

**Senate Study Bill 1084 - Introduced**

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED DEPARTMENT OF  
COMMERCE/INSURANCE DIVISION  
BILL)

**A BILL FOR**

1 An Act relating to investments of funds by life insurers, and  
2 including applicability provisions.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 508.13, subsection 1, Code 2023, is  
2 amended to read as follows:

3 1. On receipt of an application for a certificate of  
4 authority or renewal of a certificate of authority, the  
5 appropriate fees, ~~the deposit provided in section 511.8,~~  
6 ~~subsection 16,~~ and the statement, and the statement and  
7 evidence of investment of foreign companies, the commissioner  
8 of insurance shall issue a certificate or a renewal of a  
9 certificate setting forth the corporate name of the company,  
10 its home office, that it has fully complied with the laws of  
11 the state and is authorized to transact the business of life  
12 insurance for the ensuing year, which certificate shall expire  
13 on the first day of June of the ensuing year, or sooner upon  
14 thirty days' notice given by the commissioner, of the next  
15 annual valuation of its policies.

16 Sec. 2. Section 508.14, subsections 1 and 3, Code 2023, are  
17 amended to read as follows:

18 1. Upon a failure of a company organized under the laws  
19 of this state to ~~make the deposit provided in section 511.8,~~  
20 ~~subsection 16,~~ or file the statement in the time stated in  
21 section 508.11, or to file in a timely manner any financial  
22 statement required by rule of the commissioner of insurance,  
23 the commissioner of insurance shall notify the attorney general  
24 of the default, ~~who~~ and the attorney general shall ~~at once~~  
25 apply to the district court of the county where the home  
26 office of the company is located for an order requiring the  
27 company to show cause, upon reasonable notice ~~to be fixed as~~  
28 determined by the court, why ~~its~~ the company's business shall  
29 not be discontinued. If, upon the hearing, sufficient cause is  
30 not shown, the court shall decree ~~its~~ the dissolution of the  
31 company.

32 3. The commissioner may give notice to a company, ~~which~~  
33 that has failed to file ~~evidence of deposit and all of the~~  
34 company's delinquent statements within the required time  
35 ~~fixed,~~ that the company is in violation of this section. If

1 the company fails to file ~~evidence of deposit~~ and all of the  
2 company's delinquent statements within ten days of the date of  
3 the notice, the company ~~is~~ shall be subject to an additional  
4 administrative penalty of one hundred dollars for each day the  
5 failure continues.

6 Sec. 3. Section 508.29, Code 2023, is amended to read as  
7 follows:

8 **508.29 Authority to write other insurance.**

9 ~~1.~~ Any life insurance company organized on the stock or  
10 mutual plan, and that is authorized by ~~its~~ the company's  
11 charter or articles of incorporation ~~so to do~~, may in addition  
12 to such life insurance, insure, either individually or on  
13 the group plan, the health of persons and against personal  
14 injuries, disablement or death, resulting from traveling or  
15 general accidents by land or water, and insure employers  
16 against loss in consequence of accidents or casualties of any  
17 kind to employees or other persons, or to property resulting  
18 from any act of the employee or any accident or casualty to  
19 persons or property, or both, occurring in or connected with  
20 ~~the transaction of their~~ transacting the employer's business,  
21 or from the operation of any machinery connected ~~therewith~~ with  
22 transacting the employer's business, but nothing contained  
23 in this section shall be construed to authorize any life  
24 insurance company to insure against loss or injury to person,  
25 or property, or both, growing out of explosion or rupture  
26 of steam boilers. An insurer may contract with health care  
27 service providers and offer different levels of benefits to  
28 policyholders based upon the provider contracts.

29 ~~2.~~ A company insuring risks authorized by ~~this section~~ shall  
30 ~~invest or hold in cash, funds equal to seventy-five percent of~~  
31 ~~the aggregate reserves and policy and contract claims for such~~  
32 ~~risks. Investments required by this subsection shall only be~~  
33 ~~made in securities enumerated in section 511.8, and are subject~~  
34 ~~to the same limitations as provided for the investment of legal~~  
35 ~~reserve, and are subject to section 511.8, subsections 16, 17,~~

1 ~~and 21.~~

2 Sec. 4. Section 508C.8, subsection 9, paragraph c, Code  
3 2023, is amended to read as follows:

4 c. Borrow money to effect the purposes of **this chapter**. Any  
5 notes or other evidence of indebtedness of the association held  
6 by domestic insurers and not in default qualify as investments  
7 eligible for deposit under **section 511.8, subsection 16**.

8 Sec. 5. Section 511.8, Code 2023, is amended by striking the  
9 section and inserting in lieu thereof the following:

10 **511.8 Investment of funds.**

11 1. *Definitions.* As used in this section unless the context  
12 otherwise requires:

13 a. *"Accounting practices and procedures manual"* means the  
14 most recent edition of the national association of insurance  
15 commissioner's accounting practices and procedures manual.

16 b. *"Admitted assets"* means the assets permitted to be  
17 reported as admitted assets on an insurer's most recent  
18 statutory financial statement required to be filed with the  
19 commissioner. *"Admitted assets"* shall include reinsurance funds  
20 withheld. *"Admitted assets"* shall not include assets held in  
21 nonguaranteed separate accounts.

22 c. *"Affiliate of"* means the same as defined in section  
23 521A.1.

24 d. *"Business entity"* means a sole proprietorship,  
25 corporation, limited liability company, association,  
26 partnership, joint stock company, joint venture, mutual  
27 fund, trust, joint tenancy or other similar form of business  
28 organization, whether organized for-profit or not-for-profit.

29 e. *"Capital and surplus"* means the sum of capital and  
30 surplus of an insurer that is required to be shown on an  
31 insurer's most recent statutory financial statement required to  
32 be filed with the commissioner.

33 f. *"Collateral loan"* means an unconditional obligation  
34 for the payment of money that is secured by the pledge of  
35 any assets or investments permitted under this section. A

1 collateral loan cannot be a mortgage loan, rated credit  
2 instrument, or other debt security as defined in this  
3 subsection.

4 *g.* "Commissioner" means the commissioner of insurance.

5 *h.* "Equity interest" means any of the following:

6 (1) A common stock.

7 (2) A trust certificate.

8 (3) An equity investment in an investment company other than  
9 an SVO-listed fixed income or preferred stock fund.

10 (4) An investment in a common trust fund with a bank that is  
11 regulated by a federal or state agency as trustee.

12 (5) An ownership interest in minerals, oil, or gas, the  
13 rights to which have been separated from the underlying fee  
14 interest in the real estate where the minerals, oil, or gas are  
15 located.

16 (6) An instrument that is mandatorily, or at the option of  
17 the issuer, convertible to equity.

18 (7) A limited partnership interest or a general partnership  
19 interest as authorized under subsection 4.

20 (8) An ownership interest in a limited liability company.

21 (9) A warrant or other right to acquire an ownership  
22 interest that is created by the person that either owns or will  
23 issue the ownership interest to be acquired.

24 (10) An investment categorized as an equity interest under  
25 subsection 5.

26 *i.* "Foreign investment" means an investment in a foreign  
27 jurisdiction, or an investment in an entity, real estate, or  
28 asset domiciled in a foreign jurisdiction. "Foreign investment"  
29 shall not include any of the following:

30 (1) An asset for which the issuing person or guarantor is  
31 the United States or Canada, or is domiciled in the United  
32 States or Canada.

33 (2) An asset for which the issuing person is domiciled in a  
34 foreign jurisdiction that has a sovereign debt rating of SVO 1,  
35 and the issuing person is a fund or other investment vehicle

1 that invests, directly or indirectly, substantially all of  
2 its assets in investments which are not foreign investments.  
3 If an insurer invests in an asset under this subparagraph,  
4 the commissioner may require the insurer to disclose to  
5 the commissioner the investments held by the fund or other  
6 investment vehicle.

7 *j. "Hedging transaction"* means a derivative transaction  
8 entered into and maintained by an insurer to reduce any of the  
9 following:

10 (1) The risk of a change in the value, yield, price,  
11 cash flow, or quantity of assets or liabilities which the  
12 insurer has acquired or incurred, or anticipates acquiring or  
13 incurring.

14 (2) Currency exchange rate risk or the degree of exposure  
15 as to assets or liabilities that the insurer has acquired or  
16 incurred, or anticipates acquiring or incurring.

17 *k. "Income generation transaction"* means a derivative  
18 transaction that involves writing a covered call option,  
19 covered put option, covered cap, or covered floor, and that is  
20 intended to generate income or enhance return.

21 *l. "Insurer"* means a company organized as a life insurance  
22 company under chapter 508.

23 *m. "Investment company"* means an investment company as  
24 defined in section 3(a) of the federal Investment Company Act  
25 of 1940, as amended, and as codified at 15 U.S.C. §§80a-3 et  
26 seq., and a person described in section 3(c) of the federal  
27 Investment Company Act.

28 *n. "Investment subsidiary"* means a subsidiary of an insurer  
29 that is engaged or organized to engage exclusively in the  
30 ownership and management of assets authorized as investments  
31 for the insurer.

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

34 *p. "Medium grade investment"* means a rated credit instrument  
35 that is designated 3 by the SVO.

1     *q. "Mortgage loan"* means an obligation secured by a  
2 mortgage, deed of trust, trust deed, or other consensual lien  
3 on real estate. *"Mortgage loan"* includes a leasehold estate  
4 in real property if fifty years or more of the term, including  
5 renewals, is unexpired.

6     *r. "NAIC"* means the national association of insurance  
7 commissioners.

8     *s. "Nonguaranteed separate account"* means a separate account  
9 for which the insurer's general account bears no risk related  
10 to performance of the separate account assets.

11    *t. "Other debt security"* means an investment in the form  
12 of a debt security that does not qualify as a bond, however,  
13 the investment does qualify as an admissible asset under the  
14 accounting practices and procedures manual.

15    *u. "Person"* means an individual, a business entity,  
16 a multilateral development bank, or a governmental or  
17 quasi-governmental body such as a political subdivision or a  
18 government-sponsored enterprise.

19    *v. "Rated credit instrument"* means an investment that  
20 is qualified as a bond under the accounting practices and  
21 procedures manual, such as evidence of indebtedness of a  
22 governmental unit or the instrumentality of the governmental  
23 unit, or of a private business entity. *"Rated credit*  
24 *instrument"* includes asset-backed securities, bank loans, and  
25 SVO-listed funds that have a SVO designation, and that qualify  
26 as a bond under the manual.

27    *w. "Real estate"* means any of the following:

28       (1) Real property.

29       (2) Interests in real property such as leaseholds, and  
30 minerals, oil, and gas that have not been separated from the  
31 underlying fee interest.

32       (3) Improvements and fixtures located on or in the real  
33 property.

34       (4) The buyer's equity in a contract providing for a sale  
35 of real estate.

1 (5) An investment categorized as real estate under  
2 subsection 5.

3 *x. "Replication transaction"* means a derivative transaction  
4 entered into in conjunction with other investments in order  
5 to reproduce the investment characteristics of otherwise  
6 permissible investments. *"Replication transaction"* does not  
7 include a derivative transaction that is entered into as a  
8 hedging transaction.

9 *y. "Securities valuation office"* or *"SVO"* means the  
10 securities valuation office of the NAIC, or a successor entity.

11 *z. "Short-term investment"* means a highly liquid investment  
12 or security that has a remaining term of maturity between  
13 ninety days and three hundred sixty-five days, and that is  
14 qualified as a short-term investment under the accounting  
15 practices and procedures manual.

16 2. *Prudence evaluation criteria.*

17 *a.* For all investments under this section, an insurer  
18 shall perform the insurer's duties in good faith and with the  
19 degree of care that persons of reasonable prudence in a similar  
20 position exercise in a similar circumstance. The following  
21 factors shall be evaluated by the insurer and considered along  
22 with the insurer's business to determine if an investment  
23 portfolio or an investment policy is prudent:

24 (1) General economic conditions.

25 (2) The expected tax consequences of an investment decision  
26 or strategy.

27 (3) The fairness and reasonableness of the terms of an  
28 investment in relation to the investment's risk and reward  
29 characteristics.

30 (4) The effect of an investment on the characteristics of  
31 the insurer's investment portfolio as a whole.

32 (5) The extent of the diversification of the insurer's  
33 investments among all of the following:

34 (a) Individual investments.

35 (b) Classes of investments.



- 1 (c) Industry concentrations.
- 2 (d) Issuers.
- 3 (e) Geographic areas.
- 4 (6) The economic substance of investments in affiliates.
- 5 (7) The investment exposure to each of the following risks,
- 6 consistent with the insurer's acceptable risk level identified
- 7 under subsection 3:
  - 8 (a) Liquidity.
  - 9 (b) Credit and default.
  - 10 (c) Market.
  - 11 (d) Interest rate, including duration and convexity.
  - 12 (e) Currency.
- 13 (8) The amount of the insurer's assets, premium writings
- 14 and insurance in force, level of capitalization, and other
- 15 appropriate characteristics.
- 16 (9) The amount and adequacy of the insurer's reported
- 17 liabilities.
- 18 (10) The relationship, and the risk of adverse changes,
- 19 of the expected cash flows of the insurer's assets and
- 20 liabilities.
- 21 (11) The relationship, and the risk of adverse changes, of
- 22 the valuation of the insurer's assets and liabilities.
- 23 (12) The insurer's level of expertise with various types of
- 24 investments.
- 25 (13) The ability of the insurer to model the underlying
- 26 risks of an investment, with the modeling commensurate with the
- 27 complexity of the investment.
- 28 (14) The overall maturity of the insurer's enterprise risk
- 29 management and investment risk management frameworks.
- 30 (15) The adequacy of the insurer's capital and surplus to
- 31 secure the liabilities of the insurer in consideration of the
- 32 risk and potential magnitude of adverse experience or economic
- 33 conditions.
- 34 (16) The professional standards required by the insurer for
- 35 the individuals who make day-to-day investment decisions on

1 behalf of the insurer.

2 (17) Any other factors relevant to whether an investment is  
3 prudent.

4 *b.* The commissioner shall consider each of the factors in  
5 paragraph "a", subparagraphs (1) through (17), prior to making  
6 a determination that an insurer's investment portfolio or  
7 investment policy is not prudent.

8 3. *Insurer investment policies.* In acquiring, investing,  
9 exchanging, holding, selling, and managing investments,  
10 an insurer shall establish and follow one or more written  
11 investment policies that shall be annually reviewed and  
12 approved by the insurer's board of directors or the board of  
13 directors' designee. The content and format of an insurer's  
14 investment policies are at the insurer's discretion; however,  
15 the investment policies must include written guidelines and  
16 controls appropriate to the insurer's business. An insurer  
17 shall consider all of the following:

18 *a.* Permissible asset types, including maximum or minimum  
19 internal limits regarding the composition of classes of  
20 investments.

21 *b.* Periodic evaluation of the investment portfolio as to the  
22 portfolio's risk and reward characteristics.

23 *c.* The relationship of investments to the insurer's  
24 insurance products and liabilities.

25 *d.* The manner in which the insurer intends to implement  
26 subsection 2.

27 *e.* The appropriate level of risk, based on quantitative  
28 measures, given the level of capitalization and expertise  
29 available to the insurer.

30 4. *Prohibited investments.* An insurer shall not, directly  
31 or indirectly, do any of the following:

32 *a.* Except as provided in subsection 5, invest in an  
33 obligation or security, or make a guarantee for the benefit of  
34 or in favor of an officer or director of the insurer.

35 *b.* Except as provided in chapter 521A or subsection 5,

1 invest in an obligation or security of, make a guarantee for  
2 the benefit of or in favor of, or make other investments in,  
3 a business entity in which ten percent or more of the voting  
4 securities or equity interests are owned directly or indirectly  
5 by or for the benefit of one or more officers or directors of  
6 the insurer.

7 *c.* Engage on the insurer's own behalf, or through one or  
8 more affiliates, in a transaction or series of transactions  
9 intended to evade the prohibited investments under this  
10 subsection.

11 *d.* Act or invest as a general partner, with the following  
12 exceptions:

13 (1) If all other partners in the partnership are  
14 subsidiaries of the insurer.

15 (2) For the purpose of any of the following:

16 (a) Meeting cash calls committed to by the partnership prior  
17 to July 1, 2023.

18 (b) Completing specific projects or activities of the  
19 partnership in which the insurer was a general partner before  
20 July 1, 2023, and that had been undertaken before July 1, 2023.

21 (c) Making capital improvements to property owned by the  
22 partnership before July 1, 2023, if the insurer was a general  
23 partner before July 1, 2023.

24 *e.* Notwithstanding paragraphs "*c*" and "*d*", a subsidiary or  
25 an affiliate of an insurer shall not be prohibited from acting  
26 or investing as a general partner.

27 *f.* (1) Invest in or lend the insurer's funds upon the  
28 security of shares of the insurer's own stock, except that an  
29 insurer may acquire shares of its own stock for any of the  
30 following purposes:

31 (a) Conversion of a stock insurer into a mutual or  
32 reciprocal insurer, or a mutual or reciprocal insurer into a  
33 stock insurer.

34 (b) Issuance to the insurer's officers, employees, or  
35 agents in connection with a plan for converting a publicly

1 held insurer into a privately held insurer, as approved by the  
2 commissioner under section 508B.7, or in connection with other  
3 stock option and employee benefit plans.

4 (c) In accordance with any other plan approved by the  
5 commissioner.

6 (2) Stocks acquired by an insurer under subparagraph (1)  
7 shall not be admitted assets of the insurer.

8 5. *Valuation and categorization of investments.*

9 a. Unless otherwise specified in this section, the  
10 valuation and categorization of, or the amount of, an insurer's  
11 investment acquired or held under subsections 6 through 20,  
12 shall be the classification and value at which the assets of an  
13 insurer are required to be reported for statutory accounting  
14 purposes, as determined in accordance with the accounting and  
15 valuation standards of the NAIC including all of the following:

16 (1) The most recently published purposes and procedures  
17 manual of the NAIC investment analysis office, or any successor  
18 purposes and procedures adopted by the NAIC investment analysis  
19 office.

20 (2) The most recently published valuation of securities  
21 manual, or any successor valuation of securities procedures  
22 adopted by the NAIC.

23 (3) The most recently published accounting practices and  
24 procedures manual, or any successor accounting practices and  
25 procedures adopted by the NAIC.

26 (4) The most recently published annual statement  
27 instructions, or any successor annual statement instructions  
28 adopted by the NAIC.

29 (5) Any successor valuation procedures adopted by the NAIC.

30 b. Upon approval of the commissioner, an insurer's  
31 investment in the equity interests of a business entity whose  
32 primary purpose is to directly or indirectly invest in and  
33 maintain assets and investments on behalf of the insurer and  
34 the insurer's affiliates, or on behalf of the insurer or the  
35 insurer's affiliates, may be deemed to be the insurer itself

1 investing in such assets and investments of the business entity  
2 based on the insurer's pro-rata equity interest in the business  
3 entity.

4 6. *General five-percent diversification.*

5 a. Except as otherwise specified in this section, an insurer  
6 shall not directly or indirectly acquire an investment under  
7 this section if, as a result of and after giving effect to the  
8 investment, the insurer will hold more than five percent of the  
9 insurer's admitted assets in investments of all kinds issued,  
10 assumed, accepted, insured, or guaranteed by a single person.

11 b. Notwithstanding paragraph "a", an insurer shall not  
12 acquire an asset-backed security if, as a result of and after  
13 giving effect to the investment, the aggregate amount of  
14 asset-backed securities secured by or evidencing an interest  
15 in a single asset or single pool of assets held by a trust or  
16 other business entity then held by the insurer will exceed five  
17 percent of the insurer's admitted assets.

18 c. Notwithstanding paragraph "a", an insurer shall not  
19 acquire a mortgage loan under subsection 12 if, as a result of  
20 and after giving effect to the investment, the aggregate amount  
21 of mortgage loans covering any one secured location will exceed  
22 five percent of the insurer's admitted assets.

23 7. *Medium and lower grade investments.*

24 a. An insurer shall not acquire an investment under this  
25 section, including counterparty exposure net of collateral  
26 held, if, as a result of and after giving effect to the  
27 investment any of the following apply:

28 (1) The aggregate amount of medium and lower grade  
29 investments then held by the insurer will exceed twenty percent  
30 of the insurer's admitted assets.

31 (2) The aggregate amount of lower grade investments then  
32 held by the insurer will exceed ten percent of the insurer's  
33 admitted assets.

34 (3) The aggregate amount of investments designated 5 or 6 by  
35 the SVO then held by the insurer will exceed three percent of

1 the insurer's admitted assets.

2 (4) The aggregate amount of investments designated 6 by the  
3 SVO then held by the insurer will exceed one percent of the  
4 insurer's admitted assets.

5 *b.* An insurer shall not acquire an investment under this  
6 section, including counterparty exposure net of collateral  
7 held, if, as a result of and after giving effect to the  
8 investment all of the following apply:

9 (1) The aggregate amount of medium and lower grade  
10 investments issued, assumed, guaranteed, accepted, or insured  
11 by any one person or, as to asset-backed securities secured  
12 by or evidencing an interest in a single asset or pool of  
13 assets, then held by the insurer will exceed one percent of the  
14 insurer's admitted assets.

15 (2) The aggregate amount of lower grade investments issued,  
16 assumed, guaranteed, accepted, or insured by any one person  
17 or, as to asset-backed securities secured by or evidencing an  
18 interest in a single asset or pool of assets, then held by the  
19 insurer will exceed one-half of one percent of the insurer's  
20 admitted assets.

21 *c.* If an insurer attains or exceeds the limit of any  
22 one designation category under this subsection, the insurer  
23 shall not be precluded from acquiring investments in  
24 other designation categories, subject to the specific and  
25 multi-category limits applicable to each of those investments.

26 8. *Cash or cash equivalents.* An insurer may acquire,  
27 without limitation, cash and cash equivalents as such terms are  
28 defined in the accounting practices and procedures manual.

29 9. *Rated credit instruments and short-term investments.* An  
30 insurer may acquire the following rated credit instruments and  
31 short-term investments subject to all of the following:

32 *a.* The following credit instruments acquired under this  
33 subsection shall be subject to subsection 6, paragraphs "b" and  
34 "c", and to subsection 7:

35 (1) Credit instruments issued, assumed, guaranteed, or

1 insured by the United States or Canada.

2 (2) Credit instruments issued, assumed, guaranteed, or  
3 insured by a government-sponsored enterprise of the United  
4 States or Canada, if the credit instruments are assumed,  
5 guaranteed, or insured by the United States or Canada, or are  
6 otherwise backed or supported by the full faith and credit of  
7 the United States or Canada.

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

10 (a) Issued, assumed, guaranteed, or insured by a  
11 government-sponsored enterprise of a government other than the  
12 United States or Canada.

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

15 *b.* Short-term investments acquired under this subsection  
16 shall be subject to subsection 6.

17 *c.* All other rated credit instruments acquired under this  
18 subsection shall be subject to subsections 6 and 7.

19 *d.* Foreign investments acquired under this subsection shall  
20 be subject to subsection 15.

21 10. *Equity interests.* An insurer may acquire equity  
22 interests subject to all of the following:

23 *a.* An insurer shall not acquire an investment under this  
24 subsection, if, as a result of and after giving effect to the  
25 investment the aggregate amount of investments then held by  
26 the insurer will exceed ten percent of the insurer's admitted  
27 assets.

28 *b.* Foreign investments acquired under this subsection shall  
29 be subject to subsection 15.

30 *c.* Equity interests in subsidiary corporations, as  
31 authorized by section 508.33, shall be eligible investments  
32 if the total investment does not exceed five percent of the  
33 insurer's admitted assets. Upon application to and approval  
34 of the commissioner, an insurer may acquire additional equity  
35 interests in direct or indirect subsidiary insurance companies

1 that are domiciled in the United States, not to exceed an  
2 additional two percent of the insurer's admitted assets.

3 *d.* In addition to the investments authorized in paragraphs  
4 "a", "b", and "c", an insurer may acquire equity interests in  
5 subsidiary entities as permitted by, and as subject to the  
6 limitations of, section 521A.2.

7 11. *Tangible personal property.*

8 *a.* An insurer may acquire obligations secured by tangible  
9 personal property that is under contract of sale or lease for  
10 which contractual payments may reasonably be expected to return  
11 the principal of, and provide earnings on, the investment  
12 within the anticipated useful life of the tangible personal  
13 property.

14 *b.* An insurer shall not acquire an obligation under  
15 paragraph "a", if, as a result of and after giving effect to  
16 the investment, the aggregate amount of investments then held  
17 by the insurer under this subsection will exceed either of the  
18 following:

19 (1) Two percent of the insurer's admitted assets.

20 (2) One-half of one percent of the insurer's admitted assets  
21 as to any single item of tangible personal property.

22 12. *Mortgage loans.*

23 *a.* An insurer may acquire obligations secured by a mortgage  
24 or deed of trust that is a first or second lien upon otherwise  
25 unencumbered real estate, or upon leasehold estates in real  
26 property if fifty years or more of the term including renewals  
27 is unexpired, or other similar instruments, including mezzanine  
28 loans provided all of the following apply:

29 (1) The amount loaned by the insurer, together with any  
30 amount secured by an equal or prior security interest, whether  
31 of the insurer or another party, does not exceed ninety percent  
32 of the appraised value of the real estate and improvements at  
33 the time the insurer makes the investment, as evidenced by a  
34 current qualified external appraisal or an internal appraisal  
35 conducted using standards comparable to an external appraisal.



1 (2) The amount of an obligation required to be included in  
2 the calculation of the loan-to-value ratio may be reduced to  
3 the extent the obligation is insured or guaranteed by an agency  
4 of the United States government.

5 (3) A mezzanine loan acquired under this subsection shall  
6 not exceed four percent of an insurer's admitted assets.

7 *b.* This subsection shall not be construed to prevent any  
8 amount invested under this subsection that exceeds ninety  
9 percent of the appraised value of the real estate from being  
10 an authorized asset under subsection 10, paragraph "a", or  
11 subsection 20, subject to the limitations of subsection 10,  
12 paragraph "a", and subsection 20.

13 13. *Real estate.* An insurer may acquire real estate either  
14 directly or through certificates evidencing participation with  
15 other investors.

16 *a.* An insurer may acquire real estate required for the  
17 insurer's home offices, or to be otherwise occupied by the  
18 insurer or the insurer's employees in transacting the insurer's  
19 business, and the insurer may lease any unused space to  
20 other occupants. The value of an insurer's investments under  
21 this paragraph shall not exceed ten percent of the insurer's  
22 admitted assets.

23 *b.* Excluding investments under paragraph "b", an insurer's  
24 investments under this subsection shall not exceed fifteen  
25 percent of the insurer's admitted assets.

26 *c.* An insurer's aggregate investments under this subsection  
27 and subsection 12 shall not exceed forty-five percent of the  
28 insurer's admitted assets.

29 14. *Securities lending, repurchase, reverse repurchase,*  
30 *and dollar roll transactions.* An insurer may enter into  
31 securities lending, repurchase, reverse repurchase, and dollar  
32 roll transactions with business entities, provided that the  
33 insurer's board of directors, or the board of directors'  
34 designee, adopts a written plan that is consistent with the  
35 insurer's investment policies under subsection 3, and that

1 specifies guidelines and objectives including all of the  
2 following:

3     *a.* A description of how any cash received will either be  
4 invested or used for the insurer's general corporate purposes.

5     *b.* Operational procedures to manage interest rate risk,  
6 counterparty default risk, the conditions under which proceeds  
7 from repurchase transactions may be used in the ordinary course  
8 of business, and the use of acceptable collateral in a manner  
9 that reflects the liquidity needs of the transaction.

10     *c.* The extent to which the insurer may engage in  
11 transactions under this subsection.

12     15. *Foreign investments.* An insurer may acquire foreign  
13 investments, or engage in investment practices with persons  
14 or business entities of or in foreign jurisdictions of  
15 substantially the same types as those investments that an  
16 insurer is permitted to acquire under this subsection, if, as a  
17 result and after giving effect to the investment the following  
18 apply:

19     *a.* The aggregate amount of foreign investments then held  
20 by the insurer under this subsection does not exceed twenty  
21 percent of the insurer's admitted assets.

22     *b.* The aggregate amount of foreign investments under  
23 this subsection then held by the insurer in a single foreign  
24 jurisdiction that has a sovereign debt rating of SVO 1 does not  
25 exceed ten percent of the insurer's admitted assets, or does  
26 not exceed three percent of the insurer's admitted assets as to  
27 any other foreign jurisdiction.

28     *c.* Investments acquired under this subsection shall be  
29 aggregated with investments of the same type made in a similar  
30 manner under any other subsection of this section for purposes  
31 of determining compliance with any limitations contained in any  
32 other subsection of this section.

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

1 rights.

2 16. *Derivative transactions.* An insurer may engage in  
3 derivative transactions if the insurer complies with all of the  
4 following conditions:

5 a. The insurer shall include all counterparty exposure  
6 amounts, net of collateral held, in determining compliance with  
7 the limitations of subsections 6 and 7.

8 b. The insurer shall have sufficient experience with  
9 derivatives such that the insurer's performance and procedures  
10 reflect all of the following:

11 (1) That the insurer has a successful history of adequately  
12 identifying, measuring, monitoring, and limiting exposures  
13 associated with derivative transactions.

14 (2) That the insurer has adequate corporate controls over  
15 the activities in subparagraph (1).

16 (3) That the insurer has sufficient staff who are  
17 knowledgeable, competent, and skilled in the use of the  
18 sophisticated financial instruments necessary to execute  
19 subparagraph (1).

20 c. Prior to engaging in a derivative transaction under  
21 this subsection, the insurer shall develop guidelines and  
22 internal control procedures pursuant to rules promulgated by  
23 the commissioner.

24 d. An insurer may use derivative instruments to engage in  
25 any of the following:

26 (1) Hedging transactions, provided that the insurer shall  
27 be able to demonstrate the intended hedging characteristics  
28 and the ongoing effectiveness of the derivative transaction or  
29 combination of transactions through cash flow testing or other  
30 appropriate analysis.

31 (2) Income generation transactions, provided that the  
32 transaction is one of the following:

33 (a) A sale of a call option on assets, if during the entire  
34 period the option is outstanding, the insurer holds, or has a  
35 currently exercisable right to acquire, the underlying assets.

1 (b) A sale of a put option on assets, if during the entire  
2 period the option is outstanding, the insurer holds sufficient  
3 short-term liquidity to purchase the underlying assets on  
4 exercise of the option, the insurer has the ability to hold the  
5 underlying assets in the insurer's portfolio, and the total  
6 market value of the put options sold by the insurer does not  
7 exceed two percent of the insurer's admitted assets.

8 (c) A sale of a covered cap or floor, if the insurer holds  
9 in the insurer's portfolio the investments generating the  
10 cash flow necessary to make the required payments under the  
11 cap or floor during the complete term that cap or floor is  
12 outstanding.

13 (3) Replication transactions, provided that all of the  
14 following apply:

15 (a) The insurer is otherwise authorized to invest in the  
16 asset being replicated.

17 (b) The asset being replicated is subject to this section  
18 as if the transaction constitutes a direct investment by the  
19 insurer in the replicated asset.

20 (c) The transaction is filed timely with the SVO as a  
21 replicated synthetic asset transaction.

22 17. *Policy loans.* An insurer may make a loan on any of the  
23 insurer's policies in an amount not to exceed the reserve that  
24 the insurer is required to maintain on the policy on which a  
25 loan is made.

26 18. *Preferred stock.* An insurer may acquire preferred  
27 stock, if, as a result of and after giving effect to the  
28 investment, the aggregate amount of preferred stock held by the  
29 insurer does not exceed twenty-five percent of the insurer's  
30 admitted assets, and the aggregate amount of preferred stocks  
31 held by the insurer that are not designated P1 or P2 by the SVO  
32 does not exceed ten percent of the insurer's admitted assets.

33 19. *Collateral loans and other debt securities secured by*  
34 *collateral.* An insurer may acquire collateral loans or other  
35 debt securities secured by collateral consisting of any assets

1 or investments permitted under this section, provided that  
2 the amount of the loan is not in excess of ninety percent of  
3 the value of the collateral. For the purpose of determining  
4 compliance with the quantitative limits in this subsection, the  
5 collateral pledged to the insurer shall be aggregated with the  
6 insurer's direct investments.

7 20. *Additional authorized investments.* An insurer may  
8 acquire investments not otherwise authorized under this  
9 section, or that exceed the limitation of this section in  
10 an amount in the aggregate not exceeding ten percent of the  
11 insurer's admitted assets.

12 a. Investments authorized under this subsection shall not  
13 include investments prohibited under subsection 4.

14 b. An insurer shall not make investments under this  
15 subsection if the insurer fails to maintain at least company  
16 action level risk-based capital as defined by the NAIC.

17 c. This subsection shall not be construed to permit any  
18 asset not allowed as an admitted asset under the requirements  
19 of the accounting practices and procedures manual to be  
20 considered an admitted asset under this section.

21 21. *Application of limitations.* An investment qualified,  
22 in whole or in part, for acquisition or holding as an admitted  
23 asset may be qualified or requalified, in whole or in part, by  
24 the insurer at either the time of acquisition or a later date  
25 under any subsection of this section if the relevant conditions  
26 contained in the applicable subsection are satisfied at the  
27 time of the insurer's qualification or requalification.

28 22. *Rules.* The commissioner may adopt rules pursuant to  
29 chapter 17A to administer this section.

30 23. *Enforcement.* Investments not conforming to this section  
31 shall not be admitted assets. The commissioner may take any  
32 enforcement action under the commissioner's authority to  
33 enforce compliance with this section.

34 Sec. 6. Section 511.8A, Code 2023, is amended to read as  
35 follows:

1       **511.8A Agricultural land.**

2       Agricultural land, as defined in [section 9H.1](#), acquired as  
3 ~~provided in [section 511.8, subsection 10](#), paragraph "b", a~~  
4 result of foreclosure or in settlement or in satisfaction of  
5 any indebtedness by a life insurance company or association  
6 incorporated by or organized under the laws of this or any  
7 other state, shall be sold or otherwise disposed of by the  
8 company or association within five years after title is vested  
9 in the company or association. A life insurance company or  
10 association is a corporation for purposes of [chapter 9H](#).

11       Sec. 7. Section 512B.21, Code 2023, is amended to read as  
12 follows:

13       **512B.21 Investments.**

14       A society shall invest ~~its~~ the society's funds only as  
15 authorized by the laws of this state for the investment of  
16 assets of life insurers and subject to the same limitations. A  
17 foreign or alien society permitted or seeking to do business in  
18 this state which invests its funds in accordance with the laws  
19 of the state or nation in which ~~it~~ the foreign or alien society  
20 is incorporated, shall be held to meet the requirements of this  
21 section for the investment of funds. ~~A society organized under~~  
22 ~~the laws of this state shall deposit securities as required of~~  
23 ~~life insurance companies pursuant to [section 511.8, subsection](#)~~  
24 ~~16.~~

25       Sec. 8. Section 514B.15, Code 2023, is amended to read as  
26 follows:

27       **514B.15 Investments.**

28       With the exception of investments made in accordance with  
29 [section 514B.6](#), the investable funds of a health maintenance  
30 organization shall be invested only in securities or other  
31 investments permitted by [section 511.8](#) for the investment  
32 of assets ~~constituting the legal reserves~~ of life insurance  
33 companies or such other securities or investments as the  
34 commissioner may permit. For purposes of [this section](#),  
35 investable funds of a health maintenance organization are

1 all moneys held in trust for the purpose of fulfilling the  
2 obligations incurred by a health maintenance organization in  
3 providing health care services to enrollees.

4 Sec. 9. Section 521A.2, subsection 1, paragraph c, Code  
5 2023, is amended to read as follows:

6 c. Investing, reinvesting, or trading in securities and  
7 ~~financial instruments as defined in derivative transactions~~  
8 pursuant to section 511.8, subsection 22 16, for its the  
9 domestic insurer's own account, that of its parent, any  
10 subsidiary of its parent, or any affiliate or subsidiary.

11 Sec. 10. Section 521A.2, subsection 3, paragraph d, Code  
12 2023, is amended to read as follows:

13 d. Invest, reinvest, and trade in ~~financial instruments as~~  
14 ~~defined in derivative transactions pursuant to section 511.8,~~  
15 subsection 22 16, for its the domestic insurer's own account,  
16 that of its parent, any subsidiary of its parent, or any  
17 affiliate or subsidiary.

18 EXPLANATION

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

21 This bill relates to investments of funds by life insurers.

22 The bill strikes and replaces Code section 511.8, and makes  
23 changes to the investments that life insurance companies  
24 organized under Code chapter 508 are allowed to acquire.

25 The commissioner of insurance may adopt rules to administer  
26 the bill and may take any enforcement action under the  
27 commissioner's authority to enforce compliance with the bill.

28 The bill makes conforming changes to Code sections  
29 508.13(1), 508.14(1), 508.14(3), 508.29, 508C.8(9)(c), 511.8A,  
30 512B.21, 514B.15, 521A.2(1)(c), and 521A.2(3)(d).