

Senate Study Bill 1194 - Introduced

SENATE/HOUSE FILE _____
BY (PROPOSED DEPARTMENT OF
INSURANCE AND FINANCIAL
SERVICES BILL)

A BILL FOR

1 An Act relating to matters under the purview of the department of
2 insurance and financial services including financial literacy
3 and exploitation, tax confidentiality, health insurance
4 rates, health savings accounts, insurer withdrawals, property
5 insurance, and service contracts, and including penalties.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

DIVISION I

FINANCIAL LITERACY AND FINANCIAL EXPLOITATION

Section 1. Section 502.410, subsection 2, Code 2025, is amended to read as follows:

2. *Agents.* The fee for an individual is forty dollars when filing an application for registration as an agent, a fee of forty dollars when filing a renewal of registration as an agent, and a fee of forty dollars when filing for a change of registration as an agent. Of each forty-dollar fee collected, ten dollars is appropriated to the ~~securities investor education and financial literacy training fund established under~~ financial literacy and investor education fund created in section 502.601, subsection 5 546.14, and ten dollars is appropriated to the financial exploitation prevention fund created in section 546.15. If the filing results in a denial or withdrawal, the administrator shall retain the fee.

Sec. 2. Section 502.601, subsection 4, Code 2025, is amended by striking the subsection and inserting in lieu thereof the following:

4. *Financial literacy and investor education.* Initiatives involving financial literacy and investor education shall comply with the initiatives in section 546.14, subsection 1, and section 546.15, subsection 1.

Sec. 3. Section 502.601, subsection 5, Code 2025, is amended by striking the subsection.

Sec. 4. Section 505.7, subsection 3, Code 2025, is amended to read as follows:

3. ~~Forty percent of the nonexamination~~ Nonexamination revenues payable to the division of insurance or the department of revenue in connection with the regulation of insurance companies or other entities subject to the regulatory jurisdiction of the division shall be deposited in the commerce revolving fund created in section 546.12 and shall be subject to annual appropriation to the division for its operations and is also subject to expenditure under subsection 6. ~~The remaining~~

1 ~~nonexamination revenues payable to the division of insurance or~~
2 ~~the department of revenue shall be deposited in the general fund~~
3 ~~of the state.~~

4 Sec. 5. Section 546.2, subsection 4, Code 2025, is amended by
5 adding the following new paragraph:

6 NEW PARAGRAPH. g. To identify and coordinate appropriate
7 opportunities for collaboration under sections 546.14 and 546.15
8 with the chief administrative officers of each division and each
9 chief administrative officer's respective regulated entities.

10 Sec. 6. NEW SECTION. **546.14 Financial literacy and investor**
11 **education fund.**

12 1. The director shall develop and implement financial
13 literacy and investor education initiatives for the public
14 by providing education on financial topics, including but not
15 limited to the topics required to be offered and taught for
16 grades nine through twelve under section 256.11, subsection 5,
17 paragraph "k", subparagraph (1).

18 2. A financial literacy and investor education fund is
19 created in the state treasury under the control of the director
20 for the purposes specified in subsection 1. The fund shall
21 consist of any moneys appropriated to the fund by the general
22 assembly and any other moneys available and obtained or accepted
23 by the department for placement in the fund including all of the
24 following:

25 a. Moneys appropriated to the fund pursuant to section
26 502.410, subsection 2.

27 b. Notwithstanding any provision of law to the contrary,
28 the director may, at the director's discretion, transfer up to
29 two hundred fifty thousand dollars from the commerce revolving
30 fund created in section 546.12 to complete the objectives under
31 subsection 1.

32 c. Notwithstanding any provision of law to the contrary, any
33 moneys received by the department by reason of civil penalties
34 assessed pursuant to chapter 502 may be deposited in the
35 financial literacy and investor education fund at the discretion

1 of the director.

2 d. The director may collaborate with organizations with an
3 interest in financial literacy and investor education. The
4 director may accept a grant or donation to be placed in the
5 financial literacy and investor education fund.

6 3. Notwithstanding any provision of law to the contrary,
7 moneys in the financial literacy and investor education fund may
8 be transferred to the financial exploitation prevention fund in
9 section 546.15 at the discretion of the director.

10 4. Notwithstanding section 12C.7, subsection 2, interest or
11 earnings on moneys in the fund shall be credited to the fund.
12 Notwithstanding section 8.33, moneys appropriated in this section
13 that remain unencumbered or unobligated at the close of a fiscal
14 year shall not revert but shall remain available for expenditure
15 for the purposes designated.

16 Sec. 7. NEW SECTION. **546.15 Financial exploitation**
17 **prevention fund.**

18 1. The director shall develop and implement initiatives to
19 accomplish all of the following:

20 a. Educate the public on financial exploitation.

21 b. Assist individuals who are known, suspected, or potential
22 victims of financial exploitation.

23 c. Conduct investigations, refer investigations to other law
24 enforcement, and assist in the prosecution of persons involved in
25 financial exploitation.

26 2. A financial exploitation prevention fund is created in the
27 state treasury under the control of the director and consists of
28 any moneys appropriated to the fund by the general assembly for
29 the purposes of subsection 1, and any other moneys available and
30 obtained or accepted by the department for placement in the fund
31 including all of the following:

32 a. Moneys appropriated to the fund pursuant to section
33 502.410, subsection 2.

34 b. Notwithstanding any provision of law to the contrary, the
35 director may, at the director's discretion, transfer up to two

1 hundred fifty thousand dollars from the commerce revolving fund
2 to complete the objectives of this section.

3 c. Notwithstanding any provision of law to the contrary, any
4 moneys received by the department as a result of civil penalties
5 assessed pursuant to chapter 502 may be placed into the financial
6 exploitation prevention fund at the discretion of the director.

7 d. The director may collaborate with organizations with an
8 interest in financial exploitation prevention and education.

9 e. The director may accept a grant or donation to be placed
10 in the financial exploitation prevention fund.

11 3. Notwithstanding section 12C.7, subsection 2, interest or
12 earnings on moneys in the fund shall be credited to the fund.
13 Notwithstanding section 8.33, moneys appropriated in this section
14 that remain unencumbered or unobligated at the close of a fiscal
15 year shall not revert but shall remain available for expenditure
16 for the purposes designated.

17 4. a. All investigation files, investigation reports, and
18 all other investigative information in the possession of the
19 department pursuant to this section shall be confidential records
20 under chapter 22, except as specifically provided in this
21 section, and shall not be subject to release by discovery,
22 subpoena, or other means of legal compulsion until opened for
23 public inspection by the department, or upon the consent of
24 the department, or until a court of competent jurisdiction
25 determines, after notice to the department and hearing, that the
26 department will not be unnecessarily hindered in accomplishing
27 the purposes of this section if opened for public inspection.
28 Investigative information in the possession of the department
29 may be disclosed, in the director's discretion, to appropriate
30 regulatory or law enforcement agencies within the state, another
31 state, the District of Columbia, or another territory or country.

32 b. The director may share documents, materials, or other
33 information, including confidential and privileged documents,
34 materials, or other information, with any person provided that
35 the recipient agrees to maintain the confidential and privileged

1 status of the document, material, or other information pursuant
2 to Iowa law.

3 c. The director may receive documents, materials, or other
4 information, including confidential and privileged documents,
5 materials, or other information from any person and shall
6 maintain as confidential and privileged any document, material,
7 or other information received with notice or the understanding
8 that it is confidential or privileged under the laws of the
9 jurisdiction that is the source of the document, material, or
10 other information.

11 d. The director may enter into an agreement governing the
12 sharing and use of documents, materials, or other information
13 consistent with this section.

14 e. An investigator or other staff member of the department
15 shall not be subject to subpoena in a civil action concerning any
16 matter of which the department investigator or other staff member
17 has knowledge pursuant to a pending or continuing investigation
18 conducted by the department pursuant to this chapter.

19 Sec. 8. TRANSFER OF MONEYS. On the effective date of this
20 division of this Act, any unencumbered and unobligated moneys
21 remaining in the securities investor education and financial
22 literacy training fund created in section 502.601 shall be
23 transferred to the financial literacy and investor education fund
24 created in section 546.14, as enacted in this division of this
25 Act.

26 DIVISION II

27 TAX ON GROSS PREMIUMS — CONFIDENTIALITY

28 Sec. 9. Section 432.1, Code 2025, is amended by adding the
29 following new subsection:

30 NEW SUBSECTION. 7. a. A tax return filed under this section
31 shall not be subject to inspection under chapter 22. It shall
32 be unlawful for any present or former officer or employee of the
33 state to willfully or recklessly publish any tax return filed
34 under this section. A person who violates this paragraph shall
35 be guilty of a serious misdemeanor and, in addition to any other

1 penalty, shall be dismissed from state office or discharged from
2 state employment.

3 b. This section shall not be construed to prohibit the
4 department of revenue from turning over information and tax
5 returns in the department of revenue's possession pursuant to
6 this subsection to duly authorized officers of the United States,
7 or tax officials of other states, pursuant to an agreement
8 between the commissioner of insurance and any of the following:

9 (1) The secretary of the treasury of the United States, or
10 the secretary's delegate.

11 (2) The commissioner of insurance of another state.

12 Sec. 10. Section 432.1A, Code 2025, is amended by adding the
13 following new subsection:

14 NEW SUBSECTION. 8. a. A tax return filed under this section
15 shall not be subject to inspection under chapter 22. It shall
16 be unlawful for any present or former officer or employee of the
17 state to willfully or recklessly publish any tax return filed
18 under this section. A person who violates this paragraph shall
19 be guilty of a serious misdemeanor and, in addition to any other
20 penalty, shall be dismissed from state office or discharged from
21 state employment.

22 b. This section shall not be construed to prohibit the
23 department of revenue from turning over information and
24 tax returns in the department's possession pursuant to this
25 subsection to duly authorized officers of the United States, or
26 tax officials of other states, pursuant to an agreement between
27 the commissioner of insurance and any of the following:

28 (1) The secretary of the treasury of the United States, or
29 the secretary's delegate.

30 (2) The commissioner of insurance of another state.

31 DIVISION III

32 HEALTH INSURANCE RATE INCREASES — PUBLIC HEARINGS

33 Sec. 11. Section 505.19, subsection 2, Code 2025, is amended
34 to read as follows:

35 2. The commissioner ~~shall~~ may hold a public hearing at the

1 time a carrier files for proposed health insurance rate increases
2 exceeding the average annual health spending growth rate as
3 provided in subsection 1, prior to approval or disapproval of the
4 proposed rate increases for that carrier by the commissioner.

5

DIVISION IV

6 HEALTH SAVINGS ACCOUNTS AND QUALIFIED HIGH-DEDUCTIBLE HEALTH
7 PLANS — COST-SHARING

8 Sec. 12. NEW SECTION. **509.3B Health savings accounts and**
9 **qualified high-deductible health plans — cost-sharing.**

10 If a copayment, coinsurance, or deductible paid as
11 cost-sharing by an enrollee under this chapter may result
12 in the enrollee becoming ineligible for a health savings
13 account associated with the enrollee's qualified high-deductible
14 health plan under section 223 of the Internal Revenue Code,
15 the cost-sharing shall apply only to the enrollee's qualified
16 high-deductible health plan after the enrollee satisfies the
17 enrollee's minimum deductible, except for items or services
18 determined to be preventive care under section 223(c)(2)(C) of
19 the Internal Revenue Code.

20 Sec. 13. NEW SECTION. **514A.3C Health savings accounts and**
21 **qualified high-deductible health plans — cost-sharing.**

22 If a copayment, coinsurance, or deductible paid as
23 cost-sharing by an enrollee under this chapter may result
24 in the enrollee becoming ineligible for a health savings
25 account associated with the enrollee's qualified high-deductible
26 health plan under section 223 of the Internal Revenue Code,
27 the cost-sharing shall apply only to the enrollee's qualified
28 high-deductible health plan after the enrollee satisfies the
29 enrollee's minimum deductible, except for items or services
30 determined to be preventive care under section 223(c)(2)(C) of
31 the Internal Revenue Code.

32

DIVISION V

33

INSURANCE COMPANY WITHDRAWAL REQUIREMENTS

34 Sec. 14. NEW SECTION. **505.36 Insurer — withdrawal**
35 **requirements.**

1 1. *Definitions.* As used in this section, unless the context
2 otherwise requires:

3 a. "Commissioner" means the commissioner of insurance.

4 b. "Insurer" means an insurance company, an affiliate of an
5 insurance company, or other legal entity authorized to engage in
6 the business of insurance in this state, including a reciprocal
7 exchange, an interinsurance exchange, and a lloyd's plan.
8 "Insurer" does not include an eligible surplus lines insurer
9 under chapter 515I, a county mutual insurance association under
10 chapter 518, a state mutual insurance association under chapter
11 518A, an entity offering health coverage, or an entity offering
12 accident and sickness coverage.

13 2. *Exemption.* This section shall not apply to a transfer of
14 business from one insurer to another insurer if the insurer to
15 whom the business is being transferred is all of the following:

16 a. Within the same insurance holding company system as the
17 insurer from whom business is being transferred.

18 b. Authorized to engage in the business of insurance in this
19 state.

20 c. Not a reciprocal or interinsurance exchange, a lloyd's
21 plan, a state mutual insurance association, or a county mutual
22 insurance association.

23 3. *Withdrawal plan required.*

24 a. An insurer shall file a withdrawal plan with the
25 commissioner in any of the following circumstances:

26 (1) The insurer intends to reduce the insurer's total annual
27 premium volume in the state by fifty percent or more.

28 (2) The insurer intends to reduce the insurer's total annual
29 premium in the state in a line of insurance by seventy-five
30 percent or more.

31 (3) The insurer intends to reduce the insurer's total annual
32 premium volume in the state in a line of private passenger
33 automobile insurance, homeowners insurance, or dwelling property
34 insurance by fifty percent or more.

35 b. If an insurer intends to restrict writing new business in

1 the state, but not to an extent that requires the insurer to file
2 a plan for orderly withdrawal under paragraph "a", the insurer
3 shall provide prior written notice to the commissioner of the
4 insurer's intent to restrict writing new business in the state.

5 4. *Withdrawal plan.*

6 a. A withdrawal plan filed under this section shall provide
7 for all of the following:

8 (1) The insurer fulfilling all contractual obligations.

9 (2) The insurer providing service to all policyholders and
10 claimants.

11 (3) The insurer meeting all statutory obligations, including
12 but not limited to payment of assessments to the guaranty fund
13 and participation in an assigned risk plan.

14 b. A withdrawal plan filed pursuant to this section shall, at
15 a minimum, include all of the following:

16 (1) The date on which the insurer proposes to commence
17 execution of the withdrawal plan, and the date on which execution
18 of the withdrawal plan will be completed.

19 (2) The reason for withdrawal for each line of insurance.

20 (3) Each policy form by number, and all of the following
21 information:

22 (a) The total number of policyholders.

23 (b) The total amount of premiums impacted for each line of
24 insurance.

25 (4) The total number of insurance producers impacted for each
26 line of insurance.

27 (5) A copy of the notification the insurer will provide to
28 each impacted insurance producer.

29 (6) A copy of the notification or nonrenewal the insurer will
30 provide to each impacted policyholder.

31 (7) Details regarding the insurer's fulfillment of
32 contractual obligations to the insurer's policyholders during the
33 withdrawal.

34 (8) Whether replacement coverage will be provided to a
35 policyholder and, if so, the insurer shall provide all of the

1 following:

2 (a) The insurer's relationship with the replacing insurer.

3 (b) The underwriting requirements and rates that will be used
4 to underwrite the policyholder.

5 (9) An estimate of the percentage of the Iowa market affected
6 by withdrawal.

7 (10) Any third-party contracts that provide for continuity of
8 coverage for policyholders.

9 (11) A list of the lines of insurance that the insurer will
10 continue to offer in the state.

11 5. *Commissioner approval.*

12 a. Except as provided in paragraph "b", the commissioner
13 shall approve a withdrawal plan that has been determined to meet
14 all of the following requirements:

15 (1) The withdrawal plan provides a minimum of one hundred
16 eighty calendar days' notice to the commissioner.

17 (2) The withdrawal plan includes notice to policyholders as
18 required by chapter 515.

19 (3) The withdrawal plan complies with subsection 4.

20 b. If the commissioner finds that a withdrawal plan does not
21 comply with paragraph "a", the commissioner may modify, restrict,
22 limit, or deny the withdrawal plan.

23 c. An insurer may request a hearing within thirty calendar
24 days of the commissioner's decision to modify, restrict, limit,
25 or deny the insurer's withdrawal plan. A hearing under this
26 paragraph shall be held within sixty calendar days of the
27 insurer's request unless a later date is agreed to by the insurer
28 and the commissioner, or permitted by the commissioner for good
29 cause.

30 6. *Resumption of writing insurance after withdrawal.* An
31 insurer that withdraws from writing all lines of insurance in
32 the state shall not, without prior approval of the commissioner,
33 resume writing insurance in the state for a minimum of five years
34 from the date of completion of the insurer's withdrawal.

35 7. *Remedies.* A violation of this section shall constitute

1 an unfair method of competition and unfair or deceptive act or
2 practice under section 507B.4.

3 8. *Rules.* The commissioner may adopt rules pursuant to
4 chapter 17A as necessary to administer and enforce this section.

5 Sec. 15. Section 507B.4, subsection 3, Code 2025, is amended
6 by adding the following new paragraph:

7 NEW PARAGRAPH. *v. Improper withdrawal of an*
8 *insurer.* Failure of an insurer to comply with section 505.36.
9 As used in this paragraph, "insurer" means the same as defined in
10 section 505.36, subsection 1.

11 DIVISION VI

12 REPLACEMENT COST, ACTUAL CASH VALUE, AND LINE OF SIGHT

13 Sec. 16. NEW SECTION. **515.116 Line of sight.**

14 1. *Definitions.* As used in this section, unless the context
15 otherwise requires:

16 a. "Actual cash value" means the replacement cost of property
17 at the time of loss, less depreciation, if any.

18 b. "Line of sight" means any location a reasonable person
19 would stand, on the ground or any floor of an insured's damaged
20 structure, to view, without obstruction or the use of aerial
21 tools or technology, the damaged area of the interior or exterior
22 of the damaged structure from a reasonable distance. "Line
23 of sight" is not limited to a view of the insured's damaged
24 structure from the location at which the damage occurred.

25 c. "Reasonable distance" means, for exterior repair or
26 replacement, a vantage point approximately thirty feet from where
27 the repair or replacement is to occur. A "reasonable distance"
28 for interior repair or replacement means a vantage point
29 approximately five feet from where the repair or replacement is
30 to occur. Based on a particular property, "reasonable distance"
31 may be determined to be greater than or less than thirty feet
32 for exterior repair, or greater than or less than five feet for
33 interior repair.

34 d. "Reasonably similar appearance" means if, within a line of
35 sight, a person viewing the repaired or replaced property would

1 find the property to resemble the property's preloss condition.
2 Whether a replacement results in a reasonably similar appearance
3 is a fact-specific determination made on a case-by-case basis
4 considering the totality of the circumstances.

5 e. "Reasonably similar product" means a product of like kind,
6 quality, color, and size. "Reasonably similar product" does not
7 mean an exact match.

8 2. *Replacement cost.* For an insurance policy providing for
9 the adjustment and settlement of first-party losses based on
10 replacement cost, unless the insurance policy, a rider, or an
11 endorsement specifically provides otherwise, all of the following
12 shall apply:

13 a. When a loss requires repair or replacement of a product
14 or part, consequential physical damage incurred during the repair
15 or replacement of the product or part, not otherwise excluded by
16 the policy, shall be included in the calculation of loss. The
17 insured shall not be required to pay for betterment or other
18 costs, except for any applicable deductible.

19 b. When a loss requires replacement of a product and the
20 product to be replaced remains available for purchase, the
21 identical product shall be used to repair or replace the
22 damaged product, even if the undamaged existing product shows
23 discoloration due to age or normal wear and tear. If the
24 identical product is not available for purchase, the insurer
25 shall use a reasonably similar product to achieve a reasonably
26 similar appearance.

27 3. *Actual cash value.* For an insurance policy providing
28 for adjustment and settlement of first-party losses based on
29 actual cash value, unless the insurance policy, a rider, or an
30 endorsement specifically provides otherwise, all of the following
31 shall apply:

32 a. For residential fire and extended coverage, the insurer
33 shall determine the actual cash value. The insurer shall provide
34 a copy of the claim file worksheet detailing all deductions for
35 depreciation. Upon request by the insured, the insurer shall

1 contract in this state, including but not limited to a person
2 that provides marketing, administrative, or technical support to
3 a service company.

4 Sec. 19. Section 523C.1, subsection 4, Code 2025, is amended
5 to read as follows:

6 4. "Motor vehicle" means any vehicle that is self-propelled
7 ~~vehicle~~ and subject to registration under chapter 321 or chapter
8 321I.

9 Sec. 20. Section 523C.2, Code 2025, is amended by striking
10 the section and inserting in lieu thereof the following:

11 **523C.2 License required.**

12 1. A person that shall be contractually obligated to the
13 service contract holder under the terms of the service contract
14 shall not directly or indirectly issue, offer for sale, or sell a
15 motor vehicle service contract or residential service contract in
16 this state unless the person is a licensed service company.

17 2. This chapter shall not apply to any person that provides
18 support services. A service company that utilizes support
19 services shall ensure the support services' compliance with the
20 issuance, offer for sale, or sale of a service contract under
21 this chapter.

22 3. A service company shall maintain a license for the
23 duration of time that the service company is contractually
24 obligated to a service contract holder under the terms of a
25 service contract.

26 4. A service company shall report to the commissioner within
27 thirty calendar days any material change to the information
28 submitted by the service company in the service company's initial
29 license application, or license renewal application, including a
30 change in the service company's contact information, ownership,
31 officers or directors directly responsible for the provider's
32 service contract business, or any other change that substantially
33 affects the service company's operations in the state.

34 5. A service company shall report to the commissioner any
35 administrative action taken against the service company in

1 another jurisdiction within thirty calendar days of the final
2 disposition. The report shall include a copy of the order,
3 consent to the order, and other relevant legal documents.

4 6. Within thirty calendar days of the initial pretrial
5 hearing date, a service company shall report to the commissioner
6 a criminal prosecution in any jurisdiction of an owner with
7 more than a ten percent ownership stake, an officer, or a
8 director directly responsible for the service contract business
9 of the service company, for an offense involving dishonesty
10 or a false statement including but not limited to fraud,
11 theft, misappropriation of funds, falsification of documents,
12 deceptive acts or practices, or other related offenses. The
13 report shall include a copy of the initial complaint filed, the
14 order resulting from the hearing, and any other relevant legal
15 documents.

16 Sec. 21. Section 523C.3, Code 2025, is amended by striking
17 the section and inserting in lieu thereof the following:

18 **523C.3 Application for license.**

19 1. Application for a license as a service company shall
20 be filed with the commissioner on a form approved by the
21 commissioner and shall include all of the following information:

22 a. The name and principal address of the applicant.

23 b. The state of incorporation of the applicant.

24 c. The name and address of the applicant's registered agent
25 for service of process in Iowa.

26 d. The legal name of all of the following:

27 (1) Each owner of the service company that has a greater than
28 ten percent ownership stake in the service company.

29 (2) Each officer of the service company.

30 (3) Each director directly responsible for the business of
31 the service company.

32 e. A certificate of good standing for the applicant issued by
33 the secretary of state and dated not more than thirty calendar
34 days from the date of the application.

35 f. Evidence of compliance with section 523C.5.

1 g. A copy of each motor vehicle service contract form to be
2 used, issued, or offered for sale in this state by the service
3 company.

4 h. A copy of each residential service contract form to be
5 used, issued, or offered for sale in this state by the service
6 company.

7 i. A national association of insurance commissioners'
8 biographical affidavit and the verification of the biographical
9 affidavit for the chief executive officer and chief financial
10 officer of the service company, or for the individuals in
11 the equivalent positions. The service company shall use a
12 third-party vendor from a list of vendors approved by the
13 commissioner to verify the biographical affidavits. The service
14 company shall pay all costs associated with the required
15 verifications.

16 j. A list of any disciplinary actions taken against the
17 service company, or any of the service company's owners,
18 officers, or directors directly responsible for the provider's
19 service contract business, in the immediately preceding ten
20 years by a regulatory agency or state attorney general in any
21 jurisdiction.

22 2. The application shall be accompanied by all of the
23 following:

24 a. A license fee in the amount of five hundred dollars.

25 b. A fee in the amount of thirty-five dollars for each motor
26 vehicle service contract form provided pursuant to subsection 1,
27 paragraph "g".

28 3. If the application for a service company license contains
29 the information under subsection 1, is accompanied by the fees
30 under subsection 2, and the commissioner has not denied the
31 application pursuant to section 523C.9, the commissioner shall
32 issue the license to the applicant.

33 4. Fees collected under this section shall be deposited
34 into the service company oversight fund as provided in section
35 523C.24.

1 Sec. 22. Section 523C.4, Code 2025, is amended by striking
2 the section and inserting in lieu thereof the following:

3 **523C.4 License expiration and renewal.**

4 1. A license issued under this chapter shall be valid for
5 a period of one year. A license that is not renewed prior to
6 the expiration date shall be deemed expired. Prior to a license
7 expiration date, and if a renewal application was submitted at
8 least fourteen calendar days prior to the license expiration
9 date, the commissioner may extend the renewal period for an
10 additional thirty calendar days.

11 2. An application for license renewal shall include the
12 information required for an initial license as described in
13 section 523C.3, subsection 1, paragraphs "a" through "f", and a
14 list of each service contract form the service company continues
15 to use, offer for sale, or issue in the state, including the
16 service contract form name, number, and the date the form was
17 last revised.

18 3. The license renewal application shall be accompanied by
19 all of the following:

20 a. A license renewal fee in the amount of two hundred
21 dollars.

22 b. A fee in the amount of three percent of the aggregate
23 amount of payments the service company received for the sale or
24 issuance of residential service contracts in this state during
25 the period beginning on the date the service company's license
26 was issued until the date of the service company's renewal
27 filing, provided that such fee shall be no less than one hundred
28 dollars and no greater than fifty thousand dollars.

29 c. A fee in the amount of thirty-five dollars for each motor
30 vehicle service contract form filed with the commissioner that
31 the service company continues to use, offer for sale, or issue in
32 the state.

33 d. The number of motor vehicle service contracts and the
34 number of residential service contracts issued during the
35 immediately preceding calendar year by the service company in

1 this state.

2 e. The number of motor vehicle service contracts and the
3 number of residential service contracts canceled during the
4 immediately preceding calendar year by the service company in
5 this state.

6 f. The total dollar amount of refunds issued to service
7 contract holders by the service company during the immediately
8 preceding calendar year for canceled motor vehicle service
9 contracts in this state, and the total dollar amount of refunds
10 issued to service contract holders by the service company during
11 the immediately preceding calendar year for canceled residential
12 service contracts in this state.

13 g. The total dollar amount of motor vehicle service contract
14 fees, and the total dollar amount of residential service contract
15 fees, collected during the immediately preceding calendar year by
16 the service company for contracts sold in this state.

17 h. The number of claims filed with the service company
18 for motor vehicle service contracts in this state during the
19 immediately preceding calendar year, and the number of claims
20 filed with the service company for residential service contracts
21 in this state during the immediately preceding calendar year.

22 i. The total dollar amount of claims paid by the service
23 company for motor vehicle service contracts sold by the service
24 company in this state during the immediately preceding calendar
25 year, and the total dollar amount of claims paid by the service
26 company for residential service contracts sold by the service
27 company in this state during the immediately preceding calendar
28 year.

29 j. The total number of claims during the immediately
30 preceding calendar year for motor vehicle service contracts
31 in this state that did not result in repair, replacement,
32 payment, or other thing of value to the service contract
33 holder by the service company, and the total number of claims
34 during the immediately preceding calendar year for residential
35 service contracts in this state that did not result in repair,

1 replacement, payment, or other thing of value to the service
2 contract holder by the service company.

3 k. The total number of written complaints regarding motor
4 vehicle service contracts received by the service company during
5 the immediately preceding calendar year, and the total number
6 of written complaints regarding residential service contracts
7 received by the service company during the immediately preceding
8 calendar year, including complaints received directly from a
9 consumer, indirectly on behalf of a consumer from a third party
10 other than a regulatory agency, and from a regulatory agency.

11 l. The number of lawsuits filed by a third party or
12 a regulatory agency, against the service company during the
13 immediately preceding calendar year regarding service contracts
14 issued, offered for sale, or sold by the service company.

15 4. If the license renewal application complies with this
16 section, and the commissioner has not refused to renew the
17 license pursuant to section 523C.9, the commissioner shall renew
18 the license. If the commissioner refuses renewal of a license
19 pursuant to section 523C.9, the refusal shall be in writing
20 setting forth the grounds for the refusal.

21 5. If a service company submits a license renewal application
22 after the license has expired, the service company shall pay a
23 reinstatement fee of eight hundred dollars, and applicable fees
24 pursuant to subsection 3.

25 6. a. A service company whose license has expired, and is
26 not within an additional thirty-day extension period granted by
27 the commissioner pursuant to section 523C.4, subsection 1, shall
28 not offer, extend, or renew a service contract until the service
29 company's license has been renewed, or the service company has
30 been issued a new license.

31 b. If, at the time a service contract is issued or sold
32 in this state, the service company has an expired license that
33 is not within an additional thirty-day extension period granted
34 by the commissioner pursuant to section 523C.4, subsection 1,
35 the service contract may be canceled at the discretion of the

1 service contract holder. If a service contract holder chooses
2 to cancel a service contract, the full purchase price of the
3 service contract, less any claims paid, shall be refunded to
4 the service contract holder within thirty calendar days. A ten
5 percent penalty shall be added each month to the refund if the
6 refund is not paid to the service contract holder within the
7 thirty calendar days.

8 Sec. 23. Section 523C.7, Code 2025, is amended by striking
9 the section and inserting in lieu thereof the following:

10 **523C.7 Disclosure to service contract holders — contract**
11 **form — required provisions.**

12 1. A service contract shall not be issued, sold, or offered
13 for sale in this state unless the service company does all of the
14 following:

15 a. Provides a receipt for the purchase of the service
16 contract to the service contract holder.

17 b. Provides a complete sample copy of the service contract
18 to the consumer prior to purchase. A service company may comply
19 with this paragraph by providing the consumer with a complete
20 electronic sample copy of the service contract, or directing the
21 consumer to a complete sample copy of the service contract at an
22 internet site. A paper copy of the sample service contract shall
23 be provided upon the request of the consumer at the expense of
24 the service company.

25 c. Provides a fully executed paper or electronic copy of
26 the service contract to the service contract holder within ten
27 calendar days of the date the service contract holder purchased
28 the service contract. A paper copy of the executed service
29 contract shall be provided to the service contract holder upon
30 request of the service contract holder at the expense of the
31 service company.

32 2. A service contract issued, sold, or offered for sale in
33 the state shall comply with all of the following, as applicable:

34 a. A service contract shall be written in clear,
35 understandable language in at least ten point type.

1 b. (1) A service contract insured by a reimbursement
2 insurance policy as provided in section 523C.5, subsection 1,
3 shall include a statement in substantially the following form:

4 Obligations of the service company under this service contract
5 are guaranteed under a reimbursement insurance policy. If the
6 service company fails to pay or provide service on a claim within
7 sixty days after proof of loss has been filed with the service
8 company, the service contract holder is entitled to make a claim
9 directly against the reimbursement insurance policy.

10 (2) A service contract insured by a reimbursement insurance
11 policy shall conspicuously state the name and address of the
12 issuer of the reimbursement insurance policy for that service
13 contract. A claim against a reimbursement insurance policy shall
14 also include a claim for return of any refund due in accordance
15 with paragraphs "m" and "n".

16 c. A service contract not insured under a reimbursement
17 insurance policy shall contain a statement in substantially the
18 following form:

19 Obligations of the service company under this service contract
20 are backed by the full faith and credit of the service company
21 and are not guaranteed under a reimbursement insurance policy.

22 d. A service contract shall state the name and address of
23 the service company obligated to perform services under the
24 contract, and shall conspicuously identify the service company,
25 any third-party administrator, and the service contract holder
26 to the extent that the name and address of the service contract
27 holder has been furnished. The identities of such parties shall
28 not be required to be printed on the contract in advance and may
29 be added to the contract at the time of sale.

30 e. A service contract shall clearly state the total purchase
31 price of the service contract and the terms under which the
32 service contract is sold. The total purchase price shall not
33 be required to be printed on the contract in advance and may be
34 added to the contract at the time of sale.

35 f. If prior approval of repair work is required, a service

1 contract shall conspicuously describe the procedure for obtaining
2 prior approval and for making a claim, including a toll-free
3 telephone number for claim service, and the procedure for
4 obtaining emergency repairs performed outside of normal business
5 hours.

6 g. A service contract shall clearly state any waiting period
7 applicable to coverage under the service contract, and the date
8 on which coverage begins.

9 h. A service contract shall clearly state the existence of
10 any deductible amount.

11 i. A service contract shall specify the merchandise or
12 services, or both, to be provided and any limitations,
13 exceptions, or exclusions.

14 j. A service contract shall clearly state the conditions on
15 which the use of substitute parts or services will be allowed.
16 Such conditions shall comply with applicable state and federal
17 laws.

18 k. A service contract shall clearly state any terms,
19 restrictions, or conditions governing the transferability of the
20 service contract.

21 l. A service contract shall clearly state the instructions
22 for cancellation of the service contract by the service
23 contract holder. Cancellation instructions shall include all
24 necessary information for a service contract holder to complete
25 a cancellation. Cancellation instructions shall include the
26 phone number, email address, or mailing address necessary for
27 the cancellation of the service contract, as well as any other
28 information that the service contract holder must use to cancel
29 the contract. A service company shall accept cancellation of
30 a service contract from a service contract holder by telephone,
31 email, or mail, or any other cost-effective and accessible
32 method of communication. The method of cancellation utilized
33 by a service company for the cancellation of a service contract
34 shall be as accessible as the method utilized by the service
35 company for the service contract holder to enter into the service

1 contract.

2 *m.* A service contract shall clearly state the terms and
3 conditions governing the cancellation of the contract prior
4 to the termination or expiration date of the contract by the
5 service company or the service contract holder. If the service
6 company cancels the contract, the service company shall mail a
7 written notice of termination to the service contract holder at
8 least fifteen calendar days before the date of the termination.
9 Prior notice of cancellation by the service company shall not
10 be required if the reason for cancellation is nonpayment of
11 the purchase price, a material misrepresentation by the service
12 contract holder to the service company or the support services
13 for the service company, or a substantial breach of duty by the
14 service contract holder relating to the covered product or use
15 of the covered product. The notice of cancellation shall state
16 the effective date of the cancellation and the reason for the
17 cancellation. If a service contract is canceled by the service
18 company for any reason other than nonpayment of the purchase
19 price, the service company shall refund the service contract
20 holder in an amount equal to one hundred percent of the unearned
21 purchase price paid, calculated on a pro rata basis based upon
22 elapsed time or mileage, less any claims paid. The service
23 company may also charge a reasonable administrative fee in an
24 amount no greater than ten percent of the total purchase price.
25 A ten percent penalty shall be added each month to the refund
26 if the refund is not paid to the service contract holder within
27 thirty calendar days.

28 *n.* (1) A service contract shall permit the original service
29 contract holder who purchased the contract to cancel the service
30 contract within at least thirty calendar days of the effective
31 date of the service contract, provided no claims have been paid
32 under the service contract, or within a longer period of time
33 as permitted under the service contract. If a claim has not
34 been paid under the service contract prior to cancellation by
35 the service contract holder, the service contract is void and

1 the full purchase price of the service contract shall be refunded
2 to the service contract holder. A ten percent penalty shall be
3 added each month to a refund if the refund is not paid to the
4 service contract holder within thirty calendar days, unless the
5 service contract holder fails to provide the information required
6 by the service contract to complete the cancellation.

7 (2) If the service contract holder cancels the service
8 contract in violation of subparagraph (1), the service company
9 shall refund the service contract holder an amount equal to one
10 hundred percent of the unearned purchase price paid, calculated
11 on a pro rata basis based upon elapsed time or mileage, less any
12 claims paid. The service company may also charge a reasonable
13 administrative fee in an amount no greater than ten percent of
14 the total purchase price. A ten percent penalty shall be added
15 each month to a refund if the refund is not paid to the service
16 contract holder within thirty calendar days of the service
17 contract cancellation request, unless the service contract holder
18 fails to provide the information required in the service contract
19 to complete the cancellation.

20 o. A service contract shall set forth all obligations and
21 duties of the service contract holder, including but not limited
22 to the duty to protect against any further damage, and the
23 obligation to follow an owner's manual and to perform, or have
24 performed, all required service or maintenance.

25 p. A service contract shall clearly state if the contract
26 covers or excludes consequential damages and preexisting
27 conditions, if applicable. A service contract may, but is not
28 required to, cover damage resulting from rust, corrosion, or
29 damage caused by a part or system not covered under the service
30 contract.

31 q. A service contract shall clearly state the service call
32 fee, if any, charged to the service contract holder.

33 r. A service contract shall state the name and address of
34 the commissioner, the current toll-free telephone number of the
35 division, and a statement that a consumer may file a complaint

1 with the division, including by filing a complaint on the
2 division's internet site.

3 s. If a residential service contract relates to heating,
4 cooling, plumbing, or electrical service, and the claim being
5 made by the service contract holder is essential to the health
6 and safety of the service contract holder or, if applicable,
7 the service contract holder's family, the service company shall
8 ensure all of the following:

9 (1) Repair or replacement of the essential good commences
10 within forty-eight hours after the report of the claim, and is
11 completed as soon as reasonably practicable.

12 (2) If the service company determines that the service
13 company cannot complete a repair, replacement, or service within
14 three calendar days after the report of the claim, the service
15 contract holder may seek an outside provider to complete the
16 repair, replacement, or service. The service company shall
17 cover reasonable costs associated with a repair, replacement,
18 or service completed by an outside service provider up to the
19 maximum dollar amount covered by the service contract.

20 (3) Notice is provided to the service contract holder if a
21 repair cannot practicably be completed within three calendar days
22 after the report of the claim. The service company shall provide
23 a status report to the service contract holder by communicating
24 in a verifiable manner as soon as practicable, but no later than
25 three calendar days after the date of the report of the claim.
26 The status report must include all of the following:

27 (a) A list of all required repairs, replacements, or services
28 and the estimated cost to the service contract holder.

29 (b) The primary reason the required repair, replacement, or
30 service will take longer than three calendar days, including the
31 status of all parts required for the repair, replacement, or
32 service.

33 (c) The current estimated length of time to complete the
34 repair, replacement, or service.

35 (d) The telephone number of the service company in the event

1 the service contract holder or the commissioner wants to make
2 an inquiry concerning the claim, and a commitment by the service
3 company to respond to an inquiry no later than one business day
4 after the date the inquiry is received.

5 (e) A statement that if the service contract holder is not
6 satisfied with the manner in which the service company handles
7 the claim under the terms of service contract, the service
8 contract holder may file a complaint with the division pursuant
9 to paragraph "r".

10 (f) A notice to the service contract holder that the service
11 contract holder may seek an outside service provider to complete
12 the repair, replacement, or service, and that the service
13 company will cover reasonable costs associated with a repair,
14 replacement, or service completed by an outside service provider
15 up to the maximum dollar amount covered by the service contract.

16 Sec. 24. NEW SECTION. **523C.8 Service contract forms —**
17 **fees.**

18 1. A service company shall file with the division an accurate
19 copy of each service contract form prior to using the service
20 contract form for the sale of a service contract in this state.

21 2. At the time of filing each motor vehicle service contract
22 form with the division a service company shall pay a fee in
23 the amount of thirty-five dollars for each motor vehicle service
24 contract form.

25 3. Notwithstanding section 523C.7, a service company may
26 continue to use a service contract form that is noncompliant with
27 this chapter until June 30, 2026, provided no changes are made to
28 the service contract form and the service contract form was filed
29 with the division in 2024.

30 Sec. 25. Section 523C.9, Code 2025, is amended by striking
31 the section and inserting in lieu thereof the following:

32 **523C.9 License denial, nonrenewal, suspension, or**
33 **revocation.**

34 1. The commissioner may suspend or revoke the license of,
35 deny an application for a license from, or refuse to renew the

1 license of, a service company, or may levy a civil penalty as
2 provided in section 523C.13 against a service company, for any of
3 the following reasons:

4 a. The service company violated this chapter, a lawful order,
5 regulation, or subpoena.

6 b. The service company failed to pay a final judgment
7 rendered against the service company in this state within sixty
8 calendar days after the date the judgment became final.

9 c. The service company, without just cause, refused to
10 perform, or negligently or incompetently performed, a service
11 required to be performed under the service company's service
12 contracts and the refusal, or negligent or incompetent
13 performance, has occurred with such frequency as to indicate the
14 general business practices of the service company are negligent
15 or incompetent, as determined by the commissioner.

16 d. The service company violated section 523C.13.

17 e. The service company failed to demonstrate financial
18 responsibility pursuant to section 523C.5, if applicable.

19 f. The service company failed to maintain a corporate
20 certificate of good standing with the secretary of state.

21 g. The service company provided incorrect, misleading,
22 incomplete, or materially untrue information in the service
23 company's license application.

24 h. The service company obtained or attempted to obtain a
25 license through misrepresentation or fraud.

26 i. The service company improperly withheld, misappropriated,
27 or converted any money or property received in the course of
28 business as a service company.

29 j. The service company intentionally misrepresented the terms
30 of an actual or proposed service contract.

31 k. Within the immediately preceding ten years, an owner,
32 officer, or director of the service company has been convicted of
33 a criminal offense involving any aspect of a business involving
34 securities, commodities, investments, franchises, insurance,
35 banking, or finance.

1 l. An owner, officer, or director of the service company has
2 been convicted of a criminal offense involving dishonesty or
3 a false statement, including but not limited to fraud, theft,
4 misappropriation of funds, falsification of documents, deceptive
5 acts or practices, or other related offenses.

6 m. The service company admitted to committing, or was found
7 to have committed, any unfair trade practice or fraud.

8 n. The service company used fraudulent, coercive,
9 or dishonest practices, or demonstrated incompetence,
10 untrustworthiness, or financial irresponsibility, in conducting
11 business in this state or any other state.

12 o. The service company had a service company license or its
13 equivalent, denied, suspended, or revoked in any other state,
14 province, district, or territory.

15 p. The service company failed, or refused, to cooperate in an
16 investigation conducted by the commissioner of insurance.

17 2. If the commissioner suspends or revokes the license of,
18 denies the application for licensure of, or refuses to renew
19 the license of, a service company pursuant to this section, the
20 commissioner shall notify the service company, in writing, and
21 provide the reason for the suspension, revocation, denial, or
22 nonrenewal. The licensee or applicant may request a hearing on
23 the suspension, revocation, nonrenewal, or denial, and a hearing
24 shall be conducted according to section 507B.6.

25 Sec. 26. Section 523C.12, Code 2025, is amended to read as
26 follows:

27 **523C.12 ~~Optional examination~~ Examinations.**

28 The commissioner, or a the commissioner's designee, ~~of the~~
29 ~~commissioner~~ may make an examination of the books and records
30 of a service company, including records involving communications
31 with service contract holders, copies of contracts and records of
32 claims and expenditures, and ~~verify its~~ records related to the
33 service company's assets, liabilities, and reserves. The actual
34 costs of the examination shall be borne by the service company.
35 The costs of an examination under this section shall not exceed

1 an amount equal to ten percent of the service company's reported
2 net income associated with doing business in the state in the
3 previous immediately preceding fiscal year.

4 Sec. 27. Section 523C.13, Code 2025, is amended by striking
5 the section and inserting in lieu thereof the following:

6 **523C.13 Prohibited acts or practices — penalty — violations**
7 **— contracts voided.**

8 1. A service company, or the service company's support
9 services, that offers service contracts for sale in this state,
10 shall not, directly or indirectly, represent in any manner,
11 whether by written solicitation or telemarketing, a false,
12 deceptive, or misleading statement with respect to any of the
13 following:

14 a. The service company's affiliation with a motor vehicle
15 manufacturer or importer.

16 b. The validity or expiration of a warranty.

17 c. A motor vehicle service contract holder's coverage under a
18 motor vehicle service contract, including statements suggesting
19 that the service contract holder must purchase a new service
20 contract in order to maintain coverage under the existing service
21 contract or warranty.

22 d. Descriptions of the service contract as a "policy".

23 2. A licensed service company which offers service contracts
24 for sale in this state shall not, directly or indirectly, do any
25 of the following:

26 a. Fail to complete, or fail to ensure the completion of,
27 a repair, maintenance, replacement, service, or indemnification
28 of expenses associated with a covered claim within a reasonable
29 period of time.

30 b. Create or use any advertising that does not include the
31 name of the licensed service company.

32 c. Use any method of marketing that may induce the purchase
33 of a service contract through force, fear, or threats, whether
34 explicit or implied.

35 d. Create or use any service contract marketing materials

1 that contain incorrect or misleading information.

2 e. Use, offer for sale, or issue in this state a service
3 contract form that has not been submitted as part of a license
4 application pursuant to section 523C.3, as part of a license
5 application renewal pursuant to section 523C.4, or submitted to
6 the division during the service company's current license period.

7 3. The commissioner may adopt rules pursuant to chapter 17A
8 that regulate service contracts to prohibit misrepresentation,
9 false advertising, defamation, boycotts, coercion, intimidation,
10 false statements and entries, and unfair discrimination or
11 practices. If the commissioner finds that a person has violated
12 rules adopted under this section, the commissioner may order any
13 or all of the following:

14 a. Payment of a civil penalty of not more than one thousand
15 dollars for each act or violation, not to exceed an aggregate
16 of ten thousand dollars, unless the person knew or reasonably
17 should have known the person was in violation of this section, in
18 which case the civil penalty shall be not more than five thousand
19 dollars for each act or violation, not to exceed an aggregate
20 of fifty thousand dollars in any one consecutive six-month
21 period. If the commissioner finds a violation of this section
22 was directed, encouraged, condoned, ignored, or ratified by the
23 employer of the person the commissioner may assess the penalty to
24 the employer and not the person. Any civil penalties collected
25 under this subsection shall be deposited as provided in section
26 505.7.

27 b. Suspension or revocation of the person's license, if the
28 person knew or reasonably should have known the person was in
29 violation of this section.

30 4. A violation of this chapter shall constitute an unlawful
31 practice pursuant to section 714.16.

32 5. A person shall not engage, directly or indirectly, in any
33 unfair method of competition, or an unfair or deceptive act or
34 practice, in the business of service contracts. Any violation
35 of this chapter constitutes an unfair method of competition, or

1 an unfair or deceptive act or practice. If, after hearing, the
2 commissioner determines that a person has engaged in an unfair
3 method of competition or an unfair or deceptive act or practice,
4 the provisions of sections 507B.6 through 507B.8 shall apply.

5 Sec. 28. Section 523C.22, Code 2025, is amended to read as
6 follows:

7 **523C.22 Claim procedures.**

8 A licensed service company shall promptly provide a written
9 explanation to the service contract holder, describing the
10 reasons for denying a claim or for the offer of a compromise
11 settlement, based on all relevant facts or legal requirements
12 and referring to applicable provisions of the service contract.
13 The written explanation shall provide instructions to the service
14 contract holder on the process for an appeal, second review,
15 arbitration, or similar provisions included in the contract, as
16 well as information on how to file a complaint with the division,
17 including the internet site on which to locate the division's
18 complaint form.

19 Sec. 29. Section 523C.23, subsection 1, paragraph c, Code
20 2025, is amended by striking the paragraph.

21 Sec. 30. Section 523C.23, subsection 2, Code 2025, is amended
22 to read as follows:

23 2. ~~Except as provided in section 523C.19, a~~ A proceeding
24 instituted under this chapter shall be conducted pursuant to
25 chapter 17A and rules adopted by the commissioner pursuant to
26 chapter 17A.

27 Sec. 31. NEW SECTION. **523C.25 Confidentiality.**

28 1. Notwithstanding chapter 22, the commissioner shall
29 maintain the confidentiality of information submitted to the
30 division or obtained by the division in the course of
31 an investigation, examination, or inquiry pursuant to this
32 chapter, including all notes, work papers, or other documents.
33 Information obtained by the commissioner in the course of
34 investigating a complaint or inquiry may, at the discretion of
35 the commissioner, be provided to the service company that is the

1 subject of the complaint or inquiry and the consumer who filed
2 the complaint or inquiry, without waiving the confidentiality
3 afforded to the commissioner or to any other person by this
4 section. The commissioner may disclose or release information
5 that is otherwise confidential under this subsection in the
6 course of an administrative or judicial proceeding.

7 2. Notwithstanding subsection 1, if the commissioner
8 determines that it is necessary in the public interest,
9 the commissioner may share information with other regulatory
10 authorities or government agencies, or may publish service
11 company-related data or information collected under this chapter.
12 Such information may be redacted so that neither personally
13 identifiable information nor service company identifiable
14 information is made available.

15 Sec. 32. Section 714.16, subsection 2, Code 2025, is amended
16 by adding the following new paragraph:

17 NEW PARAGRAPH. r. It is an unlawful practice for a person to
18 violate chapter 523C.

19 Sec. 33. REPEAL. Section 523C.19, Code 2025, is repealed.

20 EXPLANATION

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

23 This bill relates to matters under the purview of the
24 department of insurance and financial services including
25 financial literacy and exploitation, tax confidentiality, health
26 insurance rates, health savings accounts, insurer withdrawals,
27 property insurance, and service contracts.

28 DIVISION I — FINANCIAL LITERACY AND FINANCIAL
29 EXPLOITATION. Division I appropriates \$10 of each fee collected
30 from the filing of an application as an agent of a real
31 estate broker or dealer to the financial literacy and
32 investor education fund (education fund), and to the financial
33 exploitation prevention fund (prevention fund), both of which
34 are created in the bill. Initiatives by the commissioner
35 of insurance (commissioner) involving financial literacy and

1 investor education shall comply with the requirements of the
2 bill.

3 Under the bill, nonexamination revenues payable to the
4 insurance division (division) or the department of revenue
5 (DOR) in connection with the regulation of insurance companies
6 shall be deposited in the commerce revolving fund, rather
7 than 40 percent as is required under current law. The
8 director of the department of insurance and financial services
9 (director) shall be responsible for identifying and coordinating
10 appropriate opportunities for collaboration on financial literacy
11 and exploitation with the chief administrative officers (CAO) of
12 each division and each CAO's respective regulated entities.

13 The bill creates the education fund under the control of the
14 director. The director shall develop and implement financial
15 literacy and investor education initiatives for the public
16 by providing education on financial topics, including topics
17 required to be offered and taught for grades 9 through 12.
18 The education fund consists of moneys as detailed in the bill.
19 Notwithstanding any provision of law to the contrary, moneys in
20 the education fund may be moved to the prevention fund at the
21 discretion of the director.

22 The bill creates the prevention fund, under which the director
23 shall develop and implement initiatives to educate the public
24 on financial exploitation; assist individuals who are known,
25 suspected, or potential victims of financial exploitation; and
26 to conduct investigations, refer investigations to other law
27 enforcement, and assist in the prosecution of persons involved in
28 financial exploitation. The prevention fund consists of moneys
29 as detailed in the bill.

30 All investigation files, investigation reports, and all other
31 investigative information in the possession of the department
32 of insurance and financial services (department) shall be
33 confidential and shall not be subject to release by discovery,
34 subpoena, or other means of legal compulsion until opened for
35 public inspection by the department, or upon the consent of

1 the department, or until a court determines the department will
2 not be unnecessarily hindered if opened for public inspection.
3 Investigative information in the possession of the department may
4 be disclosed, shared, or received in the circumstances detailed
5 in the bill. An investigator or staff member of the department
6 shall not be subject to subpoena concerning any pending or
7 continuing investigation conducted by the department.

8 On the effective date of division I of the bill, all
9 unencumbered and unobligated moneys remaining in the securities
10 investor education and financial literacy training fund in Code
11 section 502.601 shall be transferred to the education fund.

12 DIVISION II — TAX ON GROSS PREMIUMS — CONFIDENTIALITY. Under
13 division II, a tax return filed under Code section 432.1 (tax
14 on gross premiums — exclusions) or 432.1A (tax on premiums —
15 captive companies) shall not be open to inspection. It shall
16 be unlawful for any present or former officer or employee of the
17 state to willfully or recklessly publish any such tax return. A
18 person who does so is guilty of a serious misdemeanor and, in
19 addition to any other penalty, shall be dismissed from office or
20 discharged from employment. A serious misdemeanor is punishable
21 by confinement for no more than one year and a fine of at least
22 \$430 but no more than \$2,560. The bill does not prohibit the
23 DOR from turning over information and tax returns in the DOR's
24 possession to duly authorized officers of the United States or
25 tax officials of other states pursuant to an agreement.

26 DIVISION III — HEALTH INSURANCE RATE INCREASES — PUBLIC
27 HEARINGS. Division III permits the commissioner to hold a public
28 hearing at the time a carrier files for proposed health insurance
29 rate increases exceeding the average annual health spending
30 growth rate, rather than requiring the commissioner to hold such
31 public hearing as is the case under current law.

32 DIVISION IV — HEALTH SAVINGS ACCOUNTS AND QUALIFIED
33 HIGH-DEDUCTIBLE HEALTH PLANS — COST-SHARING. Under division IV,
34 if a copayment, coinsurance, or deductible paid as cost-sharing
35 by an enrollee in an individual or group accident or health

1 insurance plan would result in the enrollee becoming ineligible
2 for a health savings account associated with the enrollee's
3 qualified high-deductible health plan (HDHP), the cost-sharing
4 shall apply only to the enrollee's qualified HDHP after the
5 enrollee satisfies the enrollee's minimum deductible, except for
6 items or services determined to be preventive.

7 DIVISION V — INSURANCE COMPANY WITHDRAWAL
8 REQUIREMENTS. Division V requires an insurer, prior to
9 withdrawing, to file a withdrawal plan (plan) with the
10 commissioner if the insurer intends to reduce the insurer's
11 total annual premium volume in the state by 50 percent or more,
12 intends to reduce the insurer's total annual premium in the state
13 in a line of insurance by 75 percent or more, or intends to
14 reduce the insurer's total annual premium volume in the state
15 in a line of private passenger automobile insurance, homeowners
16 insurance, or dwelling property insurance by 50 percent or more.
17 Withdrawal requirements do not apply to a transfer of business
18 from one insurer to another insurer that are both within the
19 same insurance holding company system if the insurer to whom
20 the business is being transferred is authorized to engage in the
21 business of insurance in the state, and the business is not a
22 reciprocal or interinsurance exchange, a lloyd's plan, or a state
23 or county mutual insurance association. "Insurer" is defined in
24 the bill.

25 If the plan meets all of the requirements as described in
26 the bill, the commissioner shall approve the plan. If the
27 commissioner finds that a plan does not meet all requirements,
28 the commissioner may modify, restrict, limit, or deny the
29 withdrawal plan. An insurer may request a hearing on the
30 commissioner's decision as described in the bill.

31 An insurer that withdraws from writing all lines of insurance
32 in the state shall not, without prior approval of the
33 commissioner, resume writing insurance in the state for a minimum
34 of five years. A violation of the withdrawal requirements
35 constitutes an unfair method of competition and unfair or

1 deceptive act or practice. The commissioner may adopt rules to
2 administer and enforce division V.

3 DIVISION VI — REPLACEMENT COST, ACTUAL CASH VALUE, AND LINE
4 OF SIGHT. Division VI requires for an insurance policy providing
5 for the adjustment and settlement of first-party losses based on
6 replacement cost when a loss requires repair or replacement of a
7 product or part, consequential physical damage shall be included
8 in the calculation of loss, and the insured shall not be required
9 to pay for betterment or other costs, except for any deductible.
10 When a loss requires replacement of a damaged product and the
11 product is available for purchase, the identical product shall
12 be used, or if it is not available, the insurer shall use a
13 reasonably similar product.

14 For a policy providing for adjustment and settlement of
15 first-party losses based on actual cash value (ACV), for
16 residential fire and extended coverage, the insurer shall
17 determine the ACV and shall provide a copy of the claim file
18 worksheet.

19 For an insurance policy providing for the adjustment and
20 settlement of first-party losses based on ACV, where the
21 insured's interest is limited because damaged property has
22 nominal or no economic value, or a value disproportionate to
23 replacement cost less depreciation, a determination of ACV shall
24 not be required.

25 DIVISION VII — SERVICE COMPANIES, SERVICE CONTRACTS,
26 AND LICENSES. Division VII prohibits a person who shall be
27 contractually obligated to a service contract holder under the
28 terms of a service contract from issuing, offering for sale, or
29 selling a motor vehicle service contract or residential service
30 contract in the state unless the person is a licensed service
31 company. The requirements of the bill do not apply to any person
32 who provides support services.

33 A service company shall maintain a license for the entirety
34 of any service contract that the service company has entered.
35 A service company shall report to the commissioner within 30

1 calendar days any material change to the information submitted in
2 the initial or renewal application.

3 An application for a license as a service company shall be
4 filed with the commissioner and include all required information
5 as described in the bill, and be accompanied by a \$500 license
6 fee and a \$35 fee for each motor vehicle service contract form
7 provided by the service company in the application. A license
8 shall be valid for one year and shall be renewed on or before the
9 date the license expires.

10 An application for license renewal shall include the
11 information required for an initial license, a list of each
12 service contract form, and the information and fees as described
13 in the bill. If the renewal application meets the requirements,
14 and the commissioner has not refused to renew the license, the
15 commissioner shall renew the license. If the commissioner denies
16 renewal, the denial shall be in writing.

17 If a service company fails to renew their license on or
18 before the final day of the license period, the company's license
19 shall be deemed expired. Prior to a license expiration date,
20 and if a renewal application was submitted at least 14 days
21 prior to the license expiration date, the commissioner may
22 extend the renewal period an additional 30 calendar days. If
23 a service company submits an application or renewal application
24 after the license has expired, the service company shall pay a
25 \$800 reinstatement fee and shall file a service company license
26 renewal application, including payment of applicable fees, with
27 the division. Restrictions on a service company whose license
28 term has expired are detailed in the bill.

29 A service contract shall not be issued, sold, or offered
30 for sale unless the service company provides a receipt for the
31 purchase of the service contract to the service contract holder
32 (holder), provides a complete sample copy of the service contract
33 prior to purchase, and provides a completed paper or electronic
34 copy of the service contract to the holder within 10 calendar
35 days of purchase. A paper copy of the sample copy of the service

1 contract, or the service contract, shall be provided upon the
2 request of the consumer at the expense of the service company.

3 A service contract issued, sold, or offered for sale in the
4 state shall comply with all of the requirements described in the
5 bill. The requirements for a reimbursement insurance policy that
6 relates to goods that are essential to the health and safety of
7 the service contract holder are detailed in the bill.

8 A service company shall file with the division an accurate
9 copy of each service contract form prior to using the service
10 contract form and, at the time of filing shall pay a \$35 fee
11 for each motor vehicle service contract form. A service company
12 may continue to use a noncompliant service contract form until
13 June 30, 2026, provided no changes are made to the form, and the
14 service contract form was filed with the division in 2024.

15 The commissioner may suspend or revoke the license of, deny
16 an application for license from, or refuse to renew the license
17 of, a service company, or may levy a civil penalty against a
18 service company, for any of the reasons described in the bill.
19 The commissioner shall notify the service company in writing of
20 the reason for the suspension, revocation, nonrenewal, or denial.
21 The licensee or applicant may request a hearing.

22 The commissioner may make examination of the books and records
23 of a service company. The actual costs of the examination shall
24 be borne by the service company, not to exceed 10 percent of
25 the service company's reported net income associated with doing
26 business in the state in the immediately preceding fiscal year.

27 A service company that offers service contracts for sale,
28 or the service company's support services, shall not represent
29 in any manner a false, deceptive, or misleading statement
30 with respect to the service company's affiliation with a motor
31 vehicle manufacturer or importer, the validity or expiration of
32 a warranty, a motor vehicle service contract holder's coverage
33 under a motor vehicle service contract, or describing the service
34 contract as a policy.

35 A service company shall not engage in a prohibited act

1 or practice as detailed in the bill. The commissioner may
2 adopt rules pursuant to Code chapter 17A which regulate service
3 contracts to prohibit specified practices. If the commissioner
4 finds that a person has violated such rules, the commissioner may
5 order payment of a civil penalty as described in the bill, or
6 suspend or revoke a service company's license. A person shall
7 not engage in any unfair method of competition, or an unfair or
8 deceptive act or practice, in the service contract business.

9 A written explanation to a service contract holder after a
10 licensed service company denies a claim or offers a compromise
11 settlement shall provide instructions to the service contract
12 holder on appeals, second reviews, arbitration, or similar
13 provisions included in the contract, as well as information on
14 how to file a complaint with the division, including the internet
15 site to the division's complaint form.

16 The commissioner shall maintain the confidentiality of
17 information submitted to the division or obtained by the division
18 in the course of an investigation, examination, or inquiry,
19 including all notes, work papers, or other documents and the
20 information as described in the bill. The commissioner may
21 disclose or release information that is otherwise confidential in
22 the circumstances detailed in the bill. Such information may be
23 redacted so that neither personally identifiable information nor
24 service company identifiable information is made available.

25 The division repeals Code section 523C.19.