

5 in the state by said foreign corporation is increased, said corporation
 6 shall at the time of said increase, or at the time of making annual re-
 7 port to the secretary of state, in July of each year, file with the secre-
 8 tary of state a sworn statement showing the amount of such increase,
 9 and shall pay a filing fee thereon of one dollar for each one thousand
 10 dollars or fraction thereof of such increase if such corporation has a
 11 permit to transact business within the state for a period of years; if
 12 said corporation has a perpetual permit to transact business within
 13 the state, said filing fee thereon shall be one dollar and ten cents for
 14 each one thousand dollars or fraction thereof of such increase. The
 15 secretary of state shall upon request furnish a blank upon which to
 16 make report of such increase of capital in use within the state.

17 "If said foreign corporation amends its articles of incorporation or
 18 files with the corporation official in the state of its incorporation any
 19 certificate of increase or decrease in its capital stock, or any instru-
 20 ment which affects its articles of incorporation, said corporation shall
 21 file with the secretary of state a copy of said amendment, certificate,
 22 or other instrument, certified by the official of the state of incorpora-
 23 tion with whom it is filed. The fee for filing such copies shall be one
 24 dollar for each instrument separately certified by the official of the
 25 state of incorporation. The secretary of state shall issue to said cor-
 26 poration a certificate for each such instrument, stating that said in-
 27 strument has been filed with him."

Approved March 22, 1945.

CHAPTER 206

LIFE INSURANCE COMPANIES AND ASSOCIATIONS

S. F. 109

AN ACT to amend chapters three hundred ninety-eight (398), four hundred (400), and four hundred one (401) of the code of Iowa, 1939, relating to investments by life insurance companies and associations and the regulation of said investments, companies and associations under the supervision of the insurance commissioner of the state of Iowa, by amending sections eight thousand six hundred fifty-seven (8657), eight thousand six hundred fifty-eight (8658), eight thousand six hundred fifty-nine (8659), eight thousand seven hundred twenty-two (8722), eight thousand seven hundred forty-five (8745), and eight thousand seven hundred forty-six (8746), and repealing sections eight thousand six hundred fifty-five (8655), eight thousand six hundred fifty-six (8656), eight thousand six hundred sixty-four (8664), eight thousand six hundred sixty-five (8665), eight thousand six hundred ninety-eight (8698), eight thousand six hundred ninety-nine (8699), eight thousand seven hundred (8700), eight thousand seven hundred one (8701), eight thousand seven hundred thirty-five (8735), eight thousand seven hundred thirty-six (8736), eight thousand seven hundred thirty-seven (8737), eight thousand seven hundred thirty-eight (8738), eight thousand seven hundred thirty-nine (8739), eight thousand seven hundred forty (8740), eight thousand seven hundred forty-one (8741), eight thousand seven hundred forty-one and one tenth (8741.1), eight thousand seven hundred forty-two (8742), eight thousand seven hundred forty-three (8743), eight thousand seven hundred forty-four (8744), and eight thousand seven hundred forty-seven (8747) thereof, and enacting substitutes therefor.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Section eight thousand six hundred fifty-seven (8657),
 2 Code, 1939, is amended by striking from lines one (1) and two (2)

3 thereof the words "On receipt of such deposit and statement," and
4 substituting in lieu thereof the words "On receipt of the deposit pro-
5 vided in subsection thirteen (13) of section eight thousand seven hun-
6 dred thirty-seven (8737) and the statement,".

1 SEC. 2. Section eight thousand six hundred fifty-eight (8658), Code,
2 1939, is amended by inserting after the word "deposit" in line three
3 (3) thereof the words "provided in subsection thirteen (13) of section
4 eight thousand seven hundred thirty-seven (8737)".

1 SEC. 3. Section eight thousand six hundred fifty-nine (8659), Code,
2 1939, is amended by striking the word "deposit" in line four (4) and
3 substituting therefor the word "investment".

1 SEC. 4. Section eight thousand seven hundred twenty-two (8722),
2 Code, 1939, is amended by striking from line fourteen (14) the words
3 "section 8741," and substituting therefor the words "said section."

1 SEC. 5. Section eight thousand seven hundred forty-five (8745),
2 Code, 1939, is amended by striking lines five (5) and six (6) thereof
3 and substituting therefor the following: "section eight thousand seven
4 hundred thirty-seven (8737), or for violating the same."

1 SEC. 6. Section eight thousand seven hundred forty-six (8746),
2 Code, 1939, is amended by striking from lines three (3) and four (4)
3 thereof the words "life insurance company, assessment life association,
4 or".

1 SEC. 7. Section eight thousand six hundred fifty-five (8655), Code,
2 1939, is repealed.

1 SEC. 8. Section eight thousand six hundred fifty-six (8656), Code,
2 1939, is repealed.

1 SEC. 9. Section eight thousand six hundred sixty-four (8664), Code,
2 1939, is repealed.

1 SEC. 10. Section eight thousand six hundred sixty-five (8665), Code,
2 1939, is repealed.

1 SEC. 11. Section eight thousand six hundred ninety-eight (8698),
2 Code, 1939, is repealed.

1 SEC. 12. Section eight thousand six hundred ninety-nine (8699),
2 Code, 1939, is repealed.

1 SEC. 13. Section eight thousand seven hundred (8700), Code, 1939,
2 is repealed.

1 SEC. 14. Section eight thousand seven hundred one (8701), Code,
2 1939, is repealed.

1 SEC. 15. Section eight thousand seven hundred thirty-five (8735),
2 Code, 1939, is repealed.

1 SEC. 16. Section eight thousand seven hundred thirty-six (8736),
2 Code, 1939, is repealed.

1 SEC. 17. Section eight thousand seven hundred thirty-seven (8737),
2 Code, 1939, is repealed, and the following enacted in lieu thereof:

3 Section 8737. **Investment of Funds.** Any company, organized un-
4 der chapter three hundred ninety-eight (398), shall, at all times, have
5 invested in the securities provided in this section, funds equivalent to
6 its legal reserve. Legal reserve shall be the net present value of all
7 outstanding policies, and contracts involving life contingencies. Any
8 association, organized under chapter four hundred (400), accumul-
9 ating any moneys to be held in trust for the purpose of the fulfillment of
10 its policies or certificates, contracts, or otherwise, shall invest such ac-
11 cumulations in the securities provided in this section. Wherever, in this
12 section, reference is made to "legal reserve", it shall mean the total
13 accumulations in the case of an association organized under chapter
14 four hundred (400). Nothing herein contained shall prohibit a com-
15 pany or association from holding a portion of its legal reserve in cash.

16 1. *United States Government Obligations.* Bonds or other evidences
17 of indebtedness issued, assumed or guaranteed by the United States
18 of America, or by any agency or instrumentality thereof.

19 2. *State, District of Columbia, Territorial and Municipal Obligations.* Bonds or other evidences of indebtedness issued, assumed or
20 guaranteed by the District of Columbia, or by any state, insular or
21 territorial possession of the United States of America, or by any county,
22 city, town, school, road, drainage, or other district located within any
23 state, or insular or territorial possession of the United States of
24 America, or by any civil subdivision or governmental authority of any
25 such state, or insular or territorial possession, or by any instrumen-
26 tality of any such state, or insular or territorial possession, civil sub-
27 division, or governmental authority; provided that the obligations are
28 valid, legally authorized and issued.

29 3. *Canadian Government, Provincial and Municipal Obligations.*

30 Bonds or other evidences of indebtedness issued, assumed or guar-
31 anteed by the Dominion of Canada, or by any province thereof, or by
32 any municipality or district therein, provided that the obligations are
33 valid, legally authorized and issued.

34 4. *Corporate Obligations.* Subject to the restrictions contained in
35 subsection seven (7) hereof, bonds or other evidences of indebtedness
36 issued, assumed or guaranteed by a corporation incorporated under the
37 laws of the United States of America, or of any state, district, insular
38 or territorial possession thereof; or of the Dominion of Canada, or any
39 province thereof; and which meet the following qualifications:—

40 A. If fixed interest bearing obligations,—

41 The net earnings available for fixed charges of the corporation for
42 the five (5) fiscal years next preceding the date of acquisition of the
43 obligations shall have averaged per year not less than one and one-half
44 ($1\frac{1}{2}$) times the fixed charges to which the corporation is subject as of
45 the date of acquisition, and the net earnings available for fixed charges
46 for the fiscal year immediately preceding the date of acquisition shall
47 have been not less than one and one-half ($1\frac{1}{2}$) times the fixed charges
48 to which the corporation is subject as of the date of acquisition.

49 B. If adjustment, income, or other contingent interest obligations.*—

50 The net earnings available for fixed charges of the corporation for
51 the five (5) fiscal years next preceding the date of acquisition of the
52 obligations shall have averaged per year not less than one and one-half
53

*According to enrolled act.

54 (1½) times the sum of the fixed charges and the maximum contingent
55 interest to which the corporation is subject as of the date of acquisition,
56 and the net earnings available for fixed charges for each of the two
57 (2) fiscal years immediately preceding the date of acquisition shall
58 have been not less than one and one-half (1½) times the sum of the
59 fixed charges and the maximum contingent interest to which the cor-
60 poration is subject as of the date of acquisition.

61 The term "net earnings available for fixed charges" as used herein
62 shall mean the net income after deducting all operating and mainte-
63 nance expenses, taxes other than any income taxes, depreciation and
64 depletion, but non-recurring items of income or expense may be ex-
65 cluded.

66 The term "fixed charges" as used herein shall include interest on all
67 of the fixed interest bearing debt of the corporation outstanding and
68 maturing in more than one (1) year as of the date of acquisition.

69 *5. Preferred and Guaranteed Stocks.* Subject to the restrictions con-
70 tained in subsection seven (7) hereof, preferred stocks of, or stocks
71 guaranteed by, a corporation incorporated under the laws of the United
72 States of America, or of any state, district, insular or territorial pos-
73 session thereof; or of the Dominion of Canada, or any province there-
74 of; and which meet the following qualifications:—

75 A. Preferred Stocks—

76 (a) All of the obligations and preferred stocks of the issuing cor-
77 poration, if any, prior to the preferred stock acquired must be eligible
78 as investments under this section as of the date of acquisition; and

79 (b) The net earnings available for fixed charges and preferred
80 dividends of the issuing corporation shall have been, for each of the
81 five (5) fiscal years immediately preceding the date of acquisition, not
82 less than one and one-half (1½) times the sum of the annual fixed
83 charges and contingent interest, if any, and the annual preferred divi-
84 dend requirements as of the date of acquisition.

85 The term "preferred dividend requirements" shall mean cumulative
86 or non-cumulative dividends whether paid or not.

87 The term "fixed charges" shall be construed in accordance with sub-
88 section four (4) above. The term "net earnings available for fixed
89 charges and preferred dividends" as used herein shall mean the net
90 income after deducting all operating and maintenance expenses, taxes,
91 including any income taxes, depreciation and depletion, but non-recur-
92 ring items may be excluded.

93 B. Guaranteed Stocks—

94 (a) All of the fixed interest bearing obligations of the guarantee-
95 ing corporation, if any, must be eligible under this section as of the
96 date of acquisition; and

97 (b) The net earnings available for fixed charges of the guarantee-
98 ing corporation shall meet the requirements outlined in subparagraph
99 "A" of subsection four (4) above, except that all guaranteed dividends
100 shall be included in "fixed charges".

101 *6. Equipment Trust Obligations.* Subject to the restrictions con-
102 tained in subsection seven (7) hereof, bonds, certificates, or other evi-
103 dences of indebtedness secured by any transportation equipment used
104 in the United States of America or Canada, that provide a right to
105 receive determined rental, purchase or other fixed obligatory pay-

106 ments adequate to retire the obligations within twenty (20) years
107 from date of issue, and also provide:

108 a. For vesting of title to such equipment free from incumbrance in
109 a corporate trustee, or

110 b. For creation of a first lien on such equipment.

111 7. *Further Restrictions.* Securities included under subsections four
112 (4), five (5) and six (6) shall not be eligible:—

113 A. If the corporation is in default on fixed obligations as of the
114 date of acquisition. Securities provided in subparagraph "A" of sub-
115 section five (5) shall not be eligible if the issuing corporation is in
116 arrears with respect to the payment of any preferred dividends as of
117 the date of acquisition.

118 B. The investments of any company or association in such securities
119 shall not be eligible in excess of the following percentages of the legal
120 reserve of such company or association:

121 a. Two per cent (2%) of the legal reserve in the securities of any
122 one corporation.

123 b. Fifty per cent (50%) of the legal reserve in the securities de-
124 scribed in subsection four (4).

125 c. Ten per cent (10%) of the legal reserve in the securities de-
126 scribed in subsection five (5).

127 d. Ten per cent (10%) of the legal reserve in securities described
128 in subsection six (6).

129 C. Statements adjusted to show the actual condition at the time
130 of acquisition or the effect of new financing (known commercially as
131 pro forma statements) may be used in determining whether invest-
132 ments under subsections four (4) and five (5) are in compliance with
133 requirements. Statements so adjusted or consolidated statements
134 may be used in order to include the earnings of all predecessor,
135 merged, consolidated or purchased companies.

136 8. *Real Estate Bonds and Mortgages.*

137 A. Bonds, notes, or other evidences of indebtedness secured by
138 mortgages or deeds of trust which are a first lien upon unencumbered
139 real property within the United States of America, or the Dominion
140 of Canada, provided that at the date of acquisition the total indebt-
141 edness secured by such lien shall not exceed sixty-six and two-thirds
142 per cent (66 $\frac{2}{3}$ %) of the value of the property upon which it is a lien.
143 These limitations shall not apply to obligations described in subpara-
144 graphs "B", "C" and "D" of this subsection.

145 Improvements shall not be considered in estimating the value of
146 the property unless the owner shall contract to keep the same ade-
147 quately insured during the life of the loan in some reliable fire insur-
148 ance company or companies, association or associations, the insurance
149 to be made payable in case of loss to the mortgagee, trustee, or assigns
150 as its interests may appear at the time of the loss.

151 Provided further that for the purpose of this subsection a mortgage
152 or deed of trust shall not be deemed to be other than a first lien upon
153 property within the meaning of this subsection by reason of the exist-
154 ence of taxes or assessments that are not delinquent, instruments
155 creating or reserving mineral, oil or timber rights, rights of way,
156 joint driveways, sewer rights, rights in walls or by reason of building
157 restrictions or other like restrictive covenants, or when such real es-

158 tate is subject to lease in whole or in part whereby rents or profits
159 are reserved to the owner.

160 B. Bonds, notes or other evidences of indebtedness representing
161 loans and advances of credit that have been issued, guaranteed or in-
162 sured, in accordance with the terms and provisions of an Act of
163 Congress of the United States of America approved June twenty-
164 seventh, nineteen hundred thirty-four, entitle* the "National Housing
165 Act", as heretofore and hereafter amended.

166 C. Bonds, notes or other evidences of indebtedness representing
167 loans and advances of credit that have been issued or guaranteed, in
168 whole or in part, in accordance with the terms and provisions of Title
169 III of an Act of Congress of the United States of America approved
170 June twenty-second, nineteen hundred forty-four, known as Public
171 Law 346—Seventy-eighth Congress, Chapter 268—2nd Session, cited
172 as the "Servicemen's Readjustment Act of 1944", as heretofore and
173 hereafter amended.

174 D. Contracts of sale, purchase money mortgages or deeds of trust
175 secured by property obtained through foreclosure, or in settlement or
176 satisfaction of any indebtedness.

177 9. *Real Estate.*

178 A. Any such real estate in this state as is necessary for the accom-
179 modation of the company or association as a home office or in the
180 transaction of its business. In the erection of any buildings for such
181 purposes, there may be added thereto rooms for rent. Before the com-
182 pany or association shall invest any of its funds in accordance with the
183 provisions of this subparagraph it shall first obtain the consent of the
184 executive council of this state. The maximum amount which any
185 such company or association shall be permitted to invest in accord-
186 ance with these provisions shall not exceed ten per cent (10%) of the
187 legal reserve; provided, however, that a stock company may invest
188 such portion of its paid-up capital, in addition to said ten per cent
189 (10%) of the legal reserve as is not held to constitute a part of its
190 legal reserve, under section eight thousand six hundred fifty-four
191 (8654); provided, further, that the total legal reserve of such com-
192 pany shall be equal to or exceed the amount of its paid up capital stock.

193 B. Any real estate acquired through foreclosure, or in settlement
194 or satisfaction of any indebtedness. Any company or association may
195 improve real estate so acquired or remodel existing improvements
196 and exchange such real estate for other real estate or securities, and
197 real estate acquired by such exchange may be improved or the im-
198 provements remodelled.

199 Any farm real estate acquired under this subparagraph shall be
200 sold within five (5) years from the date of acquisition unless the
201 commissioner of insurance shall extend the time for such period
202 or periods as seem warranted by the circumstances.

203 10. *Certificates of Sale.* Certificates of sale obtained through fore-
204 closure of liens on real estate.

205 11. *Policy Loans.* Loans upon the security of the policies of the
206 company or association and constituting a lien thereon in an amount
207 not exceeding the legal reserve thereon.

*According to enrolled act.

208 12. *Collateral Loans.* Loans secured by collateral consisting of
209 any securities qualified in this section, provided the amount of the
210 loan is not in excess of ninety per cent (90%) of the value of the
211 securities.

212 Provided further that subsection seven (7) of this section shall
213 apply to the collateral securities pledged to the payment of loans
214 authorized in this subsection.

215 13. *Deposit of Securities.* Securities in an amount not less than
216 the legal reserve as defined in this section shall be deposited and such
217 deposit maintained with the commissioner of insurance, and it shall
218 be the duty of the commissioner to designate such places for the keep-
219 ing of said deposits as will properly safeguard the same. There may
220 be included in the deposit an amount of cash on hand not in excess of
221 five per cent (5%) of the deposit required, such deposit to be evi-
222 denced by a certified check, certificate of deposit or other evidence
223 satisfactory to the commissioner of insurance. Deposits of securities
224 may be made in excess of the amounts required hereby. No stock
225 company organized under the laws of this state shall be required to
226 make such deposit until the legal reserve, as ascertained by the com-
227 missioner, exceeds the amount deposited by it as capital. Real estate
228 may be made a part of the deposit by furnishing evidence of owner-
229 ship satisfactory to the commissioner. Real estate mortgage loans
230 and policy loans may be made a part of the deposit by filing a verified
231 statement of the loans with the commissioner, which statement shall
232 be subject to check at the discretion of the commissioner.

233 The securities comprising the deposit of any company or associa-
234 tion against which proceedings are pending under sections eight thou-
235 sand six hundred sixty-one (8661) and eight thousand six hundred
236 sixty-two (8662) shall vest in the state for the benefit of the policies
237 and contracts for which such deposits were made.

238 Securities on deposit may be withdrawn at any time and other
239 eligible securities may be substituted, provided the amount main-
240 tained on deposit is equal to the sum of the legal reserve and Twenty-
241 five Thousand Dollars (\$25,000.00). Any company or association
242 shall, if requested by the commissioner, at the time of withdrawing
243 any securities on deposit, designate for what purpose the same are
244 being withdrawn.

245 Companies or associations having securities on deposit with the
246 commissioner of insurance shall have the right to collect all divi-
247 dends, interest or other income thereon unless proceedings against
248 such company or association are pending under sections eight thou-
249 sand six hundred sixty-one (8661) and eight thousand six hundred
250 sixty-two (8662), in which event the commissioner shall collect
251 such interest, dividends or other income and add the same to the
252 deposit.

253 Any company or association receiving payments or partial pay-
254 ments of principal on any securities deposited with the commis-
255 sioner of insurance shall notify him of such fact at such times and
256 in such manner as the commissioner may prescribe, giving the
257 amount and date of payment.

258 14. *Rules of Valuation.*

259 A. All bonds or other evidences of debt having a fixed term and

260 rate of interest, if amply secured and not in default as to principal
261 or interest, may be valued as follows:

262 (a) If purchased at par, at the par value.

263 (b) If purchased above or below par, on the basis of the purchase
264 price adjusted so as to bring the value to par at maturity and so as
265 to yield in the meantime the effective rate of interest at which the
266 purchase was made.

267 In applying the above rule, the purchase price shall in no case be
268 taken at a higher figure than the actual market value at the time
269 of purchase.

270 B. (a) Real estate acquired through foreclosure or in settlement
271 or satisfaction of any indebtedness, shall be valued in an amount not
272 greater than the amount of the unpaid principal of the defaulted
273 indebtedness, plus any amounts actually expended for taxes, acqui-
274 sition costs, (but not including any interest due or subsequently
275 accrued thereon) and the cost of any additions or improvements.

276 (b) Real estate acquired and held under the provisions of sub-
277 paragraph "A" of subsection nine (9) hereof, shall be valued in an
278 amount not greater than the original cost plus any subsequent addi-
279 tions or improvements.

280 C. Certificates of sale obtained by foreclosure of liens on real
281 estate shall be valued in an amount not greater than the unpaid
282 principal of the defaulted indebtedness plus any amounts actually
283 expended for taxes and acquisition costs.

284 D. All investments, except those for which a specific rule is pro-
285 vided in this subsection, shall be valued at their market value, or at
286 their appraised value, or at prices determined by the commissioner
287 of insurance as representing their fair market value.

288 The commissioner of insurance shall have full discretion in deter-
289 mining the method of calculating values according to the foregoing
290 rules, but no company or association shall be prevented from valu-
291 ing any asset at an amount less than that provided by this subsection.

1 SEC. 18. Section eight thousand seven hundred thirty-eight
2 (8738), Code, 1939, is repealed.

1 SEC. 19. Section eight thousand seven hundred thirty-nine (8739),
2 Code, 1939, is repealed.

1 SEC. 20. Section eight thousand seven hundred forty (8740),
2 Code, 1939, is repealed.

1 SEC. 21. Section eight thousand seven hundred forty-one (8741),
2 Code, 1939, is repealed.

1 SEC. 22. Section eight thousand seven hundred forty-one and one-
2 tenth (8741.1), Code, 1939, is repealed.

1 SEC. 23. Section eight thousand seven hundred forty-two (8742),
2 Code, 1939, is repealed.

1 SEC. 24. Section eight thousand seven hundred forty-three
2 (8743), Code, 1939, is repealed.

1 SEC. 25. Section eight thousand seven hundred forty-four (8744),
2 Code, 1939, is repealed.

1 SEC. 26. Section eight thousand seven hundred forty-seven
2 (8747), Code, 1939, is repealed.

Approved March 16, 1945.

CHAPTER 207

GROUP INSURANCE—INDUSTRIAL ASSOCIATIONS

S. F. 345

AN ACT to amend sections eight thousand six hundred eighty-four and two hundredths (8684.02) and eight thousand six hundred eighty-four and three hundredths (8684.03), code, 1939, as amended, to authorize incorporated nonprofit industrial associations, organized for purposes other than obtaining insurance, to procure group insurance on the lives of employees of the members of such associations subject to certain restrictions.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Section eight thousand six hundred eighty-four and two
2 hundredths (8684.02), Code, 1939, as amended, is amended by adding
3 thereto a new subsection as follows:

4 "Any nonprofit industrial association, incorporated for a period of
5 at least ten years and organized for purposes other than obtaining in-
6 surance; provided,

7 (a) two or more members of the association, or any class or classes
8 of members thereof determined by conditions not pertaining to insur-
9 ance, elect to insure their employees or any class or classes of employees
10 determined by conditions pertaining to employment; and

11 (b) the total number of insured employees must not be less than
12 one thousand, and of these, not less than seventy-five per cent must be
13 employees of members with at least twenty insured employees each,
14 and further, not more than ten per cent may be employees of members
15 with less than ten insured employees each; and

16 (c) the insurance premiums are paid by such members to the asso-
17 ciation; each member, insofar as applicable to his own employees, may
18 collect part of the premium from insured employees, and the method
19 of apportionment of the premium payment between himself and his
20 employees may be varied as among individual members; and

21 (d) not less than seventy-five per cent (75%) of the eligible em-
22 ployees of each participating member may be insured where the em-
23 ployees pay a part of the premium.

1 SEC. 2. Section eight thousand six hundred eighty-four and three
2 hundredths (8684.03), Code, 1939, as amended, is amended by adding
3 to said section the following:

4 "The word 'employee' shall include the employees of the members
5 of an incorporated nonprofit industrial association, and also the indi-
6 vidual members of such association."

Approved March 30, 1945.