

**Senate File 346 - Reprinted**

SENATE FILE 346  
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 1086)

(As Amended and Passed by the Senate March 25, 2015)

**A BILL FOR**

1 An Act relating to various matters involving insurance and  
2 the insurance division of the department of commerce and  
3 including effective date provisions.

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

1 Section 1. Section 22.7, subsection 58, Code 2015, is  
2 amended to read as follows:

3 58. Information filed with the commissioner of insurance  
4 pursuant to sections 523A.204 ~~and~~, 523A.205, 523A.206,  
5 523A.207, 523A.401, 523A.502A, and 523A.803.

6 Sec. 2. Section 502.103, Code 2015, is amended to read as  
7 follows:

8 **502.103 References to federal statutes.**

9 "*Securities Act of 1933*", 15 U.S.C. §77a et seq.; "*Securities*  
10 *Exchange Act of 1934*", 15 U.S.C. §78a et seq.; "*Public Utility*  
11 *Holding Company Act of 1935*", 15 U.S.C. §79 et seq.; "*Investment*  
12 *Company Act of 1940*", 15 U.S.C. §80a-1 et seq.; "*Investment*  
13 *Advisers Act of 1940*", 15 U.S.C. §80b-1 et seq.; "*Employee*  
14 *Retirement Income Security Act of 1974*", 29 U.S.C. §1001 et  
15 seq.; "*National Housing Act*", 12 U.S.C. §1701; "*Commodity*  
16 *Exchange Act*", 7 U.S.C. §1 et seq.; "*Internal Revenue Code*",  
17 26 U.S.C. §1 et seq.; "*Securities Investor Protection Act*  
18 *of 1970*", 15 U.S.C. §78aaa et seq.; "*Securities Litigation*  
19 *Uniform Standards Act of 1998*", 112 Stat. 3227; "*Small Business*  
20 *Investment Act of 1958*", 15 U.S.C. §661 et seq.; and "*Electronic*  
21 *Signatures in Global and National Commerce Act*", 15 U.S.C.  
22 §7001 et seq.; and "*Dodd-Frank Wall Street Reform and Consumer*  
23 *Protection Act*", Pub. L. No. 111-203 mean those federal statutes  
24 and the rules and regulations adopted under those federal  
25 statutes, as in effect on January 1, ~~2005~~ 2015.

26 Sec. 3. Section 502.202, Code 2015, is amended by adding the  
27 following new subsection:

28 NEW SUBSECTION. 24. *Intrastate crowdfunding.*

29 a. *Definitions.* As used in this subsection, unless the  
30 context otherwise requires:

31 (1) "*Intermediary*" means a broker-dealer that is subject  
32 to the registration requirements of section 502.401 and that  
33 facilitates the offer and sale of securities by issuers to  
34 investors through an internet-based system that is open to  
35 and accessible by the general public. "*Intermediary*" also

1 means an entity registered with the administrator as an Iowa  
2 crowdfunding portal.

3 (2) "*Intrastate crowdfunding*" means the offer or sale of a  
4 security by an issuer in a transaction that is available for  
5 purchase only by Iowa residents and by business organizations  
6 located in, and organized and registered under the laws of,  
7 this state.

8 (3) "*Iowa crowdfunding portal*" means an entity incorporated  
9 or organized under the laws of this state, authorized to do  
10 business in this state, and engaged exclusively in intrastate  
11 crowdfunding offers and sales of exempt securities in this  
12 state through an internet site and which does not operate or  
13 facilitate a secondary market in securities.

14 *b. Exemption not available.* The exemption in this  
15 subsection is not available to any of the following:

16 (1) A foreign issuer.

17 (2) An investment company, as defined in section 3 of the  
18 federal Investment Company Act of 1940.

19 (3) A development stage company that either has no specific  
20 business plan or purpose or has indicated that the company's  
21 business plan is to engage in a merger or acquisition with an  
22 unidentified company or companies, or other entity or person.

23 (4) A company with a class of securities registered under  
24 the federal Securities Exchange Act of 1934.

25 (5) Any person who is subject to a disqualifying event as  
26 described in the regulations adopted in accordance with section  
27 926 of the federal Dodd-Frank Wall Street Reform and Consumer  
28 Protection Act, Pub. L. No. 111-203, or in rules adopted by the  
29 administrator pursuant to chapter 17A.

30 *c. Aggregate sales limit.* The aggregate amount of  
31 securities sold to all investors by the issuer during the  
32 twelve-month period preceding the date of the offer or sale,  
33 including any amount sold in reliance upon the exemption in  
34 this subsection, shall not exceed one million dollars other  
35 than either of the following:

1 (1) Securities sold to Iowa resident institutional  
2 investors.

3 (2) Securities sold to the Iowa resident issuer's  
4 management.

5 *d. Individual sales limit.* The aggregate amount of  
6 securities sold to an investor by the issuer during the  
7 twelve-month period preceding the date of the offer or sale,  
8 including any amount sold in reliance upon the exemption in  
9 this subsection, shall not exceed five thousand dollars unless  
10 the investor is an accredited investor who resides in Iowa.  
11 For purposes of this individual sales limit, the following  
12 investors shall be treated as one investor:

13 (1) A relative, spouse, or relative of the spouse of an  
14 investor who has the same principal residence as the investor.

15 (2) A trust or estate in which an investor and any related  
16 person collectively have more than fifty percent of the  
17 beneficial interest, excluding contingent interests.

18 (3) A corporation or other organization of which an investor  
19 and any related person collectively are beneficial owners of  
20 more than fifty percent of the equity securities, excluding  
21 directors' qualifying shares, or equity interests.

22 *e. Use of an intermediary.* All offers and sales of  
23 securities made in reliance upon the exemption in this  
24 subsection shall be made through an intermediary's internet  
25 site.

26 *f. Notice to administrator.* Prior to the offer of any  
27 security in this state made in reliance upon the exemption  
28 in this subsection, the issuer shall file a notice with  
29 the administrator in a form and format approved by the  
30 administrator, and including the filing fee specified by rule,  
31 if any.

32 *g. Rulemaking.* The administrator shall adopt all rules  
33 necessary to implement the exemption in this subsection  
34 including but not limited to all of the following:

35 (1) Mandatory disclosures.

- 1 (2) Restrictions on advertising and communications.
- 2 (3) Target amount, offering period, and escrow
- 3 requirements.
- 4 (4) Use and compensation of promoters.
- 5 (5) Restrictions on the sale of securities purchased under
- 6 the exemption in this subsection.
- 7 (6) Sales reports.
- 8 (7) Limitations on the offering price.
- 9 (8) Duties of an intermediary which shall include providing
- 10 the administrator with continuous investor-level access to the
- 11 intermediary's internet site.
- 12 (9) Records maintenance.
- 13 (10) Duties and registration requirements for internet site
- 14 operators.

15 Sec. 4. Section 502.302, subsection 1, paragraph a,  
16 subparagraph (1), Code 2015, is amended to read as follows:

17 (1) A person who is the issuer of a federal covered  
18 security under section 18(b)(2) of the Securities Act of  
19 1933 shall initially make a notice filing and annually renew  
20 a notice filing in this state ~~for an indefinite amount or a~~  
21 ~~fixed amount. The fixed amount must be for two hundred fifty~~  
22 ~~thousand dollars.~~

23 Sec. 5. Section 502.302, subsection 1, paragraph a,  
24 subparagraph (2), unnumbered paragraph 1, Code 2015, is amended  
25 to read as follows:

26 A notice filer shall pay a filing fee in the amount of  
27 four hundred dollars when the notice is filed. ~~If the amount~~  
28 ~~covered by the notice is indefinite, the notice filer shall pay~~  
29 ~~a filing fee of one thousand dollars. If the amount covered by~~  
30 ~~the notice is fixed, the notice filer shall pay a filing fee~~  
31 ~~of two hundred fifty dollars, and all of the following shall~~  
32 ~~apply:~~

33 Sec. 6. Section 502.302, subsection 1, paragraph a,  
34 subparagraph (2), subparagraph divisions (a) and (b), Code  
35 2015, are amended by striking the subparagraph divisions.

1     Sec. 7. Section 502.302, subsections 2 and 3, Code 2015, are  
2 amended to read as follows:

3     2. *Notice filing effectiveness and renewal.* A notice filing  
4 under subsection 1 is effective for one year commencing on  
5 the later of the notice filing or the effectiveness of the  
6 offering filed with the securities and exchange commission.  
7 On or before expiration, the issuer may renew a notice filing  
8 by filing a copy of those records filed by the issuer with  
9 the securities and exchange commission that are required by  
10 rule or order under this chapter to be filed and by paying  
11 ~~the a renewal fee required by subsection 1, paragraph "a" of~~  
12 four hundred dollars. A previously filed consent to service  
13 of process complying with section 502.611 may be incorporated  
14 by reference in a renewal. A renewed notice filing becomes  
15 effective upon the expiration of the filing being renewed.

16     3. *Notice filings for federal covered securities under*  
17 *section 18(b)(4)(D).* With respect to a security that is a  
18 federal covered security under section 18(b)(4)(D) of the  
19 Securities Act of 1933, 15 U.S.C. §77r(b)(4)(D), a rule under  
20 this chapter may require a notice filing by or on behalf of an  
21 issuer to include a copy of form D, including the appendix, as  
22 promulgated by the securities and exchange commission, and a  
23 consent to service of process complying with section 502.611  
24 signed by the issuer not later than fifteen days after the  
25 first sale of the federal covered security in this state and  
26 the payment of a fee of one hundred dollars; and the payment of  
27 a fee of two hundred fifty dollars for any late filing.

28     Sec. 8. Section 502.412, subsection 9, Code 2015, is amended  
29 to read as follows:

30     9. *Limit on investigation or proceeding.* The administrator  
31 shall not institute a proceeding under subsection 1, 2,  
32 or 3 based solely on material facts actually known by the  
33 administrator unless an investigation or the proceeding is  
34 instituted within ~~one year~~ two years after the administrator  
35 actually acquires knowledge of the material facts.

1     Sec. 9. Section 505.19, Code 2015, is amended by adding the  
2 following new subsection:

3     NEW SUBSECTION. 4A. Notwithstanding subsection 1, a health  
4 insurance carrier licensed to do business in this state that  
5 participates in the health benefits exchange used in this state  
6 and created pursuant to the federal Patient Protection and  
7 Affordable Care Act, Pub. L. No. 111-148, as amended by the  
8 federal Health Care and Education Reconciliation Act of 2010,  
9 Pub. L. No. 111-152, shall not be subject to the requirements  
10 of this section for health plans issued by the health insurance  
11 carrier that are filed and purchased within the exchange or the  
12 matching health plans issued by the health insurance carrier  
13 that are purchased outside of the exchange. However, such  
14 a health insurance carrier shall inform policyholders who  
15 purchase such health plans of their total premium due and  
16 any rate increases to their premium for each upcoming policy  
17 year. Such notice shall be provided thirty days prior to  
18 the beginning of open enrollment for the health plans and  
19 shall provide policyholders with information about how the  
20 policyholder can contact the insurance division to submit a  
21 comment about a proposed rate increase. A health insurance  
22 carrier subject to this subsection shall be subject to all  
23 applicable other state and federal laws.

24     Sec. 10. Section 511.8, subsection 5, paragraphs a and b,  
25 Code 2015, are amended to read as follows:

26     a. (1) If fixed interest-bearing obligations, the net  
27 earnings of the issuing, assuming, or guaranteeing corporation  
28 available for its fixed charges for a period of five fiscal  
29 years next preceding the date of acquisition of the obligations  
30 by such insurance company shall have averaged per year not  
31 less than one and one-half times such average annual fixed  
32 charges of the issuing, assuming, or guaranteeing corporation  
33 applicable to such period, and, during at least one of the last  
34 two years of such period, its net earnings shall have been  
35 not less than one and one-half times its fixed charges for

1 such year; or if, at the date of acquisition, the obligations  
2 are ~~adequately secured and have investment qualities and~~  
3 ~~characteristics wherein the speculative elements are not~~  
4 ~~predominant~~ investment grade as defined by the commissioner by  
5 rule.

6 (2) However, with respect to fixed interest-bearing  
7 obligations which are issued, assumed, or guaranteed by a  
8 financial company, the net earnings by the financial company  
9 available for its fixed charges for the period of five fiscal  
10 years preceding the date of acquisition of the obligations by  
11 the insurance company shall have averaged per year not less  
12 than one and one-fourth times such average annual fixed charges  
13 of the issuing, assuming, or guaranteeing financial company  
14 applicable to such period, and, during at least one of the last  
15 two years of the period, its net earnings shall have been not  
16 less than one and one-fourth times its fixed charges for such  
17 year; or if, at the date of acquisition, the obligations are  
18 ~~adequately secured and speculative elements are not predominant~~  
19 ~~in their investment qualities and characteristics~~ investment  
20 grade as defined by the commissioner by rule. As used in  
21 this subparagraph (2), "*financial company*" means a corporation  
22 which on the average over its last five fiscal years preceding  
23 the date of acquisition of its obligations by the insurer,  
24 has had at least fifty percent of its net income, including  
25 income derived from subsidiaries, derived from the business  
26 of wholesale, retail, installment, mortgage, commercial,  
27 industrial or consumer financing, or from banking or factoring,  
28 or from similar or related lines of business.

29 *b.* If adjustment, income, or other contingent interest  
30 obligations, the net earnings of the issuing, assuming, or  
31 guaranteeing corporation available for its fixed charges  
32 for a period of five fiscal years next preceding the date  
33 of acquisition of the obligations by such insurance company  
34 shall have averaged per year not less than one and one-half  
35 times such average annual fixed charges of the issuing,



1 assuming, or guaranteeing corporation and its average annual  
 2 maximum contingent interest applicable to such period and,  
 3 during at least one of the last two years of such period, its  
 4 net earnings shall have been not less than one and one-half  
 5 times the sum of its fixed charges and maximum contingent  
 6 interest for such year, or if, at the date of acquisition,  
 7 the obligations are ~~adequately secure and have investment~~  
 8 ~~qualities and characteristics and speculative elements are not~~  
 9 ~~predominant~~ investment grade as defined by the commissioner by  
 10 rule.

11 Sec. 11. Section 511.8, subsection 6, paragraph a,  
 12 subparagraph (1), subparagraph division (b), unnumbered  
 13 paragraph 1, Code 2015, is amended to read as follows:

14 The net earnings available for fixed charges and preferred  
 15 dividends of the issuing corporation shall have been, for  
 16 each of the five fiscal years immediately preceding the date  
 17 of acquisition, not less than one and one-half times the sum  
 18 of the annual fixed charges and contingent interest, if any,  
 19 and the annual preferred dividend requirements as of the date  
 20 of acquisition; or at the date of acquisition the preferred  
 21 stock ~~has is~~ is investment qualities and characteristics wherein  
 22 ~~speculative elements are not predominant~~ grade as defined by  
 23 the commissioner by rule.

24 Sec. 12. Section 511.8, subsection 8, unnumbered paragraph  
 25 1, Code 2015, is amended to read as follows:

26 Securities included under subsections 5, 6, and 7, and  
 27 subsection 9, paragraph "h", shall not be eligible:

28 Sec. 13. Section 511.8, subsection 8, paragraph b,  
 29 unnumbered paragraph 1, Code 2015, is amended to read as  
 30 follows:

31 The investments of any company or association in ~~such the~~  
 32 securities of a corporation shall not be eligible in excess of  
 33 exceed the following percentages of the legal reserve of such  
 34 company or association:

35 Sec. 14. Section 511.8, subsection 8, paragraph b,

1 subparagraphs (1) and (2), Code 2015, are amended to read as  
2 follows:

3     ~~(1) With the exception of public securities~~ For any one  
4 corporation other than a public utility company, two percent  
5 of the legal reserve ~~in the securities of any one corporation.~~  
6 ~~Five~~ For any one public utility company, five percent of the  
7 legal reserve ~~in the securities of any one public utility~~  
8 ~~corporation.~~

9     ~~(2) Seventy-five percent of the legal reserve in the~~  
10 ~~securities described in subsection 5 issued by other than~~  
11 ~~public utility corporations. Fifty percent of the legal~~  
12 ~~reserve in the~~ For securities described in subsection 5 issued  
13 by public utility ~~corporations~~ companies, fifty percent of the  
14 legal reserve.

15     Sec. 15. Section 511.8, subsection 9, Code 2015, is amended  
16 by adding the following new paragraph:

17     NEW PARAGRAPH. *h.* Mezzanine real estate loans subject to  
18 the following conditions:

19     (1) The terms of the mezzanine real estate loan agreement  
20 shall do all of the following:

21     (a) Require that each pledgor abstain from granting  
22 additional security interests in the equity interest pledged.

23     (b) Set forth techniques to minimize the likelihood or  
24 impact of a bankruptcy filing on the part of the real estate  
25 owner or the mezzanine real estate loan borrower consistent  
26 with the national association of insurance commissioners'  
27 accounting practices and procedures manual.

28     (c) Require the real estate owner or mezzanine real estate  
29 loan borrower to do all of the following:

30     (i) Hold no assets other than, in the case of the real  
31 estate owner, the real property, and in the case of the  
32 mezzanine real estate loan borrower, the equity interest of the  
33 real estate owner.

34     (ii) Not engage in any business other than, in the case  
35 of the real estate owner, the ownership and operation of the

1 real estate, and in the case of the mezzanine real estate loan  
2 borrower, holding an ownership interest in the real estate  
3 owner.

4 (iii) Not incur additional debt, other than limited trade  
5 payables, a first mortgage loan, or mezzanine real estate  
6 loans.

7 (2) At the time of purchase, the sum of the first mortgage  
8 and the mezzanine real estate loans shall not exceed ninety  
9 percent of the value of the real estate evidenced by a  
10 current appraisal and the mezzanine real estate loan shall be  
11 classified as CM4 or better in accordance with the national  
12 association of insurance commissioners' rating methodology, or  
13 an equivalent or successor rating.

14 (3) The value of a company's or association's total  
15 investments qualified under this paragraph "h" shall not exceed  
16 three percent of the legal reserve subject to the following  
17 conditions:

18 (a) The value of a company's or association's total  
19 investments qualified under this paragraph "h" in mezzanine  
20 real estate loans classified as CM3 in accordance with the  
21 national association of insurance commissioners' rating  
22 methodology or an equivalent or successor rating at the time of  
23 purchase shall not exceed two percent of the legal reserve.

24 (b) The value of a company's or association's total  
25 investments qualified under this paragraph "h" in mezzanine  
26 real estate loans classified as CM4 in accordance with the  
27 national association of insurance commissioners' rating  
28 methodology or an equivalent or successor rating at the time of  
29 purchase shall not exceed one percent of the legal reserve.

30 (4) For purposes of this paragraph "h", "*mezzanine real*  
31 *estate loan*" means a loan secured by a pledge of a direct or  
32 indirect equity interest in an entity that owns real estate.

33 Sec. 16. Section 511.8, subsection 13, Code 2015, is amended  
34 to read as follows:

35 13. *Collateral loans.* Loans secured by collateral

1 consisting of any ~~securities~~ assets or investments qualified in  
2 under this section, provided the amount of the loan is not in  
3 excess of ninety percent of the value of the ~~securities~~ assets  
4 or investments. Provided further that subsection 8 shall apply  
5 to the collateral ~~securities~~ assets or investments pledged  
6 to the payment of loans ~~authorized in~~ qualified under this  
7 subsection.

8 Sec. 17. Section 511.8, subsection 18, paragraph a, Code  
9 2015, is amended to read as follows:

10 a. (1) Common stocks, or shares, or equity interests issued  
11 by solvent corporations or institutions are eligible if the  
12 total investment in the common stocks, or shares in, or equity  
13 interests of the corporations or institutions does not exceed  
14 ten percent of legal reserve, provided not more than one-half  
15 percent of the legal reserve is invested in common stocks,  
16 or shares, or equity interests of any one corporation or  
17 institution. However, the not more than four percent of legal  
18 reserve shall be invested in common stocks, or shares shall be  
19 , or equity interests which do not meet one of the following  
20 requirements:

21 (a) Are listed or admitted to trading on an established  
22 foreign securities exchange or a securities exchange in the  
23 United States or shall be.

24 (b) Are publicly held and traded in the "over-the-counter  
25 market" and, provided that market quotations shall be readily  
26 available, and further, the investment.

27 (2) An investment in common stocks, shares, or equity  
28 interests shall not create a conflict of interest for an  
29 officer or director of the company between the insurance  
30 company and the corporation whose common stocks, or shares, or  
31 equity interests are purchased.

32 Sec. 18. Section 511.8, subsection 20, paragraph b, Code  
33 2015, is amended to read as follows:

34 b. For purposes of this subsection, "*venture capital*  
35 *fund*" means a corporation, partnership, proprietorship, or

1 other entity formed under the laws of the United States, or  
 2 a state, district, or territory of the United States, whose  
 3 principal business is or will be the making of investments in,  
 4 and the provision of significant managerial assistance to,  
 5 small businesses which meet the small business administration  
 6 definition of small business. "*Equity interests*" means limited  
 7 partnership interests and other equity interests in which  
 8 liability is limited to the amount of the investment, but does  
 9 not mean general partnership interests or other interests  
 10 involving general liability. "*Venture capital fund*" includes an  
 11 equity interest in the Iowa fund of funds as defined in section  
 12 15E.62 and an equity interest in an innovation fund as defined  
 13 in section 15E.52.

14 Sec. 19. Section 511.8, subsection 22, paragraphs c and d,  
 15 Code 2015, are amended to read as follows:

16 c. Investments in financial instruments used in hedging  
 17 transactions are not eligible in excess of two percent of  
 18 the legal reserve in the financial instruments of any one  
 19 corporation, less any securities of that corporation owned  
 20 by the company or association and in which its legal reserve  
 21 is invested, except insofar as the financial instruments are  
 22 collateralized by cash, United States government obligations  
 23 as authorized by subsection 1, or obligations of or guaranteed  
 24 by a United States government-sponsored enterprise which on  
 25 the date they are pledged as collateral are ~~adequately secured~~  
 26 ~~and have investment qualities and characteristics wherein the~~  
 27 ~~speculative elements are not predominant~~ investment grade as  
 28 defined by the commissioner by rule, which are deposited with a  
 29 custodian bank as defined in subsection 21, and held under a  
 30 written agreement with the custodian bank that complies with  
 31 subsection 21 and provides for the proceeds of the collateral,  
 32 subject to the terms and conditions of the applicable  
 33 collateral or other credit support agreement, to be remitted to  
 34 the legal reserve deposit of the company or association and to  
 35 vest in the state in accordance with section 508.18 whenever

1 proceedings under that section are instituted.

2 *d.* Investments in financial instruments used in hedging  
3 transactions are not eligible in excess of ten percent of the  
4 legal reserve, except insofar as the financial instruments are  
5 collateralized by cash, United States government obligations  
6 as authorized by subsection 1, or obligations of or guaranteed  
7 by a United States government-sponsored enterprise which on  
8 the date they are pledged as collateral are ~~adequately secured~~  
9 ~~and have investment qualities and characteristics wherein the~~  
10 ~~speculative elements are not predominant~~ investment grade as  
11 defined by the commissioner by rule, which are deposited with a  
12 custodian bank as defined in subsection 21, and held under a  
13 written agreement with the custodian bank that complies with  
14 subsection 21 and provides for the proceeds of the collateral,  
15 subject to the terms and conditions of the applicable  
16 collateral or other credit support agreement, to be remitted to  
17 the legal reserve deposit of the company or association and to  
18 vest in the state in accordance with section 508.18 whenever  
19 proceedings under that section are instituted.

20 Sec. 20. Section 511.8, subsection 22, paragraph e,  
21 subparagraph (1), Code 2015, is amended to read as follows:

22 (1) Investments in financial instruments of foreign  
23 governments or foreign corporate obligations, other than  
24 Canada, used in hedging transactions shall be included  
25 in the limitation contained in subsection 19 that allows  
26 only twenty percent of the legal reserve of the company or  
27 association to be invested in such foreign investments, except  
28 insofar as the financial instruments are collateralized by  
29 cash, United States government obligations as authorized by  
30 subsection 1, or obligations of or guaranteed by a United  
31 States government-sponsored enterprise which on the date  
32 they are pledged as collateral are ~~adequately secured and~~  
33 ~~have investment qualities and characteristics wherein the~~  
34 ~~speculative elements are not predominant~~ investment grade as  
35 defined by the commissioner by rule, which are deposited with a

1 custodian bank as defined in subsection 21, and held under a  
2 written agreement with the custodian bank that complies with  
3 subsection 21 and provides for the proceeds of the collateral,  
4 subject to the terms and conditions of the applicable  
5 collateral or other credit support agreement, to be remitted to  
6 the legal reserve deposit of the company or association and to  
7 vest in the state in accordance with section 508.18 whenever  
8 proceedings under that section are instituted.

9 Sec. 21. Section 514G.102, Code 2015, is amended to read as  
10 follows:

11 **514G.102 Scope.**

12 The requirements of this chapter apply to policies delivered  
13 or issued for delivery in this state on or after July 1, 2008.  
14 The requirements of this chapter related to independent review  
15 of benefit trigger determinations apply to all claims made on  
16 or after January 1, 2009. The requirements of this chapter  
17 related to prompt payment of claims and the payment of interest  
18 apply to all long-term care insurance policies. This chapter  
19 is not intended to supersede the obligations of entities  
20 subject to this chapter to comply with the substance of other  
21 applicable insurance laws not in conflict with this chapter,  
22 except that laws and regulations designed and intended to apply  
23 to Medicare supplement insurance policies shall not be applied  
24 to long-term care insurance.

25 Sec. 22. Section 515.35, subsection 4, paragraph m, Code  
26 2015, is amended to read as follows:

27 *m. Venture capital funds.* Shares or equity interests in  
28 venture capital funds which agree to invest an amount equal to  
29 at least fifty percent of the investments by a company in small  
30 businesses having their principal offices within this state and  
31 having either more than one-half of their assets within this  
32 state or more than one-half of their employees employed within  
33 this state. A company shall not invest more than five percent  
34 of its capital and surplus under this paragraph. For purposes  
35 of this paragraph, "venture capital fund" means a corporation,

1 partnership, proprietorship, or other entity formed under the  
 2 laws of the United States, or a state, district, or territory  
 3 of the United States, whose principal business is or will be  
 4 the making of investments in, and the provision of significant  
 5 managerial assistance to, small businesses which meet the small  
 6 business administration definition of small business. *“Equity*  
 7 *interests”* means limited partnership interests and other equity  
 8 interests in which liability is limited to the amount of the  
 9 investment, but does not mean general partnership interests or  
 10 other interests involving general liability. *“Venture capital*  
 11 *fund”* includes an equity interest in the Iowa fund of funds  
 12 as defined in section 15E.62 and an equity interest in an  
 13 innovation fund as defined in section 15E.52.

14 Sec. 23. Section 521A.5, subsection 4, paragraph d, Code  
 15 2015, is amended to read as follows:

16 *d.* The board of directors of a domestic insurer shall  
 17 establish one or more committees comprised solely of directors  
 18 who or other persons appointed by the board, the majority of  
 19 whom are not officers or employees of the insurer or of any  
 20 entity controlling, controlled by, or under common control with  
 21 the insurer and who are not beneficial owners of a controlling  
 22 interest in the voting stock of the insurer or any such entity.  
 23 The committee or committees shall have responsibility for  
 24 recommending or nominating candidates for director for election  
 25 by shareholders or policyholders, evaluating the performance  
 26 of officers deemed to be principal officers of the insurer,  
 27 and recommending to the board of directors the selection and  
 28 compensation of the principal officers.

29 Sec. 24. Section 523A.102, subsection 8, Code 2015, is  
 30 amended by striking the subsection.

31 Sec. 25. Section 523A.204, subsection 3, Code 2015, is  
 32 amended to read as follows:

33 3. All records maintained by the commissioner under this  
 34 section shall be confidential pursuant to section 22.7,  
 35 subsection 58, and shall not be made available for inspection



1 or copying except upon the approval of the commissioner or the  
2 attorney general, or except when sought by the preneed seller  
3 to whom the records relate. Such records shall be privileged  
4 and confidential in any judicial or administrative proceeding  
5 except any of the following:

6 a. An action commenced by the commissioner.

7 b. An administrative proceeding brought by the insurance  
8 division.

9 c. An action or proceeding which arises out of the criminal  
10 provisions of the laws of this state or of the United States.

11 d. An action brought by the insurance division or  
12 the attorney general to recover moneys for embezzlement,  
13 misappropriation, or misuse of trust funds.

14 Sec. 26. Section 523A.204, subsections 4 and 5, Code 2015,  
15 are amended by striking the subsections.

16 Sec. 27. Section 523A.205, subsection 2, Code 2015, is  
17 amended by striking the subsection.

18 Sec. 28. Section 523A.205, subsection 3, Code 2015, is  
19 amended to read as follows:

20 3. ~~Notwithstanding chapter 22, all~~ All records maintained  
21 by the commissioner under this section shall be confidential  
22 pursuant to section 22.7, subsection 58, and shall not be made  
23 available for inspection or copying except upon approval of the  
24 commissioner or the attorney general, or except when sought by  
25 the financial institution to whom the records relate. Such  
26 records shall be privileged and confidential in any judicial or  
27 administrative proceeding except any of the following:

28 a. An action commenced by the commissioner.

29 b. An administrative proceeding brought by the insurance  
30 division.

31 c. An action or proceeding which arises out of the criminal  
32 provisions of the laws of this state or of the United States.

33 d. An action brought by the insurance division or  
34 the attorney general to recover moneys for embezzlement,  
35 misappropriation, or misuse of trust funds.

1     Sec. 29. Section 523A.206, subsection 6, Code 2015, is  
2 amended by striking the subsection and inserting in lieu  
3 thereof the following:

4     6. All records maintained by the commissioner under this  
5 section, including work papers, notes, recorded information,  
6 documents, and copies thereof that are produced or obtained  
7 by or disclosed to the commissioner or another person in the  
8 course of a compliance examination, shall be confidential  
9 pursuant to section 22.7, subsection 58, and shall not be  
10 made available for inspection and copying except upon the  
11 approval of the commissioner or the attorney general. Such  
12 records shall be privileged and confidential in any judicial or  
13 administrative proceeding except any of the following:

14     a. An action commenced by the commissioner.

15     b. An administrative proceeding brought by the insurance  
16 division.

17     c. An action or proceeding which arises out of the criminal  
18 provisions of the laws of this state or of the United States.

19     d. An action brought by the insurance division or  
20 the attorney general to recover moneys for embezzlement,  
21 misappropriation, or misuse of trust funds.

22     Sec. 30. Section 523A.207, Code 2015, is amended to read as  
23 follows:

24     **523A.207 Audits by certified public accountants — penalty.**

25     1. A purchase agreement shall not be sold or transferred,  
26 as part of the sale of a business or the assets of a business,  
27 until an audit has been performed by a certified public  
28 accountant and filed with the commissioner that expresses the  
29 auditor's opinion of the adequacy of funding related to the  
30 purchase agreements to be sold or transferred. If the buyer  
31 of a purchase agreement sold or transferred as part of the  
32 sale of a business or the assets of a business, fails to file  
33 such an audit, the commissioner shall suspend the preneed  
34 seller's license of the buyer and the preneed sales license of  
35 any sales agent in the employ of the buyer until the audit is

1 filed. In addition, the commissioner shall assess a penalty  
2 against the buyer in an amount up to one hundred dollars for  
3 each day that the audit remains unfiled. The commissioner  
4 shall allow a thirty-day grace period after the date that a  
5 purchase agreement is sold or transferred before suspension of  
6 a license or assessment of a penalty for failure to file an  
7 audit pursuant to this section.

8 2. All records maintained by the commissioner under this  
9 section shall be confidential pursuant to section 22.7,  
10 subsection 58, and shall not be made available for inspection  
11 or copying except upon approval of the commissioner or the  
12 attorney general, or except when sought by the preneed seller  
13 to whom the records relate. Such records shall be privileged  
14 and confidential in any judicial or administrative proceeding  
15 except any of the following:

16 a. An action commenced by the commissioner.

17 b. An administrative proceeding brought by the insurance  
18 division.

19 c. An action or proceeding which arises out of the criminal  
20 provisions of the laws of this state or of the United States.

21 d. An action brought by the insurance division or  
22 the attorney general to recover moneys for embezzlement,  
23 misappropriation, or misuse of trust funds.

24 Sec. 31. Section 523A.401, subsection 8, Code 2015, is  
25 amended to read as follows:

26 8. An insurance company issuing policies funding purchase  
27 agreements subject to this chapter shall file an annual report  
28 with the commissioner on a form prescribed by the commissioner.  
29 The report shall list the applicable insurance policies  
30 outstanding for each seller. ~~Computer printouts may be~~  
31 ~~submitted so long as each legibly provides the same information~~  
32 ~~required in the prescribed form.~~

33 Sec. 32. Section 523A.401, Code 2015, is amended by adding  
34 the following new subsection:

35 NEW SUBSECTION. 10. All records maintained by the

1 commissioner under this section shall be confidential  
2 pursuant to section 22.7, subsection 58, and shall not be made  
3 available for inspection or copying except upon approval of the  
4 commissioner or the attorney general, or except when sought  
5 by the insurance company to whom the records relate. Such  
6 records shall be privileged and confidential in any judicial or  
7 administrative proceeding except any of the following:

8     a. An action commenced by the commissioner.

9     b. An administrative proceeding brought by the insurance  
10 division.

11     c. An action or proceeding which arises out of the criminal  
12 provisions of the laws of this state or of the United States.

13     d. An action brought by the insurance division or  
14 the attorney general to recover moneys for embezzlement,  
15 misappropriation, or misuse of trust funds.

16     Sec. 33. Section 523A.402, subsection 8, Code 2015, is  
17 amended to read as follows:

18     8. An insurance company issuing annuities funding purchase  
19 agreements subject to this chapter shall file an annual report  
20 with the commissioner on a form prescribed by the commissioner.  
21 The report shall list the applicable annuities outstanding for  
22 each seller. ~~Computer printouts may be submitted so long as~~  
23 ~~each legibly provides the same information required in the~~  
24 ~~prescribed form.~~

25     Sec. 34. Section 523A.405, Code 2015, is amended by striking  
26 the section and inserting in lieu thereof the following:

27     **523A.405 Bond in lieu of trust fund.**

28     The commissioner shall, by rule, establish terms and  
29 conditions under which a seller may, in lieu of trust  
30 requirements, file with the commissioner a surety bond issued  
31 by a surety company authorized to do business and doing  
32 business in this state.

33     Sec. 35. Section 523A.501, subsection 2, Code 2015, is  
34 amended to read as follows:

35     2. An application for a preneed seller's license shall be

1 filed on a form and in a format prescribed by the commissioner  
2 and be accompanied by a ~~fifty dollar~~ filing fee in an amount  
3 set by the commissioner by rule. The application shall include  
4 the name of the natural person or legal entity to be licensed  
5 as the preneed seller and, if applicable, any other name  
6 under which the preneed seller will be transacting business,  
7 including any names registered with the secretary of state or a  
8 county clerk. The application shall be updated as necessary  
9 to ensure that the commissioner has been notified of all names  
10 under which the preneed seller is operating and doing business.

11 Sec. 36. Section 523A.501, subsection 7, Code 2015, is  
12 amended to read as follows:

13 7. A preneed seller's license ~~shall be renewed every four~~  
14 ~~years by filing the form prescribed by the commissioner under~~  
15 ~~subsection 2, accompanied by a renewal fee in an amount set by~~  
16 ~~the commissioner by rule~~ expires annually on April 15. If the  
17 preneed seller has filed a complete annual report and paid the  
18 required fees as required in section 523A.204, the commissioner  
19 shall renew the preneed seller's license until April 15 of the  
20 following year.

21 Sec. 37. Section 523A.502, subsection 5, Code 2015, is  
22 amended by striking the subsection and inserting in lieu  
23 thereof the following:

24 5. A sales license shall expire annually on April 15. If  
25 the sales agent has filed a substantially complete annual  
26 report as required in section 523A.502A, the commissioner shall  
27 renew the sales license until April 15 of the following year.

28 Sec. 38. Section 523A.502A, subsections 1 and 2, Code 2015,  
29 are amended to read as follows:

30 1. A sales agent shall file with the commissioner not later  
31 than April 1 of each year an annual report on a form prescribed  
32 by the commissioner describing each purchase agreement sold  
33 by the sales agent during the year. An annual report must be  
34 filed whether or not sales were made during the year and even  
35 if the sales agent is no longer an agent of a preneed seller or

1 licensed by the commissioner.

2 2. All records maintained by the commissioner under this  
3 section shall be confidential pursuant to section 22.7,  
4 subsection 58, and shall not be made available for inspection  
5 or copying except upon the approval of the commissioner or the  
6 attorney general, or except when sought by the sales agent to  
7 whom the records relate. Such records shall be privileged  
8 and confidential in any judicial or administrative proceeding  
9 except any of the following:

10 a. An action commenced by the commissioner.

11 b. An administrative proceeding brought by the insurance  
12 division.

13 c. An action or proceeding which arises out of the criminal  
14 provisions of the laws of this state or of the United States.

15 d. An action brought by the insurance division or  
16 the attorney general to recover moneys for embezzlement,  
17 misappropriation, or misuse of trust funds.

18 Sec. 39. Section 523A.502A, subsections 3 and 4, Code 2015,  
19 are amended by striking the subsections.

20 Sec. 40. Section 523A.803, subsection 1, paragraph c, Code  
21 2015, is amended by striking the paragraph.

22 Sec. 41. Section 523A.803, Code 2015, is amended by adding  
23 the following new subsection:

24 NEW SUBSECTION. 1A. All records maintained by the  
25 commissioner under this section, including work papers, notes,  
26 recorded information, documents, and copies thereof that are  
27 produced or obtained by or disclosed to the commissioner or  
28 another person in the course of an investigation, shall be  
29 confidential pursuant to section 22.7, subsection 58, and shall  
30 not be made available for inspection and copying except upon  
31 the approval of the commissioner or the attorney general. Such  
32 records shall be privileged and confidential in any judicial or  
33 administrative proceeding except any of the following:

34 a. An action commenced by the commissioner.

35 b. An administrative proceeding brought by the insurance

1 division.

2 *c.* An action or proceeding which arises out of the criminal  
3 provisions of the laws of this state or of the United States.

4 *d.* An action brought by the insurance division or  
5 the attorney general to recover moneys for embezzlement,  
6 misappropriation, or misuse of trust funds.

7 Sec. 42. Section 523A.807, subsection 3, unnumbered  
8 paragraph 1, Code 2015, is amended to read as follows:

9 If the commissioner finds that a person has violated section  
10 523A.201, 523A.202, 523A.203, 523A.207, 523A.401, 523A.402,  
11 523A.403, 523A.404, 523A.405, 523A.501, 523A.502, ~~or 523A.504~~  
12 or any rule adopted pursuant thereto, the commissioner may  
13 order any or all of the following:

14 Sec. 43. Section 523I.810, subsection 9, Code 2015, is  
15 amended to read as follows:

16 9. A cemetery may, by resolution adopted by a vote of at  
17 least two-thirds of the members of its board at any authorized  
18 meeting of the board, authorize the withdrawal and use of  
19 not more than twenty percent of the principal of the care  
20 fund to acquire additional land for cemetery purposes, to  
21 repair a mausoleum or other building or structure intended for  
22 cemetery purposes, to build, improve, or repair boundaries,  
23 roads and walkways in the cemetery, to construct a columbarium,  
24 mausoleum, or similar structure to create additional interment  
25 spaces, to purchase equipment for tree, shrub, and lawn care,  
26 to purchase backhoes or similar equipment used to open and  
27 close interment spaces, or to purchase recordkeeping software  
28 used to maintain ownership records or interment records. The  
29 resolution shall establish a reasonable repayment schedule, not  
30 to exceed five years, ~~and provide for interest in an amount~~  
31 ~~comparable to the care fund's current rate of return on its~~  
32 ~~investments.~~ However, the care fund shall not be diminished  
33 below an amount equal to the greater of twenty-five thousand  
34 dollars or five thousand dollars per acre of land in the  
35 cemetery. The resolution, and if the deposit of care fund

1 income over five years is unlikely to fund replenishment of the  
2 principal of the care fund, either a bond or proof of insurance  
3 to guarantee replenishment of the care fund, shall be filed  
4 with the commissioner thirty days prior to the withdrawal of  
5 funds.

6 Sec. 44. Section 523I.811, subsection 1, paragraph b, Code  
7 2015, is amended to read as follows:

8 *b.* Maintaining drains, water lines, roads, buildings,  
9 boundaries, fences, and other structures.

10 Sec. 45. Section 523I.811, subsection 1, Code 2015, is  
11 amended by adding the following new paragraphs:

12 NEW PARAGRAPH. *g.* To purchase equipment to maintain the  
13 cemetery.

14 NEW PARAGRAPH. *h.* To purchase backhoes or similar equipment  
15 used to open and close interment spaces.

16 NEW PARAGRAPH. *i.* To purchase equipment used to construct  
17 a columbarium, mausoleum, or similar structure to create  
18 additional interment spaces.

19 Sec. 46. NEW SECTION. **523I.811A Emergency use of care**  
20 **funds.**

21 1. Notwithstanding any other provision of this chapter,  
22 a perpetual care cemetery may apply to the commissioner to  
23 withdraw funds from the cemetery's care fund for a financial  
24 emergency. The commissioner shall, by rule, establish  
25 standards and procedures for such applications and for  
26 withdrawals from care funds.

27 2. Upon application, the commissioner may allow a perpetual  
28 care cemetery to withdraw funds from the care fund if the  
29 commissioner finds that the cemetery has an urgent financial  
30 need and the withdrawal is deemed reasonable and prudent to  
31 fund a necessary expense of the cemetery. The commissioner  
32 shall establish conditions for the specific use of the funds  
33 withdrawn and may require repayment of all or part of the  
34 amount withdrawn.

35 Sec. 47. **EFFECTIVE DATE.** The following provision or



S.F. 346

1 provisions of this Act take effect January 1, 2016:

2 1. The section of this Act adding section 502.202,  
3 subsection 24.

4 Sec. 48. DIRECTIONS TO CODE EDITOR. The Iowa code editor is  
5 directed to transfer section 515.11 to new section 515.23.

6 Sec. 49. REPEAL. Section 523A.504, Code 2015, is repealed.