

CHAPTER 1042

INVESTMENT OF FUNDS BY LIFE INSURANCE COMPANIES AND ASSOCIATIONS

H.F. 2405

AN ACT relating to the investment of funds by life insurance companies and associations.

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

Section 1. [Section 508.33A, subsection 8](#), Code 2024, is amended to read as follows:

8. The provisions of [sections 508.5, 508.6](#), and [511.8, section 521.2, subsection 4, sections 521A.4 and 521A.5](#), and [chapter 521E](#) shall not be applicable to a limited purpose subsidiary life insurance company organized pursuant to [this section](#).

Sec. 2. [Section 511.8, subsection 1](#), paragraphs f, o, and p, Code 2024, are amended to read as follows:

f. “Collateral loan” means an unconditional obligation for the payment of money that is secured by the pledge of any assets or investments permitted under [this section](#). A collateral loan cannot be a mortgage loan, ~~rated~~ credit instrument, or other debt security as defined in [this subsection](#).

o. “Lower grade investment” means a ~~rated~~ credit instrument that is designated 4, 5, or 6 by the SVO.

p. “Medium grade investment” means a ~~rated~~ credit instrument that is designated 3 by the SVO.

Sec. 3. [Section 511.8, subsection 1](#), Code 2024, is amended by adding the following new paragraph:

NEW PARAGRAPH. *Oh.* “Credit instrument” means an investment that is qualified as a bond under the accounting practices and procedures manual, such as evidence of indebtedness of a governmental unit or the instrumentality of the governmental unit, or of a private business entity. “Credit instrument” includes asset-backed securities, bank loans, and SVO-listed funds that have an SVO designation, and that qualify as a bond under the manual.

Sec. 4. [Section 511.8, subsection 1](#), paragraph v, Code 2024, is amended by striking the paragraph.

Sec. 5. [Section 511.8, subsection 9](#), Code 2024, is amended to read as follows:

9. ~~Rated credit~~ *Credit instruments and short-term investments.* An insurer may acquire the following ~~rated~~ credit instruments and short-term investments subject to all of the following:

a. The following credit instruments acquired under [this subsection](#) shall be subject to [subsection 6](#), ~~paragraphs “b” and “c”~~, and to [subsection 7](#), but shall not be subject to [subsection 6](#), paragraph “a”:

(1) Credit instruments issued, assumed, guaranteed, or insured by the United States or Canada.

(2) Credit instruments issued, assumed, guaranteed, or insured by a government-sponsored enterprise of the United States or Canada, if the credit instruments are assumed, guaranteed, or insured by the United States or Canada, or are otherwise backed or supported by the full faith and credit of the United States or Canada.

(3) Credit instruments, excluding asset-backed securities that are any of the following:

(a) Issued, assumed, guaranteed, or insured by a government-sponsored enterprise of a government other than the United States or Canada.

(b) Issued, assumed, guaranteed, or insured by a state, if the instruments are general obligations of the state.

b. Short-term investments acquired under [this subsection](#) shall be subject to [subsection 6](#).

c. All other ~~rated~~ credit instruments acquired under [this subsection](#) shall be subject to [subsections 6 and 7](#).

d. Foreign investments acquired under [this subsection](#) shall be subject to [subsection 15](#).

Sec. 6. [Section 511.8, subsection 10](#), paragraph a, Code 2024, is amended to read as follows:

a. (1) An insurer shall not acquire an investment under [this subsection](#), if, as a result of and after giving effect to the investment the aggregate amount of investments then held by the insurer will exceed ten percent of the insurer's admitted assets.

(2) Notwithstanding subparagraph (1), an insurer that files an annual statement pursuant to [section 508.11](#) and completes the NAIC's health statement test shall not acquire an investment under [this subsection](#), if, as a result of and after giving effect to the investment, the aggregate amount of investments then held by the insurer will exceed twenty-five percent of the insurer's admitted assets.

Sec. 7. [Section 511.8, subsection 12](#), paragraph a, unnumbered paragraph 1, Code 2024, is amended to read as follows:

An insurer may acquire obligations secured by a mortgage or deed of trust that is a first or second lien upon otherwise unencumbered real estate, or upon leasehold estates in real property if fifty years or more of the term including renewals is unexpired, or other similar instruments, including mezzanine loans, either directly or through a business entity where the business entity's sole purpose is to hold mortgages that qualify for investment under [this subsection](#), provided all of the following apply:

Sec. 8. [Section 511.8, subsection 13](#), Code 2024, is amended to read as follows:

13. *Real estate.*

a. An insurer may acquire real estate either directly or through certificates evidencing participation with other investors.

~~a.~~ b. An insurer may acquire real estate required for the insurer's home offices, or to be otherwise occupied by the insurer or the insurer's employees in transacting the insurer's business, and the insurer may lease any unused space to other occupants. The value of an insurer's investments under this paragraph shall not exceed ten percent of the insurer's admitted assets.

~~b.~~ c. Excluding investments under paragraph "~~a~~" "b", an insurer's investments under [this subsection](#) shall not exceed fifteen percent of the insurer's admitted assets.

~~e.~~ d. An insurer's aggregate investments under [this subsection](#) and [subsection 12](#) shall not exceed forty-five percent of the insurer's admitted assets.

Sec. 9. [Section 511.8, subsection 19](#), Code 2024, is amended to read as follows:

19. *Collateral loans and other debt securities secured by collateral.* An insurer may acquire collateral loans or other debt securities secured by collateral consisting of any assets or investments permitted under [this section](#), provided that the amount of the loan is not in excess of ninety percent of the value of the collateral at the time of acquisition. For the purpose of determining compliance with the quantitative limits in [this subsection section](#), the collateral pledged to the insurer shall be aggregated with the insurer's direct investments.

Sec. 10. REPEAL. [Section 508.6](#), Code 2024, is repealed.

Approved April 10, 2024