

45 agency or instrumentality of that association designed to receive and  
 46 disseminate such information. The provisions of this Act shall not  
 47 apply to insurance of vessels, craft or hulls, cargoes, marine builder's  
 48 risk, marine protection and indemnity or other risk including strikes  
 49 and war risks commonly insured under ocean or wet marine forms of  
 50 policy.

51 4. The commissioner of insurance shall promulgate such rules as are  
 52 reasonable and necessary to regulate the placement of insurance in  
 53 unauthorized insurers.

Approved April 25, 1963.

## CHAPTER 308

### MORTGAGE GUARANTY INSURANCE

H. F. 319

AN ACT regulating the sale of mortgage guaranty insurance by licensed insurance companies.

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

1 SECTION 1. "Mortgage guaranty insurance" means insurance  
 2 against financial loss by reason of nonpayment of principal, interest  
 3 and other sums agreed to be paid under the terms of any note or bond  
 4 or other evidence of indebtedness secured by a mortgage, deed or trust  
 5 or other instrument constituting a lien or charge on real estate.

1 SEC. 2. Eligibility for mortgage guaranty insurers shall be as fol-  
 2 lows:

3 (1) An insurer, in order to qualify for writing mortgage guaranty  
 4 insurance, must have the same surplus to policyholders as that re-  
 5 quired of a multiple line company by section five hundred fifteen point  
 6 forty-nine subsection eight (515.49(8)) of the Code.

7 (2) An insurer transacting any class of insurance other than mort-  
 8 gage guaranty insurance is not eligible for the issuance of a certificate  
 9 of authority to transact mortgage guaranty insurance in this state,  
 10 nor the renewal thereof.

11 (3) A foreign or alien insurer writing mortgage guaranty insurance  
 12 shall not be eligible for the issuance of a certificate of authority in  
 13 Iowa unless it has demonstrated a satisfactory operating experience  
 14 in its state of domicile.

1 SEC. 3. The unearned premium reserve shall be computed in ac-  
 2 cordance with section five hundred fifteen point forty-seven (515.47)  
 3 of the Code, except that all premiums on risks written for one year or  
 4 less must be reserved on a monthly pro rata basis, and the reserve for  
 5 those policies covering a risk period of more than five years shall be  
 6 computed in accordance with formulae filed by the insurer and ap-  
 7 proved by the commissioner of insurance.

1 SEC. 4. For the protection of the people of this state and for the  
 2 purpose of protecting against the effect of adverse economic cycles,

3 the company shall establish a contingency reserve which shall be main-  
 4 tained for one hundred eighty (180) months. To provide for this, the  
 5 company shall annually contribute fifty percent (50%) of the earned  
 6 premiums to this reserve. The earned premiums so reserved may be  
 7 released, annually, after the specified time of one hundred eighty (180)  
 8 months has elapsed. However, subject to the approval of the commis-  
 9 sioner, this reserve may be available only for loss payments, when the  
 10 loss ratio (incurred losses to premiums earned) exceeds twenty per-  
 11 cent (20%). This amount so used shall reduce the next subsequent  
 12 annual release to surplus from the established contingency reserve.

1 SEC. 5. A mortgage guaranty insurer shall not at any time have  
 2 outstanding a total liability, net of reinsurance, in excess of twenty-  
 3 five (25) times its capital, unassigned funds and contingency reserve.  
 4 It shall not insure loans secured by properties in a single housing tract  
 5 or a contiguous tract (not separated by more than one-half ( $\frac{1}{2}$ ) mile)  
 6 in excess of ten percent (10%) of its capital, unassigned funds and  
 7 contingency reserve. Coverage may be provided only if the improve-  
 8 ment on such real estate is a residential building or buildings designed  
 9 for occupancy by not more than four families.

1 SEC. 6. The case basis method shall be used to determine the loss  
 2 reserves, which shall include a reserve for claims reported and unpaid  
 3 and a reserve for claims incurred but not reported.

1 SEC. 7. Mortgage guaranty insurance shall be subject to the pro-  
 2 visions of chapter five hundred fifteen A (515A) of the Code, for the  
 3 purposes of rate making.

1 SEC. 8. All policy forms and endorsements shall be filed with and  
 2 be subject to the approval of the commissioner of insurance. With re-  
 3 spect to owner-occupied single family dwellings, the mortgage insur-  
 4 ance policy shall provide that the borrower shall not be liable to the  
 5 insurance company for any deficiency arising from a foreclosure sale.

1 SEC. 9. No bank, savings and loan association, insurance company  
 2 or other lending institution, any of whose authorized real estate secu-  
 3 rities are insured by mortgage guaranty insurance companies may  
 4 state in any brochure, pamphlet, report or any form of advertising  
 5 that the real estate loans of the bank, savings and loan association,  
 6 insurance company or other lending institution are "insured loans"  
 7 unless the brochure, pamphlet, report or advertising also clearly states  
 8 that the loans are insured by private insurers and the names of the  
 9 private insurers are given and shall not make any such statement at  
 10 all unless such insurance is by an insurer authorized to write this  
 11 coverage in this state.

1 SEC. 10. All companies writing insurance as authorized by this  
 2 chapter shall, in addition to the provisions herein, comply with and be  
 3 subject to all of the provisions of chapter five hundred fifteen (515) of  
 4 the Code not inconsistent herewith.

Approved April 26, 1963.