

**Senate File 2297 - Introduced**

SENATE FILE 2297  
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 3108)

(COMPANION TO HF 2405 BY  
COMMITTEE ON COMMERCE)

**A BILL FOR**

1 An Act relating to the investment of funds by life insurance  
2 companies and associations.

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

1 Section 1. Section 508.33A, subsection 8, Code 2024, is  
2 amended to read as follows:

3 8. The provisions of ~~sections 508.5, 508.6,~~ and 511.8,  
4 section 521.2, subsection 4, ~~sections 521A.4 and 521A.5,~~ and  
5 chapter 521E shall not be applicable to a limited purpose  
6 subsidiary life insurance company organized pursuant to this  
7 section.

8 Sec. 2. Section 511.8, subsection 1, paragraphs f, o, and p,  
9 Code 2024, are amended to read as follows:

10 *f.* "Collateral loan" means an unconditional obligation  
11 for the payment of money that is secured by the pledge of  
12 any assets or investments permitted under ~~this section.~~ A  
13 collateral loan cannot be a mortgage loan, ~~rated credit~~  
14 instrument, or other debt security as defined in this  
15 subsection.

16 *o.* "Lower grade investment" means a ~~rated credit instrument~~  
17 that is designated 4, 5, or 6 by the SVO.

18 *p.* "Medium grade investment" means a ~~rated credit instrument~~  
19 that is designated 3 by the SVO.

20 Sec. 3. Section 511.8, subsection 1, Code 2024, is amended  
21 by adding the following new paragraph:

22 NEW PARAGRAPH. *oh.* "Credit instrument" means an investment  
23 that is qualified as a bond under the accounting practices  
24 and procedures manual, such as evidence of indebtedness of a  
25 governmental unit or the instrumentality of the governmental  
26 unit, or of a private business entity. "Credit instrument"  
27 includes asset-backed securities, bank loans, and SVO-listed  
28 funds that have an SVO designation, and that qualify as a bond  
29 under the manual.

30 Sec. 4. Section 511.8, subsection 1, paragraph v, Code 2024,  
31 is amended by striking the paragraph.

32 Sec. 5. Section 511.8, subsection 9, Code 2024, is amended  
33 to read as follows:

34 9. ~~Rated credit~~ Credit instruments and short-term  
35 investments. An insurer may acquire the following ~~rated credit~~

1 instruments and short-term investments subject to all of the  
2 following:

3 *a.* The following credit instruments acquired under this  
4 subsection shall be subject to [subsection 6](#), paragraphs ~~"b"~~ and  
5 ~~"c"~~, and to [subsection 7](#), but shall not be subject to subsection  
6 [6](#), paragraph ~~"a"~~:

7 (1) Credit instruments issued, assumed, guaranteed, or  
8 insured by the United States or Canada.

9 (2) Credit instruments issued, assumed, guaranteed, or  
10 insured by a government-sponsored enterprise of the United  
11 States or Canada, if the credit instruments are assumed,  
12 guaranteed, or insured by the United States or Canada, or are  
13 otherwise backed or supported by the full faith and credit of  
14 the United States or Canada.

15 (3) Credit instruments, excluding asset-backed securities  
16 that are any of the following:

17 (a) Issued, assumed, guaranteed, or insured by a  
18 government-sponsored enterprise of a government other than the  
19 United States or Canada.

20 (b) Issued, assumed, guaranteed, or insured by a state, if  
21 the instruments are general obligations of the state.

22 *b.* Short-term investments acquired under [this subsection](#)  
23 shall be subject to [subsection 6](#).

24 *c.* All other ~~rated~~ credit instruments acquired under this  
25 subsection shall be subject to [subsections 6 and 7](#).

26 *d.* Foreign investments acquired under [this subsection](#) shall  
27 be subject to [subsection 15](#).

28 Sec. 6. Section 511.8, subsection 10, paragraph a, Code  
29 2024, is amended to read as follows:

30 *a.* (1) An insurer shall not acquire an investment under  
31 this subsection, if, as a result of and after giving effect to  
32 the investment the aggregate amount of investments then held by  
33 the insurer will exceed ten percent of the insurer's admitted  
34 assets.

35 (2) Notwithstanding subparagraph (1), an insurer that

1 files an annual statement pursuant to section 508.11 and  
2 completes the NAIC's health statement test shall not acquire  
3 an investment under this subsection, if, as a result of and  
4 after giving effect to the investment, the aggregate amount of  
5 investments then held by the insurer will exceed twenty-five  
6 percent of the insurer's admitted assets.

7 Sec. 7. Section 511.8, subsection 12, paragraph a,  
8 unnumbered paragraph 1, Code 2024, is amended to read as  
9 follows:

10 An insurer may acquire obligations secured by a mortgage or  
11 deed of trust that is a first or second lien upon otherwise  
12 unencumbered real estate, or upon leasehold estates in real  
13 property if fifty years or more of the term including renewals  
14 is unexpired, or other similar instruments, including mezzanine  
15 loans, either directly or through a business entity where  
16 the business entity's sole purpose is to hold mortgages that  
17 qualify for investment under this subsection, provided all of  
18 the following apply:

19 Sec. 8. Section 511.8, subsection 13, Code 2024, is amended  
20 to read as follows:

21 13. *Real estate.*

22 a. An insurer may acquire real estate either directly  
23 or through certificates evidencing participation with other  
24 investors.

25 ~~a.~~ b. An insurer may acquire real estate required for the  
26 insurer's home offices, or to be otherwise occupied by the  
27 insurer or the insurer's employees in transacting the insurer's  
28 business, and the insurer may lease any unused space to  
29 other occupants. The value of an insurer's investments under  
30 this paragraph shall not exceed ten percent of the insurer's  
31 admitted assets.

32 ~~b.~~ c. Excluding investments under paragraph "~~a~~" "~~b~~", an  
33 insurer's investments under **this subsection** shall not exceed  
34 fifteen percent of the insurer's admitted assets.

35 ~~c.~~ d. An insurer's aggregate investments under this

1 subsection and subsection 12 shall not exceed forty-five  
2 percent of the insurer's admitted assets.

3 Sec. 9. Section 511.8, subsection 19, Code 2024, is amended  
4 to read as follows:

5 19. *Collateral loans and other debt securities secured by*  
6 *collateral.* An insurer may acquire collateral loans or other  
7 debt securities secured by collateral consisting of any assets  
8 or investments permitted under this section, provided that  
9 the amount of the loan is not in excess of ninety percent of  
10 the value of the collateral at the time of acquisition. For  
11 the purpose of determining compliance with the quantitative  
12 limits in this subsection section, the collateral pledged to  
13 the insurer shall be aggregated with the insurer's direct  
14 investments.

15 Sec. 10. REPEAL. Section 508.6, Code 2024, is repealed.

16 EXPLANATION

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

19 This bill relates to the investment of funds by life  
20 insurance companies and associations.

21 "Credit instrument" is defined in the bill as an investment  
22 that is qualified as a bond under the accounting practices and  
23 procedures manual, and includes asset-backed securities, bank  
24 loans, and SVO-listed funds that have an SVO designation, and  
25 that qualify as a bond under the manual. The bill amends Code  
26 section 511.8(1) and (9) to conform with that definition.

27 The bill prohibits an insurer that files an annual statement  
28 and completes the NAIC health statement test from acquiring an  
29 investment if, as a result of the investment, the aggregate  
30 amount of investments held by the insurer will exceed 25  
31 percent of the insurer's assets.

32 Under current law, an insurer may acquire obligations  
33 secured by a mortgage or deed of trust that is a first or second  
34 lien upon otherwise unencumbered real estate, or upon leasehold  
35 estates in real property if 50 years or more of the term

1 including renewals is unexpired, or other similar instruments,  
2 including mezzanine loans, subject to the requirements of  
3 Code section 511.8(12)(a). Under the bill, an insurer may  
4 acquire such obligations either directly or through a business  
5 entity where the sole purpose of the business entity is to hold  
6 mortgages that qualify for investment.

7 The bill permits an insurer to acquire collateral loans  
8 or other debt securities secured by collateral consisting of  
9 any permitted assets or investments provided that the amount  
10 of the loan is not in excess of 90 percent of the value of the  
11 collateral at the time of acquisition.

12 The bill repeals Code section 508.6 and makes conforming  
13 changes to Code section 508.33A.