

House Study Bill 587 - Introduced

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

A BILL FOR

1 An Act relating to life insurance company or association
2 investments in foreign countries other than Canada, and
3 including applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 511.8, subsection 19, Code 2022, is
2 amended by striking the subsection and inserting in lieu
3 thereof the following:

4 19. *Other foreign investments.*

5 a. Investments issued by, or investment practices with, a
6 counterparty outside of either the United States or Canada of
7 substantially the same type as those investments permitted for
8 a life insurance company or association under this section,
9 subject to the following conditions:

10 (1) The aggregate amount of foreign investments held by a
11 life insurance company or association under this subsection
12 does not exceed twenty percent of the life insurance company's
13 or association's legal reserve.

14 (2) The aggregate amount of foreign investments held under
15 this subsection by a life insurance company or association
16 in a foreign jurisdiction that has a sovereign debt rating
17 of SVO 1, as determined by the securities valuation office
18 of the national association of insurance commissioners,
19 does not exceed ten percent of the life insurance company's
20 or association's legal reserves, and for all other foreign
21 jurisdictions does not exceed three percent of the life
22 insurance company's or association's legal reserve.

23 b. Investments acquired under this subsection shall be
24 aggregated with investments of the same type made in a similar
25 manner under any other subsection of this section for purposes
26 of determining compliance with any limitations contained in any
27 other subsection of this section.

28 c. This subsection shall not limit or restrict investments
29 in Canadian obligations and securities specifically authorized
30 in any other subsection of this section.

31 d. This subsection shall not authorize investments issued,
32 assumed, or guaranteed by a foreign government which has
33 engaged in a consistent pattern of gross violations of human
34 rights.

35 e. Eligible investments in foreign obligations under this

1 subsection are limited to the types of obligations specifically
2 referred to in this subsection.

3 Sec. 2. APPLICABILITY. This Act applies to funds invested
4 by a life insurance company or association in a foreign country
5 other than Canada on or after January 1, 2023.

6 EXPLANATION

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

9 This bill allows life insurance companies (company) and
10 associations (association) to make investments issued by, or
11 investment practices with, a counterparty outside of either the
12 United States or Canada of substantially the same type as those
13 investments permitted for a company or association under Code
14 section 511.8, if the aggregate amount of foreign investments
15 held by the company or association does not exceed 20 percent
16 of the company's or association's legal reserve, does not
17 exceed 10 percent of the company's or association's legal
18 reserve if the foreign jurisdiction has a sovereign debt rating
19 of SVO 1, and for all other foreign jurisdictions does not
20 exceed 3 percent of the legal reserve. The investments must be
21 aggregated with investments of the same type made in a similar
22 manner under all other subsections of Code section 511.8 for
23 purposes of determining compliance with any limitations under
24 those subsections.

25 Under current law, companies and associations may invest
26 in bonds or other evidences of indebtedness, not to include
27 currency, issued, assumed, or guaranteed by a foreign
28 government other than Canada, or by a corporation incorporated
29 under the laws of a foreign government other than Canada. Such
30 governmental obligations must be valid, legally authorized,
31 and issued, and on the date of acquisition have predominantly
32 investment qualities and characteristics as provided by
33 administrative rule. The corporate obligations have to
34 meet specific qualifications established for bonds and other
35 evidences of indebtedness issued, assumed, or guaranteed by a

1 corporation incorporated under the laws of the United States or
2 Canada. Such foreign investments cannot exceed 25 percent of
3 the legal reserve of the company or association. Investments
4 in obligations of a foreign government, other than Canada,
5 the United Kingdom (UK), and foreign governments rated AAA by
6 Standard and Poor's division of McGraw-Hill companies, inc.
7 (S&P), or Aaa by Moody's investors services, inc. (Moody's),
8 cannot be in excess of 2 percent of the legal reserve in the
9 securities of foreign governments of any one foreign nation.
10 Investments in obligations of the UK cannot exceed 4 percent
11 of the legal reserve. Investments in obligations of foreign
12 governments rated either AAA by S&P, or Aaa by Moody's, cannot
13 exceed 5 percent of the legal reserve. Investments in a
14 corporation incorporated under the laws of a foreign government
15 other than Canada cannot exceed 2 percent of the legal reserve
16 in the securities of any one foreign corporation.

17 The bill applies to funds invested by a life insurance
18 company or association in a foreign country other than Canada
19 on or after January 1, 2023.