

House Study Bill 515 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE
ON COMMERCE BILL BY
CHAIRPERSON CARLSON)

A BILL FOR

1 An Act relating to the legal reserve requirements of life
2 insurance companies.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 511.8, subsection 22, paragraph i,
2 subparagraph (2), Code 2020, is amended to read as follows:

3 (2) Securities pledged as collateral for financial
4 instruments used in highly effective hedging transactions as
5 defined in the national association of insurance commissioners'
6 statement of statutory accounting principles no. 86 or the
7 national association of insurance commissioners' statement
8 of statutory accounting principles no. 108, together with
9 securities pledged to a counterparty, clearing organization,
10 or clearinghouse on an upfront basis in the form of initial
11 margin, independent amount, or other securities pledged as
12 a precondition of entering into highly effective hedging
13 transactions pursuant to subparagraph (1), are not eligible
14 in excess of ten percent of the legal reserve of the life
15 insurance company or association, less any financial
16 instruments used in hedging transactions held in the legal
17 reserve under [this subsection](#) and less any securities included
18 under subparagraph (3).

19 EXPLANATION

20 The inclusion of this explanation does not constitute agreement with
21 the explanation's substance by the members of the general assembly.

22 Life insurance companies may invest in, among other things,
23 certain financial instruments used in hedging transactions
24 to satisfy their legal reserve requirements. A maximum of
25 10 percent of a life insurance company's legal reserve may
26 be held in the form of securities pledged as collateral in
27 highly effective hedging transactions. Currently, the term
28 "highly effective hedging transaction" is defined in Code
29 section 511.8 by reference to the definition contained in the
30 national association of insurance commissioners' statement of
31 statutory accounting principles no. 86. This bill modifies
32 the definition of "highly effective hedging transaction"
33 to also include the definition of highly effective hedging
34 transaction contained in the national association of insurance
35 commissioners' statement of statutory account principles no.

H.F. _____

1 108.