

CHAPTER 1095**LIFE INSURER'S INVESTMENT OF FUNDS FOR LEGAL RESERVES***S.F. 2242*

AN ACT relating to a life insurance company's investment of funds for legal reserve purposes.

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

Section 1. Section 508.6, Code 1981, is amended to read as follows:

508.6 DEPOSIT OF SECURITIES — CERTIFICATE. Such securities shall be deposited with the commissioner of insurance ~~and when such or at such places as the commissioner may designate. When the~~ deposit is made and evidence furnished, by affidavit or otherwise, satisfactory to the commissioner, that the capital stock is all fully paid and the company possessed of the surplus required and that the company is the actual and unqualified owner of the securities representing the paid-up capital stock or other funds of the company, and all laws have been complied with, ~~he the commissioner shall issue to such the~~ company the certificate hereinafter provided for in this chapter.

Sec. 2. Section 511.8, subsection 14, Code 1981, is amended to read as follows:

14. URBAN REAL ESTATE AND PERSONAL PROPERTY. Personal or real property or both ~~personal or real property~~ located within the United States or the Dominion of Canada, other than real property used or to be used primarily for agricultural, horticultural, ranching or mining purposes, which produces income or which by suitable improvement will produce income, ~~provided, however, that. However,~~ personal property acquired under the provisions of this subsection is ~~shall be~~ acquired for the purpose of entering into a contract for the sale or for a use thereof under which the contractual payments may reasonably be expected to result in the recovery of the investment and an investment return within the anticipated useful life of the property. Legal title to ~~such the~~ real property may be acquired subject to a contract of sale. The term "real Real property" as used in this subsection ~~shall include~~ includes a leasehold of real estate, an undivided interest in a leasehold of real estate, and an undivided interest in the fee title of real estate. Investments ~~made in accordance with the provisions of under this subsection shall~~ are not be eligible in excess of ten percent of the legal reserve.

Sec. 3. Section 511.8, subsection 16, unnumbered paragraph 1, Code 1981, is amended to read as follows:

Securities in an amount not less than the legal reserve as defined in this section shall be deposited and ~~such the~~ deposit maintained with the commissioner of insurance, ~~and it shall be the duty of the commissioner to designate such places for the keeping of said deposits or at such places as the commissioner may designate as will properly safeguard the same them.~~ There may be included in the deposit an amount of cash on hand not in excess of five percent of the deposit required, ~~such that~~ deposit to be evidenced by a certified check, certificate of deposit, or other evidence satisfactory to the commissioner of insurance. Deposits of securities may be made in excess of the amounts required hereby by this section. ~~No A~~ stock company organized under the laws of this state shall ~~not~~ be required to make ~~such a~~ deposit until the legal reserve, as ascertained by the commissioner, exceeds the amount deposited by it as capital. Real estate may be made a part of the deposit by furnishing evidence of ownership

satisfactory to the commissioner and by conveying the real estate to the commissioner or his ~~the commissioner's successors in office by warranty deed, said real estate to be held by the.~~ The commissioner and his the successors in office shall hold the real estate in trust for the benefit of the policyholders of the company or members of the association. Real estate mortgage loans and policy loans may be made a part of the deposit by filing a verified statement of the loans with the commissioner, which statement ~~shall be~~ is subject to check at the discretion of the commissioner.

Sec. 4. Section 511.8, subsection 18, Code 1981, is amended by striking the section* and inserting in lieu thereof the following:

18. COMMON STOCKS OR SHARES.

a. Common stocks or shares issued by solvent corporations or institutions are eligible if the total investment in stocks or shares in the corporations or institutions does not exceed ten percent of legal reserve provided not more than one-half percent of the legal reserve is invested in stocks or shares of any one corporation. However, the stocks or shares shall be listed or admitted to trading on a securities exchange in the United States or shall be publicly held and traded in the "over-the-counter market" and market quotations shall be readily available, and further, the investment shall not create a conflict of interest for an officer or director of the company between the insurance company and the corporation whose stocks or shares are purchased.

b. Common stocks or shares in a subsidiary corporation, the acquisition or purchase of which is authorized by section 508:33 are eligible if the total investment in these stocks or shares does not exceed five percent of the legal reserve. These stocks or shares are eligible even if the stocks or shares are not listed or admitted to trading on a securities exchange in the United States and are not publicly held and have not been traded in the "over-the-counter market". The stocks or shares shall be valued at their book value.

Sec. 5. Section 511.8, Code 1981, is amended by adding the following new subsection:

NEW SUBSECTION. Use of custodian banks, clearing corporations and the federal reserve book-entry system.

a. As used in this subsection:

- (1) "Clearing corporation" means a corporation as defined in section 554.8102, subsection 3.
- (2) "Custodian bank" means a federal or state bank or trust company regulated under the Iowa banking laws or the federal reserve system, which maintains an account in its name in a clearing corporation and acts as custodian of securities owned by a domestic insurer.
- (3) "Federal reserve book-entry system" means the computerized system sponsored by the United States department of the treasury and certain agencies and instrumentalities of the United States for holding and transferring securities of the United States government and its agencies and instrumentalities, in the federal reserve banks through national banks, state banks, or trust companies, which either are members of the federal reserve system or otherwise have access to the computerized systems.

b. Securities deposited by a domestic insurance company with a custodian bank, or redeposited by a custodian bank with a clearing corporation, or held in the federal reserve book-entry system may be used to meet the deposit requirements of subsection 16. The commissioner shall adopt rules necessary to implement this section which:

- (1) Establish guidelines on which the commissioner determines whether a custodian bank qualifies as a bank in which securities owned by an insurer may be deposited for the purpose of satisfying the requirements of subsection 16.

*According to enrolled Act.

(2) Designate those clearing corporations in which securities owned by insurers may be deposited.

(3) Set forth provisions that custodian agreements executed between custodian banks and insurers shall contain. These shall include provisions stating that minimum deposit levels shall be maintained and that the parties agree securities in deposits with custodian banks shall vest in the state in accordance with sections 508.17 and 508.18 whenever proceedings under those sections are instituted.

(4) Establish other safeguards applicable to the use of custodian banks and clearing corporations by insurers which the commissioner believes necessary to protect the policyholders of the insurers.

c. A security owned by a domestic insurer and deposited in a custodian bank or clearing corporation does not qualify for purposes of its legal reserve deposit unless the custodian bank and clearing corporation are approved by the commissioner for that purpose.

Approved April 22, 1982

CHAPTER 1096

CONTRACT PRICE OF BONDED PUBLIC IMPROVEMENTS

S.F. 2281

AN ACT relating to the contract price for construction of a public improvement which requires a bond.

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

Section 1. Section 573.2, Code 1981, is amended to read as follows:

573.2 PUBLIC IMPROVEMENTS—BOND AND CONDITIONS. Contracts for the construction of a public improvement shall, when the contract price equals or exceeds five twenty-five thousand dollars, be accompanied by a bond, with surety, conditioned for the faithful performance of the contract, and for the fulfillment of ~~such~~ other requirements as ~~may be~~ provided by law. ~~Such~~ The bond may also be required when the contract price does not equal ~~said~~ that amount.

Approved April 22, 1982