provided for in the policy, or a note or contract for the  
33 payment thereof, or after the suspension, forfeiture, or  
34 cancellation of a policy or contract of insurance, the insured  
35 may pay to the company the customary short rates and costs of

1 action, if one has been commenced or judgment rendered thereon,  
2 and may, if the insured so elects, have the policy and all  
3 contracts or obligations connected with the policy, whether  
4 in judgment or otherwise, canceled, and all such policy and  
5 contracts shall be void; and in case of suspension, forfeiture,  
6 or cancellation of a policy or contract of insurance, the  
7 insured is not liable for a greater amount than the short  
8 rates earned at the date of the suspension, forfeiture, or  
9 cancellation and the costs of action provided for in this  
10 section.

11 2. If the policy is canceled by the insurance company,  
12 the insurer may retain only the pro rata premium, and if the  
13 initial cash premium, or any part of the premium, has not been  
14 paid, the policy may be canceled by the insurance company by  
15 giving notice to the insured as provided in section 515.125  
16 and ten days' notice to the mortgagee, or other person to whom  
17 the policy is made payable, if any, without tendering any  
18 part of the premium, anything to the contrary in the policy  
19 notwithstanding.

20 Sec. 29. Section 515D.5, subsection 1, Code 2011, is amended  
21 to read as follows:

22 1. a. Notwithstanding the provisions of sections  
23 515.125 ~~through 515.127~~, 515.126, and 515.129A, a notice of  
24 cancellation of a policy shall not be effective unless mailed  
25 or delivered by the insurer to the named insured at least  
26 thirty days prior to the effective date of cancellation,  
27 or, where the cancellation is for nonpayment of premium  
28 notwithstanding the provisions of sections 515.125 and ~~515.127~~  
29 515.126, at least ten days prior to the date of cancellation.  
30 A post office department certificate of mailing to the named  
31 insured at the address shown in the policy shall be proof  
32 of receipt of such mailing. Unless the reason accompanies  
33 the notice of cancellation, the notice shall state that upon  
34 written request of the named insured, mailed or delivered  
35 to the insurer not less than fifteen days prior to the

1 date of cancellation, the insurer will state the reason for  
2 cancellation together with notification of the right to a  
3 hearing before the commissioner within fifteen days as provided  
4 in this chapter.

5 b. When the reason does not accompany the notice of  
6 cancellation, the insurer shall, upon receipt of a timely  
7 request by the named insured, state in writing the reason  
8 for cancellation. A statement of reason shall be mailed or  
9 delivered to the named insured within five days after receipt  
10 of a request.

11 Sec. 30. Section 515D.7, subsection 1, Code 2011, is amended  
12 to read as follows:

13 1. Notwithstanding the provisions of sections 515.125  
14 ~~through 515.128~~, 515.129B, and 515.129C, an insurer shall  
15 not fail to renew a policy except by notice to the insured  
16 as provided in this chapter. A notice of intention not to  
17 renew shall not be effective unless mailed or delivered by the  
18 insurer to the named insured at least thirty days prior to  
19 the expiration date of the policy. A post office department  
20 certificate of mailing to the named insured at the address  
21 shown in the policy shall be proof of receipt of such mailing.  
22 Unless the reason accompanies the notice of intent not to  
23 renew, the notice shall state that, upon written request of the  
24 named insured, mailed or delivered to the insurer not less than  
25 thirty days prior to the expiration date of the policy, the  
26 insurer will state the reason for nonrenewal.

27 Sec. 31. Section 518C.3, subsection 4, paragraph b,  
28 subparagraph (3), Code 2011, is amended to read as follows:

29 (3) ~~An~~ A fee or other amount due an relating to goods and  
30 services sought by or on behalf of an attorney, adjuster, or  
31 witness as a fee for services rendered to, or other provider of  
32 goods or services retained by the insolvent insurer or by an  
33 insured prior to the date the insurer was declared insolvent.

34 Sec. 32. Section 518C.3, subsection 4, paragraph b, Code  
35 2011, is amended by adding the following new subparagraphs:

1     NEW SUBPARAGRAPH. (4A) A fee or other amount sought by or  
2 on behalf of an attorney, adjuster, witness, or other provider  
3 of goods or services retained by the insured or claimant  
4 in connection with the assertion of any claim, covered or  
5 otherwise, against the association.

6     NEW SUBPARAGRAPH. (4B) A claim filed with the association  
7 or with a liquidator for protection afforded under the  
8 insured's policy or contract for incurred but not reported  
9 losses or expenses.

10    Sec. 33. Section 518C.5, Code 2011, is amended to read as  
11 follows:

12     **518C.5 Board of directors.**

13     1. The board of directors of the association shall  
14 consist of the officers and directors of the mutual insurance  
15 association of Iowa or its successor association, but only  
16 if such officers and directors are employed by a corporation  
17 organized as a county mutual insurance association pursuant to  
18 chapter 518 or a state mutual insurance association pursuant to  
19 chapter 518A.

20     2. An officer and director of the mutual insurance  
21 association of Iowa shall serve in the same capacity on the  
22 association board as the officer or director serves the mutual  
23 insurance association of Iowa or its successor association, but  
24 only if the officer and director is employed by a corporation  
25 organized as a county mutual insurance association pursuant to  
26 chapter 518 or a state mutual insurance association pursuant to  
27 chapter 518A.

28    Sec. 34. Section 518C.6, subsection 1, paragraph a,  
29 subparagraph (2), subparagraph division (b), Code 2011, is  
30 amended to read as follows:

31     (b) An amount not exceeding the lesser of the policy  
32 limits or ~~three~~ five hundred thousand dollars per claim for  
33 all covered claims for all damages arising out of any one or a  
34 series of accidents, occurrences, or incidents, regardless of  
35 the number of persons making claims or the number of applicable

1 policies.

2 Sec. 35. Section 518C.15, Code 2011, is amended to read as  
3 follows:

4 **518C.15 Immunity.**

5 ~~Liability~~ There shall be no liability on the part of, and  
6 a cause of action of any nature shall not arise against, any  
7 member insurer, the association, or its agents or employees,  
8 the board of directors, any committee established for the  
9 purpose of administering the affairs of the association, or any  
10 person serving as an alternate or substitute representative  
11 director of the association, or the commissioner, or the  
12 commissioner's representatives, for any reasonable action taken  
13 or any failure to act by them in the performance of their  
14 duties and execution of powers as provided for under this  
15 chapter.

16 Sec. 36. Section 521.1, subsection 4, Code 2011, is amended  
17 to read as follows:

18 4. "Company" means a company or association organized under  
19 chapter 508, ~~511~~ 514B, 515, 518, 518A, or 520, and includes a  
20 mutual insurance holding company organized pursuant to section  
21 521A.14.

22 Sec. 37. Section 521.2, subsection 1, Code 2011, is amended  
23 to read as follows:

24 1. One or more domestic mutual insurance companies  
25 organized under chapter 491 may merge or consolidate with a  
26 domestic or foreign mutual insurance company as provided in  
27 this chapter. ~~Sections 491.102 through 491.105 shall not be~~  
28 ~~applicable to a merger or consolidation of a domestic mutual~~  
29 ~~insurance company pursuant to this chapter.~~

30 Sec. 38. Section 521.2, Code 2011, is amended by adding the  
31 following new subsections:

32 NEW SUBSECTION. 5. One or more foreign or domestic stock  
33 insurance companies may merge into a domestic mutual insurance  
34 company organized under chapter 491 as provided in this  
35 chapter.

1     NEW SUBSECTION. 6. One or more domestic health maintenance  
2 organizations or limited service organizations formed under  
3 chapter 514B may merge into a domestic insurance company  
4 organized under chapter 490 or chapter 491 as provided in this  
5 chapter.

6     NEW SUBSECTION. 7. Sections 491.102 through 491.105 shall  
7 not be applicable to a merger or consolidation of a domestic  
8 mutual insurance company pursuant to this chapter.

9     Sec. 39. Section 521E.3, subsection 1, paragraph a,  
10 unnumbered paragraph 1, Code 2011, is amended to read as  
11 follows:

12     The filing of a risk-based capital report by an insurer which  
13 indicates ~~either~~ any of the following:

14     Sec. 40. Section 521E.3, subsection 1, paragraph a, Code  
15 2011, is amended by adding the following new subparagraph:

16     NEW SUBPARAGRAPH. (3) For a property and casualty insurer,  
17 the insurer's total adjusted capital is greater than or equal  
18 to its company-action-level risk-based capital but less than  
19 the product of its authorized-control-level risk-based capital  
20 and three and triggers the trend test determined in accordance  
21 with the trend test calculation included in the property and  
22 casualty risk-based capital instructions.

23     Sec. 41. Section 521F.4, subsection 1, Code 2011, is amended  
24 to read as follows:

25     1. "*Company-action-level event*" means any of the following:

26     a. The filing of a risk-based capital report by a health  
27 organization which indicates that the health organization's  
28 total adjusted capital is greater than or equal to its  
29 regulatory-action-level risk-based capital but less than its  
30 company-action-level risk-based capital.

31     b. The filing of a risk-based capital report by a health  
32 organization which indicates that the health organization has  
33 total adjusted capital which is greater than or equal to its  
34 company-action-level risk-based capital but less than the  
35 product of its authorized-control-level risk-based capital and

1 three and triggers the trend test determined in accordance with  
2 the trend test calculations included in the health risk-based  
3 capital instructions.

4 ~~b.~~ c. Notification by the commissioner to a health  
5 organization of an adjusted risk-based capital report that  
6 indicates an event in paragraph "a" or "b", provided the health  
7 organization does not challenge the adjusted risk-based capital  
8 report and request a hearing pursuant to section 521F.8.

9 ~~e.~~ d. If a hearing is requested pursuant to section 521F.8,  
10 notification by the commissioner to the health organization  
11 after the hearing that the commissioner has rejected the health  
12 organization's challenge of the adjusted risk-based capital  
13 report indicating the event in paragraph "a" or "b".

14 Sec. 42. Section 522B.11, Code 2011, is amended by adding  
15 the following new subsection:

16 NEW SUBSECTION. 7. a. Unless an insurance producer  
17 holds oneself out as an insurance specialist, consultant, or  
18 counselor and receives compensation for consultation and advice  
19 apart from commissions paid by an insurer, the duties and  
20 responsibilities of an insurance producer are limited to those  
21 duties and responsibilities set forth in Sandbulte v. Farm  
22 Bureau Mut. Ins. Co., 343 N.W.2d 457 (Iowa 1984).

23 b. The general assembly declares that the holding of  
24 Langwith v. Am. Nat'l Gen. Ins. Co., (No. 08-0778) (Iowa  
25 2010) is abrogated to the extent that it overrules Sandbulte  
26 and imposes higher or greater duties and responsibilities on  
27 insurance producers than those set forth in Sandbulte.

28 Sec. 43. Section 523A.206, subsection 1, Code 2011, is  
29 amended to read as follows:

30 1. The commissioner may conduct an examination under  
31 this chapter of any seller as often as the commissioner  
32 deems appropriate. If a seller has a trust arrangement, the  
33 commissioner shall conduct an examination of such seller doing  
34 business in this state not less than once every ~~three~~ five  
35 years unless the seller has provided to the commissioner, on



1 an annual basis, a certified copy of an audit conducted by an  
2 independent certified public accountant verifying compliance  
3 with this chapter. The commissioner may require an audit of  
4 a seller, or other person by a certified public accountant  
5 to verify compliance with the requirements of this chapter,  
6 including rules adopted and orders issued pursuant to this  
7 chapter.

8 Sec. 44. Section 523I.213A, subsection 1, Code 2011, is  
9 amended to read as follows:

10 1. The commissioner or the commissioner's designee may  
11 conduct an examination under this chapter of any cemetery as  
12 often as the commissioner deems appropriate. If a cemetery  
13 has a trust arrangement, the commissioner shall conduct an  
14 examination not less than once every ~~three~~ five years.

15 EXPLANATION

16 This bill relates to various matters under the purview of the  
17 insurance division of the department of commerce.

18 UNIFORM SECURITIES ACT. Code section 502.604 is amended  
19 to allow the administrator of the securities and regulated  
20 industries bureau of the insurance division of the department  
21 of commerce to order restitution or take other corrective  
22 action as deemed necessary to accomplish compliance with the  
23 state's securities laws.

24 INSURANCE DIVISION. Code section 505.8 is amended to  
25 provide that the commissioner of insurance shall enforce  
26 all state laws relating to both federal and state insurance  
27 business transacted in the state and to allow the commissioner  
28 to assess the costs of an investigation or proceeding after an  
29 administrative hearing. The commissioner is also authorized to  
30 adopt administrative rules and emergency rules pursuant to Code  
31 chapter 17A as necessary to effectuate the insurance provisions  
32 of the federal Patient Protection and Affordable Care Act of  
33 2010, or other applicable federal laws.

34 Code section 505.18 is amended to specify that the  
35 commissioner's duty in preparing a report for the governor and

1 the general assembly should include findings regarding health  
2 spending costs for health insurance carriers in the state, not  
3 health insurance plans.

4 Code section 505.19 is amended to provide that public  
5 comments received concerning proposed health insurance rate  
6 increases will be posted without delay during the normal  
7 business hours of the insurance division.

8 INSURANCE FRAUD. Code section 507E.8 is amended to provide  
9 that securities and regulated industries bureau investigators  
10 have the power and status of law enforcement officers who by  
11 the nature of their duties may be required to perform the  
12 duties of a peace officer.

13 IOWA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION. Code  
14 section 508C.5 is amended to add definitions of "authorized  
15 assessment", "benefit plan", "called assessment", "plan  
16 sponsor", "principal place of business", and "receivership  
17 court" and to amend the definition of "covered policy" and  
18 "resident" for purposes of the Code chapter.

19 New Code section 508C.8A specifies the factors an  
20 association must consider in determining what constitutes the  
21 principal business of a plan sponsor or a person other than a  
22 natural person.

23 Code section 508C.9(2) is amended to require that the  
24 association must now "authorize" and "call" class A assessments  
25 for the purpose of meeting administrative and legal costs  
26 of the association and class B assessments for otherwise  
27 carrying out the powers and duties of the association. As  
28 newly defined, an "authorized assessment" means that the  
29 board of directors of the association has passed a resolution  
30 authorizing the assessment and a "called assessment" means that  
31 a notice has been issued to member insurers requiring that an  
32 authorized assessment be paid within the time set forth in the  
33 notice.

34 Code section 508C.9(3) is amended to provide that class  
35 A assessments may be authorized and called on a pro rata or

1 non-pro rata basis. Pro rata assessments may be credited  
2 against future class B assessments and the total of all non-pro  
3 rata assessments cannot exceed \$300 per member insurer in any  
4 one calendar year. Class B assessments are determined pursuant  
5 to an allocation formula which may be based on the premiums  
6 or reserves of the impaired or insolvent insurer or any other  
7 standard deemed fair and reasonable by the board. Class B  
8 assessments for each account maintained by the association are  
9 made in the proportion each assessed member insurer's premiums  
10 bear to premiums received by all assessed member insurers. The  
11 association is required to notify each member insurer of its  
12 anticipated pro rata share of an assessment within 180 days  
13 after the assessment is authorized.

14 Code section 508C.9(4) is amended to provide that if the  
15 association abates or defers the assessment of a member  
16 insurer, the assessment shall be paid by the insurer once the  
17 conditions that caused the abatement or deferral are removed  
18 pursuant to a payment plan approved by the association.

19 Code section 508C.9(5) is amended to change the calculation  
20 method for assessments of member insurers with respect to  
21 the health insurance account, the life insurance account,  
22 the annuity account, and the unallocated annuity contract  
23 account. The board is also authorized to provide in its plan  
24 of operation a method of allocating funds among claims relating  
25 to one or more impaired or insolvent insurers when the maximum  
26 assessment will be insufficient to cover anticipated claims.  
27 If the maximum assessment under the life insurance account, the  
28 annuity account, or the unallocated annuity contract account is  
29 insufficient, the board shall access the other said accounts  
30 for the necessary amount subject to the maximum assessments  
31 allowed.

32 Code section 508C.9(6) is amended to allow the board to  
33 refund to member insurers amounts the board finds are not  
34 necessary to carry out the obligations of the association  
35 with regard to an account that includes assets accruing from

1 assignment, subrogation, net realized gains, and income from  
2 investments.

3 New Code section 508C.9(9) provides a procedure for a member  
4 insurer to protest and appeal an assessment.

5 New Code section 508C.9(10) allows the association to  
6 request information from member insurers in order to aid in the  
7 exercise of the association's power.

8 Code section 508C.11(1) is amended to strike a provision  
9 requiring the commissioner to be appointed as the liquidator  
10 or rehabilitator in a liquidation or rehabilitation proceeding  
11 involving a domestic insurer.

12 Code section 508C.11(3) is amended to provide that a final  
13 action of the board or the association may be appealed to the  
14 commissioner by a member insurer within 60, instead of 30, days  
15 of the insurer's receipt of notice of the final action.

16 Code section 508C.12 is amended to require the commissioner  
17 to report to the board upon receiving notice that certain  
18 actions have been taken against a member insurer in another  
19 state and to provide the board with the national association  
20 of insurance commissioners' insurance regulatory information  
21 system ratios, and listing of insurers not included in the  
22 ratios, developed for use by the board in carrying out its  
23 duties and responsibilities in preventing insolvencies.

24 Code section 508C.12(7), which required the board to prepare  
25 a report to the commissioner at the conclusion of an insurer  
26 insolvency in which the association was obligated to pay  
27 claims, is stricken.

28 Code section 508C.16 is amended to provide that immunity and  
29 indemnification provisions that apply to member insurers, the  
30 association, the board of directors, the commissioner, and any  
31 of their agents, employees, and representatives for actions or  
32 omissions made by them in performing their powers and duties  
33 under Code chapter 508C, are extended to their participation in  
34 any organization of one or more similar state associations and  
35 to that organization and its agents and employees.

1 Code section 508C.17 is amended to allow a stay of court  
2 proceedings in which an insolvent insurer is a party from  
3 180 instead of 60 days from the date of a final order of  
4 liquidation, rehabilitation, or conservation to permit legal  
5 action by the association.

6 Code section 508C.18 is amended to specify that persons,  
7 including insurers and their agents, are prohibited from making  
8 written or oral advertisements that use the existence of the  
9 insurance guaranty association to sell insurance.

10 New Code section 508C.18A requires the association within  
11 180 days after enactment of this Code section to prepare a  
12 summary document describing the general purposes and current  
13 provisions of Code chapter 508C and containing a disclosure  
14 with specified information about the coverage provided by the  
15 association. On or after March 1, 2012, an insurer shall not  
16 deliver an insurance policy or contract in Iowa to the owner of  
17 the policy or contract unless the summary document is delivered  
18 at the same time.

19 LIFE INSURANCE COMPANIES AND ASSOCIATIONS. Code section  
20 511.8(16)(h) is added to provide that financial instruments  
21 used in hedging transactions and securities pledged as  
22 collateral for financial instruments used in highly effective  
23 hedging transactions are eligible for inclusion in the legal  
24 reserve of an insurance company or association under Code  
25 section 511.8(22). A corollary provision is added in Code  
26 section 511.8(22)(i) to provide that securities held in the  
27 legal reserve of a life insurance company or association  
28 pledged as collateral for financial instruments used in highly  
29 effective hedging transactions as defined in the national  
30 association of insurance commissioners' Statement of Statutory  
31 Accounting Principles continue to be eligible for inclusion in  
32 the legal reserve subject to specified conditions.

33 SPECIAL HEALTH AND ACCIDENT INSURANCE COVERAGES. Code  
34 section 514C.18, requiring health insurance coverage for the  
35 treatment of diabetes, is amended to delete a reference to

1 specific testing supplies for home monitoring of the disease  
2 and instead add a more general reference to coverage of  
3 equipment and supplies.

4 INSURANCE OTHER THAN LIFE. Code chapter 515 has several  
5 provisions which relate to the duties of insurers when  
6 forfeiting, suspending, canceling or nonrenewing commercial  
7 and personal line policies or contracts of insurance. Code  
8 sections 515.125 and 515.126 which contain general provisions  
9 concerning those duties are amended to specify that more  
10 specific provisions enacted in 2010 concerning personal lines  
11 of insurance take precedence over these more general provisions  
12 if they are inconsistent with one another.

13 AUTOMOBILE INSURANCE CANCELLATION. Code chapter 515D  
14 contains provisions which relate specifically to the  
15 cancellation of personal automobile insurance. Code sections  
16 515D.5 and 515D.7 are amended to provide that the provisions  
17 of Code chapter 515D take precedence over those relating to  
18 the cancellation of personal lines insurance contained in  
19 Code chapter 515 concerning the cancellation or nonrenewal of  
20 personal automobile insurance.

21 COUNTY AND STATE MUTUAL INSURANCE GUARANTY ASSOCIATION.  
22 Code section 518C.3(4)(b)(3) is amended to specify that a  
23 covered claim for which the guaranty association provides  
24 coverage does not include a fee or other amount relating to  
25 goods or services sought by on behalf of any provider of goods  
26 or services retained by an insolvent insurer or by an insured  
27 prior to the date the insurer was declared insolvent.

28 Code section 518C.3(4)(b) is also amended to provide  
29 that a covered claim does not include a fee or other amount  
30 sought by or on behalf of an attorney, adjuster, witness, or  
31 other provider of goods or services retained by an insured or  
32 claimant in connection with the assertion of a claim against  
33 the association.

34 Code section 518C.5 is amended to provide that the board  
35 of directors of the guaranty association consists of the

1 officers and directors of the mutual insurance association of  
2 Iowa or its successor only if those people are employed by a  
3 corporation organized as a county mutual insurance association  
4 pursuant to Code chapter 518 or a state mutual insurance  
5 association pursuant to Code chapter 518A.

6 Code section 518C.6(1)(a)(2)(b) is amended to provide  
7 that the association is obligated to pay certain claims not  
8 exceeding the lesser of the policy limits or \$500,000, instead  
9 of \$300,000, per claim or claims arising out of any one or a  
10 series of occurrences.

11 Code section 518C.15 is amended to expand the immunity  
12 provisions pertaining to the association to include any  
13 committee established for the purpose of administering  
14 the affairs of the association or any person serving as  
15 an alternate or substitute representative director of the  
16 association for any actions taken or any failure to act in the  
17 performance of their duties.

18 CONSOLIDATION, MERGERS, AND REINSURANCE. Code section  
19 521.1(4) is amended to provide that a company subject to the  
20 consolidation, merger, and reinsurance provisions of Code  
21 chapter 521 includes a health maintenance organization or  
22 limited service organization organized pursuant to Code chapter  
23 514B.

24 Code section 521.2 is amended to provide that one or more  
25 foreign or domestic stock insurance companies may merge into a  
26 domestic mutual insurance company organized under Code chapter  
27 491 and one or more domestic health maintenance organizations  
28 or limited service organizations formed under Code chapter  
29 514B may merge into a domestic insurance company organized  
30 under Code chapter 490 or 491. In addition, certain provisions  
31 relating to merger or consolidation in Code chapter 491 are not  
32 applicable to the merger or consolidation of a domestic mutual  
33 insurance company pursuant to this chapter.

34 RISK-BASED CAPITAL REQUIREMENTS FOR INSURERS. Code section  
35 521E.3(1)(a) is amended to add another situation which

1 constitutes a company-action-level event for an insurer when  
2 included in the filing of a risk-based capital report by the  
3 insurer.

4 RISK-BASED CAPITAL REQUIREMENTS FOR HEALTH ORGANIZATIONS.  
5 Code section 521F.4(1) is amended to add another situation  
6 which constitutes a company-action-level event for a health  
7 organization when included in the filing of a risk-based  
8 capital report by the health organization.

9 INSURANCE PRODUCERS. New Code section 522B.11(7) provides  
10 that unless an insurance producer holds oneself out as an  
11 insurance specialist, consultant, or counselor and receives  
12 compensation for consultation and advice apart from commissions  
13 paid by an insurer, the duties and responsibilities of an  
14 insurance producer are limited to those set forth in a case  
15 entitled Sandbulte v. Farm Bureau Mut. Ins. Co. decided by the  
16 Iowa Supreme Court in 1984.

17 The bill further provides that the new subsection abrogates  
18 the holding of a case entitled Langwith v. Am. Nat'l Gen. Ins.  
19 Co. decided by the Iowa Supreme Court on December 30, 2010, to  
20 the extent that case overrules the Sandbulte case and imposes  
21 higher or greater duties and responsibilities on insurance  
22 producers than those set forth in the earlier case.

23 CEMETERY AND FUNERAL MERCHANDISE AND FUNERAL SERVICES. Code  
24 section 523A.206(1) is amended to require the commissioner  
25 to conduct examinations of sellers of cemetery and funeral  
26 merchandise, and funeral services every five years, instead of  
27 every three years.

28 CEMETERY REGULATION. Code section 523I.213A(1) is amended  
29 to require the commissioner to conduct an examination of a  
30 cemetery every five years, instead of every three years.