A BILL FOR

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

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

TLSB 1287HV (2) 86
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Section 1. Section 22.7, subsection 58, Code 2015, is amended to read as follows:

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

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

502.103 References to federal statutes.


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

NEW SUBSECTION. 24. Intrastate crowdfunding.

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

(1) "Intermediary" means a broker-dealer that is subject to the registration requirements of section 502.401 and that facilitates the offer and sale of securities by issuers to investors through an internet-based system that is open to and accessible by the general public. If an intermediary's...
activity as a broker-dealer is limited to offerings conducted in accordance with the exemption in this subsection, the administrator shall by rule list the specific broker-dealer requirements with which the intermediary must comply.

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

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

(1) A foreign issuer.

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

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

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

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

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

(1) Securities sold to Iowa resident institutional investors.

(2) Securities sold to the Iowa resident issuer's management.
d. Individual sales limit. The aggregate amount of securities sold to an investor by the issuer during the twelve-month period preceding the date of the offer or sale, including any amount sold in reliance upon the exemption in this subsection, shall not exceed five thousand dollars unless the investor is an accredited investor who resides in Iowa. For purposes of this individual sales limit, the following investors shall be treated as one investor:

(1) A relative, spouse, or relative of the spouse of an investor who has the same principal residence as the investor.
(2) A trust or estate in which an investor and any related person collectively have more than fifty percent of the beneficial interest, excluding contingent interests.
(3) A corporation or other organization of which an investor and any related person collectively are beneficial owners of more than fifty percent of the equity securities, excluding directors' qualifying shares, or equity interests.

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

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

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

(1) Mandatory disclosures.
(2) Restrictions on advertising and communications.
(3) Target amount, offering period, and escrow requirements.
(4) Use and compensation of promoters.
(5) Restrictions on the sale of securities purchased under the exemption in this subsection.

(6) Sales reports.

(7) Limitations on the offering price.

(8) Duties of an intermediary which shall include providing the administrator with continuous investor-level access to the intermediary's internet site.

(9) Records maintenance.

(10) Duties and registration requirements for internet site operators.

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

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

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

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

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

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

2. Notice filing effectiveness and renewal. A notice filing under subsection 1 is effective for one year commencing on
1 the later of the notice filing or the effectiveness of the
2 offering filed with the securities and exchange commission.
3 On or before expiration, the issuer may renew a notice filing
4 by filing a copy of those records filed by the issuer with
5 the securities and exchange commission that are required by
6 rule or order under this chapter to be filed and by paying
7 the renewal fee required by subsection 1, paragraph "a" of
8 four hundred dollars. A previously filed consent to service
9 of process complying with section 502.611 may be incorporated
10 by reference in a renewal. A renewed notice filing becomes
11 effective upon the expiration of the filing being renewed.
12 3. Notice filings for federal covered securities under
13 section 18(b)(4)(D). With respect to a security that is a
14 federal covered security under section 18(b)(4)(D) of the
15 Securities Act of 1933, 15 U.S.C. §77r(b)(4)(D), a rule under
16 this chapter may require a notice filing by or on behalf of an
17 issuer to include a copy of form D, including the appendix, as
18 promulgated by the securities and exchange commission, and a
19 consent to service of process complying with section 502.611
20 signed by the issuer not later than fifteen days after the
21 first sale of the federal covered security in this state and
22 the payment of a fee of one hundred dollars; and the payment of
23 a fee of two hundred fifty dollars for any late filing.
24 Sec. 8. Section 502.412, subsection 9, Code 2015, is amended
25 to read as follows:
26 9. Limit on investigation or proceeding. The administrator
27 shall not institute a proceeding under subsection 1, 2,
28 or 3 based solely on material facts actually known by the
29 administrator unless an investigation or the proceeding is
30 instituted within one year two years after the administrator
31 actually acquires knowledge of the material facts.
32 Sec. 9. Section 511.8, subsection 5, paragraphs a and b,
33 Code 2015, are amended to read as follows:
34 a. (1) If fixed interest-bearing obligations, the net
35 earnings of the issuing, assuming, or guaranteeing corporation
available for its fixed charges for a period of five fiscal
years next preceding the date of acquisition of the obligations
by such insurance company shall have averaged per year not
less than one and one-half times such average annual fixed
charges of the issuing, assuming, or guaranteeing corporation
applicable to such period, and, during at least one of the last
tywo years of such period, its net earnings shall have been
not less than one and one-half times its fixed charges for
such year; or if, at the date of acquisition, the obligations
are adequately secured and have investment qualities and
elements wherein the speculative elements are not
predominant investment grade as defined by the commissioner by
rule.
(2) However, with respect to fixed interest-bearing
obligations which are issued, assumed, or guaranteed by a
financial company, the net earnings by the financial company
available for its fixed charges for the period of five fiscal
years preceding the date of acquisition of the obligations by
the insurance company shall have averaged per year not less
than one and one-fourth times such average annual fixed charges
of the issuing, assuming, or guaranteeing financial company
applicable to such period, and, during at least one of the last
tywo years of the period, its net earnings shall have been not
less than one and one-fourth times its fixed charges for such
year; or if, at the date of acquisition, the obligations are
adequately secured and speculative elements are not predominant
in their investment qualities and characteristics
investment grade as defined by the commissioner by rule. As used in
this subparagraph (2), "financial company" means a corporation
which on the average over its last five fiscal years preceding
the date of acquisition of its obligations by the insurer,
has had at least fifty percent of its net income, including
income derived from subsidiaries, derived from the business
of wholesale, retail, installment, mortgage, commercial,
industrial or consumer financing, or from banking or factoring,
1 or from similar or related lines of business.
2   b. If adjustment, income, or other contingent interest
3 obligations, the net earnings of the issuing, assuming, or
4 guaranteeing corporation available for its fixed charges
5 for a period of five fiscal years next preceding the date
6 of acquisition of the obligations by such insurance company
7 shall have averaged per year not less than one and one-half
8 times such average annual fixed charges of the issuing,
9 assuming, or guaranteeing corporation and its average annual
10 maximum contingent interest applicable to such period and,
11 during at least one of the last two years of such period, its
12 net earnings shall have been not less than one and one-half
13 times the sum of its fixed charges and maximum contingent
14 interest for such year, or if, at the date of acquisition,
15 the obligations are adequately secure and have investment
16 qualities and characteristics and speculative elements are not
17 predominant investment grade as defined by the commissioner by
18 rule.

Sec. 10. Section 511.8, subsection 6, paragraph a,
subparagraph (1), subparagraph division (b), unnumbered
paragraph 1, Code 2015, is amended to read as follows:

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

Sec. 11. Section 511.8, subsection 8, unnumbered paragraph
1, Code 2015, is amended to read as follows:

Securities included under subsections 5, 6, and 7, and
subsection 9, paragraph "h", shall not be eligible:
Sec. 12. Section 511.8, subsection 8, paragraph b, unnumbered paragraph 1, Code 2015, is amended to read as follows:

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

Sec. 13. Section 511.8, subsection 8, paragraph b, subparagraphs (1) and (2), Code 2015, are amended to read as follows:

(1) With the exception of public securities For any one corporation other than a public utility company, two percent of the legal reserve in the securities of any one corporation. Five For any one public utility company, five percent of the legal reserve in the securities of any one public utility corporation.

(2) Seventy-five percent of the legal reserve in the securities described in subsection 5 issued by other than public utility corporations. Fifty percent of the legal reserve in the securities described in subsection 5 issued by public utility corporations companies, fifty percent of the legal reserve.

Sec. 14. Section 511.8, subsection 9, Code 2015, is amended by adding the following new paragraph:

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

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

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

(b) Set forth techniques to minimize the likelihood or impact of a bankruptcy filing on the part of the real estate owner or the mezzanine real estate loan borrower consistent with the national association of insurance commissioners' accounting practices and procedures manual.
(c) Require the real estate owner or mezzanine real estate loan borrower to do all of the following:

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

(ii) Not engage in any business other than, in the case of the real estate owner, the ownership and operation of the real estate, and in the case of the mezzanine real estate loan borrower, holding an ownership interest in the real estate owner.

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

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

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

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

(b) The value of a company's or association's total investments qualified under this paragraph "h" in mezzanine real estate loans classified as CM4 in accordance with the national association of insurance commissioners' rating methodology or an equivalent or successor rating...
1 methodology or an equivalent or successor rating at the time of
2 purchase shall not exceed one percent of the legal reserve.
3 (4) For purposes of this paragraph "h", "mezzanine real
4 estate loan" means a loan secured by a pledge of a direct or
5 indirect equity interest in an entity that owns real estate.
6 Sec. 15. Section 511.8, subsection 13, Code 2015, is amended
7 to read as follows:
8 13. Collateral loans. Loans secured by collateral
9 consisting of any securities assets or investments qualified in
10 under this section, provided the amount of the loan is not in
11 excess of ninety percent of the value of the securities assets
12 or investments. Provided further that subsection 8 shall apply
13 to the collateral securities assets or investments pledged
14 to the payment of loans authorized in qualified under this
15 subsection.
16 Sec. 16. Section 511.8, subsection 18, paragraph a, Code
17 2015, is amended to read as follows:
18 a. (1) Common stocks, or shares, or equity interests issued
19 by solvent corporations or institutions are eligible if the
20 total investment in the common stocks, or shares in, or equity
21 interests of the corporations or institutions does not exceed
22 ten percent of legal reserve, provided not more than one-half
23 percent of the legal reserve is invested in common stocks,
24 or shares, or equity interests of any one corporation or
25 institution. However, the not more than four percent of legal
26 reserve shall be invested in common stocks, or shares shall be
27, or equity interests which do not meet one of the following
28 requirements:
29   (a) Are listed or admitted to trading on an established
30 foreign securities exchange or a securities exchange in the
31 United States or shall be.
32   (b) Are publicly held and traded in the “over-the-counter
33 market” and, provided that market quotations shall be readily
34 available, and further, the investment.
35 (2) An investment in common stocks, shares, or equity
interests shall not create a conflict of interest for an officer or director of the company between the insurance company and the corporation whose common stocks, or shares, or equity interests are purchased.

Sec. 17. Section 511.8, subsection 20, paragraph b, Code 2015, is amended to read as follows:

b. For purposes of this subsection, "venture capital fund" means a corporation, partnership, proprietorship, or other entity formed under the laws of the United States, or a state, district, or territory of the United States, whose principal business is or will be the making of investments in, and the provision of significant managerial assistance to, small businesses which meet the small business administration definition of small business. "Equity interests" means limited partnership interests and other equity interests in which liability is limited to the amount of the investment, but does not mean general partnership interests or other interests involving general liability. "Venture capital fund" includes an equity interest in the Iowa fund of funds as defined in section 15E.62 and an equity interest in an innovation fund as defined in section 15E.52.

Sec. 18. Section 511.8, subsection 22, paragraphs c and d, Code 2015, are amended to read as follows:

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

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

Sec. 19. Section 511.8, subsection 22, paragraph e,
subparagraph (1), Code 2015, is amended to read as follows:

(1) Investments in financial instruments of foreign
governments or foreign corporate obligations, other than
Canada, used in hedging transactions shall be included
in the limitation contained in subsection 19 that allows
only twenty percent of the legal reserve of the company or
association to be invested in such foreign investments, except
insofar as the financial instruments are collateralized by cash, United States government obligations as authorized by subsection 1, or obligations of or guaranteed by a United States government-sponsored enterprise which on the date they are pledged as collateral are adequately secured and have investment qualities and characteristics wherein the speculative elements are not predominant investment grade as defined by the commissioner by rule, which are deposited with a custodian bank as defined in subsection 21, and held under a written agreement with the custodian bank that complies with subsection 21 and provides for the proceeds of the collateral, subject to the terms and conditions of the applicable collateral or other credit support agreement, to be remitted to the legal reserve deposit of the company or association and to vest in the state in accordance with section 508.18 whenever proceedings under that section are instituted.

Sec. 20. Section 514G.102, Code 2015, is amended to read as follows:

514G.102 Scope.

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

Sec. 21. Section 515.35, subsection 4, paragraph m, Code 2015, is amended to read as follows:

m. Venture capital funds. Shares or equity interests in
venture capital funds which agree to invest an amount equal to at least fifty percent of the investments by a company in small businesses having their principal offices within this state and having either more than one-half of their assets within this state or more than one-half of their employees employed within this state. A company shall not invest more than five percent of its capital and surplus under this paragraph. For purposes of this paragraph, "venture capital fund" means a corporation, partnership, proprietorship, or other entity formed under the laws of the United States, or a state, district, or territory of the United States, whose principal business is or will be the making of investments in, and the provision of significant managerial assistance to, small businesses which meet the small business administration definition of small business. "Equity interests" means limited partnership interests and other equity interests in which liability is limited to the amount of the investment, but does not mean general partnership interests or other interests involving general liability. "Venture capital fund" includes an equity interest in the Iowa fund of funds as defined in section 15E.62 and an equity interest in an innovation fund as defined in section 15E.52.

Sec. 22. Section 521A.5, subsection 4, paragraph d, Code 2015, is amended to read as follows:

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

Sec. 23. Section 523A.102, subsection 8, Code 2015, is amended by striking the subsection.

Sec. 24. Section 523A.102, Code 2015, is amended by adding the following new subsection:

NEW SUBSECTION. 13A. "Guaranteed" means that the preneed seller has agreed to accept the funds available from contractual payments made by the purchaser and the allocable portion of accumulated income as payment in full for the applicable items of merchandise and services selected and identified in the purchase agreement, and that the purchaser, beneficiary, and the beneficiary’s estate are not obligated to pay any additional costs related to updated charges for price increases on the merchandise and services selected even if the additional costs exceed the funds available from contractual payments made by the purchaser and the allocable portion of accumulated income. This provision does not prevent the inclusion of nonguaranteed items in an otherwise guaranteed purchase agreement.

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

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

a. An action commenced by the commissioner.

b. An administrative proceeding brought by the insurance division.

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

d. An action brought by the insurance division or
the attorney general to recover moneys for embezzlement,

misappropriation, or misuse of trust funds.

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

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

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

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

a. An action commenced by the commissioner.

b. An administrative proceeding brought by the insurance
division.

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

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

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

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

a. An action commenced by the commissioner.
b. An administrative proceeding brought by the insurance division.
c. An action or proceeding which arises out of the criminal provisions of the laws of this state or of the United States.
d. An action brought by the insurance division or the attorney general to recover moneys for embezzlement, misappropriation, or misuse of trust funds.

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

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

1. A purchase agreement shall not be sold or transferred, as part of the sale of a business or the assets of a business, until an audit has been performed by a certified public accountant and filed with the commissioner that expresses the auditor’s opinion of the adequacy of funding related to the purchase agreements to be sold or transferred. If the buyer of a purchase agreement sold or transferred as part of the sale of a business or the assets of a business, fails to file such an audit, the commissioner shall suspend the preneed seller’s license of the buyer and the preneed sales license of any sales agent in the employ of the buyer until the audit is filed. In addition, the commissioner shall assess a penalty against the buyer in an amount up to one hundred dollars for each day that the audit remains unfiled. The commissioner shall allow a thirty-day grace period after the date that a purchase agreement is sold or transferred before suspension of a license or assessment of a penalty for failure to file an audit pursuant to this section.

2. All records maintained by the commissioner under this section shall be confidential pursuant to section 22.7, subsection 58, and shall not be made available for inspection or copying except upon approval of the commissioner or the

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attorney general, or except when sought by the preneed seller to whom the records relate. Such records shall be privileged and confidential in any judicial or administrative proceeding except any of the following:

a. An action commenced by the commissioner.
b. An administrative proceeding brought by the insurance division.
c. An action or proceeding which arises out of the criminal provisions of the laws of this state or of the United States.
d. An action brought by the insurance division or the attorney general to recover moneys for embezzlement, misappropriation, or misuse of trust funds.

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

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

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

NEW SUBSECTION. 10. All records maintained by the commissioner under this section shall be confidential pursuant to section 22.7, subsection 58, and shall not be made available for inspection or copying except upon approval of the commissioner or the attorney general, or except when sought by the insurance company to whom the records relate. Such records shall be privileged and confidential in any judicial or administrative proceeding except any of the following:

a. An action commenced by the commissioner.
b. An administrative proceeding brought by the insurance division.
c. An action or proceeding which arises out of the criminal
provisions of the laws of this state or of the United States.

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

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

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

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

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

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

An application for a preneed seller's license shall be filed on a form and in a format prescribed by the commissioner and be accompanied by a fifty-dollar filing fee in an amount set by the commissioner by rule. The application shall include the name of the natural person or legal entity to be licensed as the preneed seller and, if applicable, any other name under which the preneed seller will be transacting business, including any names registered with the secretary of state or a county clerk. The application shall be updated as necessary to ensure that the commissioner has been notified of all names under which the preneed seller is operating and doing business.

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

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

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

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

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

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

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

a. An action commenced by the commissioner.

b. An administrative proceeding brought by the insurance
division.

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

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

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

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

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

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

a. An action commenced by the commissioner.

b. An administrative proceeding brought by the insurance division.

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

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

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

If the commissioner finds that a person has violated section 523A.201, 523A.202, 523A.203, 523A.207, 523A.401, 523A.402, 523A.403, 523A.404, 523A.405, 523A.501, 523A.502, or 523A.504...
1 or any rule adopted pursuant thereto, the commissioner may
2 order any or all of the following:
3  Sec. 43. Section 523I.810, subsection 9, Code 2015, is
4 amended to read as follows:
5 9. A cemetery may, by resolution adopted by a vote of at
6 least two-thirds of the members of its board at any authorized
7 meeting of the board, authorize the withdrawal and use of
8 not more than twenty percent of the principal of the care
9 fund to acquire additional land for cemetery purposes, to
10 repair a mausoleum or other building or structure intended for
11 cemetery purposes, to build, improve, or repair boundaries,
12 roads and walkways in the cemetery, to construct a columbarium,
13 mausoleum, or similar structure to create additional interment
14 spaces, to purchase equipment for tree, shrub, and lawn care,
15 to purchase backhoes or similar equipment used to open and
16 close interment spaces, or to purchase recordkeeping software
17 used to maintain ownership records or interment records. The
18 resolution shall establish a reasonable repayment schedule, not
19 to exceed five years, and provide for interest in an amount
20 comparable to the care fund’s current rate of return on its
21 investments. However, the care fund shall not be diminished
22 below an amount equal to the greater of twenty-five thousand
23 dollars or five thousand dollars per acre of land in the
24 cemetery. The resolution, and if the deposit of care fund
25 income over five years is unlikely to fund replenishment of the
26 principal of the care fund, either a bond or proof of insurance
27 to guarantee replenishment of the care fund, shall be filed
28 with the commissioner thirty days prior to the withdrawal of
29 funds.
30  Sec. 44. Section 523I.811, subsection 1, paragraph b, Code
31 2015, is amended to read as follows:
32  b. Maintaining drains, water lines, roads, buildings,
33  boundaries, fences, and other structures.
34  Sec. 45. Section 523I.811, subsection 1, Code 2015, is
35 amended by adding the following new paragraphs:
NEW PARAGRAPH. g. To purchase equipment to maintain the

cemetery.

NEW PARAGRAPH. h. To purchase backhoes or similar equipment

used to open and close interment spaces.

NEW PARAGRAPH. i. To purchase equipment used to construct

a columbarium, mausoleum, or similar structure to create

additional interment spaces.

NEW SECTION. 523I.811A Emergency use of care

funds.

1. Notwithstanding any other provision of this chapter,

a perpetual care cemetery may apply to the commissioner to

withdraw funds from the cemetery’s care fund for a financial

emergency. The commissioner shall, by rule, establish

standards and procedures for such applications and for

withdrawals from care funds.

2. Upon application, the commissioner may allow a perpetual

care cemetery to withdraw funds from the care fund if the

commissioner finds that the cemetery has an urgent financial

need and the withdrawal is deemed reasonable and prudent to

fund a necessary expense of the cemetery. The commissioner

shall establish conditions for the specific use of the funds

withdrawn and may require repayment of all or part of the

amount withdrawn.

EFFECTIVE DATE. The following provision or

provisions of this Act take effect January 1, 2016:

1. The section of this Act adding section 502.202,

subsection 24.

DIRECTIONS TO CODE EDITOR. The Iowa code editor is

directed to transfer section 515.11 to new section 515.23.

REPEAL. Section 523A.504, Code 2015, is repealed.

EXPLANATION

The inclusion of this explanation does not constitute agreement with

the explanation’s substance by the members of the general assembly.

This bill relates to various matters involving insurance

and the insurance division of the department of commerce and
1 includes effective date provisions.
2  UNIFORM SECURITIES ACT. Code section 502.103 is amended
3 to update references in Code chapter 502 to include current
4 federal statutes. New Code section 502.202(24) provides an
5 exemption from certain securities registration and filing
6 requirements for offers and sales of securities known as
7 intrastate crowdfunding and provides limitations and conditions
8 on such offers and sales of securities in the state. All
9 offers and sales of securities made pursuant to the exemption
10 must be made through a broker-dealer's internet site.
11 "Intrastate crowdfunding" is defined as the offer or sale of a
12 security by an issuer in a transaction that is available for
13 purchase only by Iowa residents and by business organizations
14 located in Iowa and organized and registered under Iowa law.
15 This provision takes effect January 1, 2016.
16  Code section 502.302(1)(a)(1) and (2), concerning specified
17 federal covered securities, are amended to eliminate an option
18 that allows filing fees accompanying notice filings of offers
19 of such securities to be based on a definite or indefinite
20 amount, instead requiring all notice filers to pay a fixed fee
21 of $400. Code section 502.302(1)(a)(2)(a) and (b) are stricken
22 to eliminate the need to file a sales report. Code section
23 502.302(2) is amended to establish a flat fee of $400 for
24 renewals of such filings.
25  Code section 502.412(9) is amended to provide that the
26 administrator of the securities and regulated industries bureau
27 of the insurance division of the department of commerce has two
28 years instead of one year after acquiring material facts to
29 institute a disciplinary proceeding concerning a broker-dealer
30 or investment adviser.
31  LIFE INSURANCE COMPANIES AND ASSOCIATIONS. Code section
32 511.8(5)(a) and (b) are amended to provide that investments
33 in certain corporate obligations made by life insurance
34 companies and associations are allowed if, at the date of
35 acquisition, the obligations are investment grade as defined

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by the commissioner by rule. Similar changes are made as to
investments in preferred and guaranteed stocks (Code section
511.8(6)(a)(1)(b)), and financial instruments used in hedging
transactions (Code section 511.8(22)(c),(d), and (e)(1)).

Code section 511.8(8) is amended to provide that specified
further restrictions on investments of a life insurance
company or association in securities apply to mezzanine real
estate loans. Code section 511.8(8)(b) is amended to provide
that investments of a life insurance company or association
in securities of a corporation shall not exceed specified
percentages of the legal reserve.

Code section 511.8(8)(b)(1) and (2) are amended to provide
that investments in corporate obligations, preferred and
guaranteed stocks, equipment trust obligations, or mezzanine
real estate loans are limited to 2 percent of legal reserve
for any one corporation other than a public utility company,
5 percent of the legal reserve for any one public utility
company, and 50 percent of the legal reserve for corporate
obligations issued by public utility companies.

New Code section 511.8(9)(h) provides that a life insurance
company or association may invest in mezzanine real estate
loans subject to specified conditions. The provision specifies
what terms a mezzanine loan agreement must include and limits
the value of a life insurance company’s or association’s total
investments in mezzanine real estate loans. For purposes of
the new provision, “mezzanine real estate loan” means a loan
secured by a pledge of a direct or indirect equity interest in
an entity that owns real estate.

Code section 511.8(13) is amended to provide that life
insurance companies and associations can invest in loans
secured by collateral consisting of qualified assets or
investments instead of securities.

Code section 511.8(18)(a) is amended to provide that life
insurance companies and associations can invest in certain
specified equity interests as well as common stocks and shares.
issued by corporations or institutions. The provision provides limitations on the percentage of legal reserve that can be invested in specified types of common stocks, shares, or equity interests.

Code section 511.8(20)(b) is amended to provide that for purposes of investments made by a life insurance company a "venture capital fund" includes an equity interest in an innovation fund as defined in Code section 15E.52.

LONG-TERM CARE INSURANCE. Code section 514G.102 is amended to provide that the requirements of Code chapter 514G related to prompt payment of claims and the payment of interest apply to all long-term care insurance policies.

INSURANCE OTHER THAN LIFE. The Code editor is directed to transfer Code section 515.11, pertaining to prohibited loans to an officer, director, stockholder, or employee of a company or to a relative of an officer or relative of a company, to Code section 515.23.

Code section 515.35(4)(m) is amended to provide that for purposes of investments made by a non-life insurance company, a "venture capital fund" includes an equity interest in an innovation fund as defined in Code section 15E.52.

INSURANCE HOLDING COMPANY SYSTEMS. Code section 521A.5(4)(d) is amended to require that when a domestic insurer is required to establish a committee or committees of directors or other persons appointed by the board, that are responsible for nominating candidates for director, evaluating the performance of officers, and recommending the selection and compensation of principal officers, the majority of such committee members shall not be officers or employers of any entity controlling, controlled by, or under common control with the insurer.

CEMETERY AND FUNERAL MERCHANDISE AND FUNERAL SERVICES. Code section 523A.102(8) is stricken, eliminating the definition of "credit sale".

New Code section 523A.102(13A) provides that for purposes
of Code chapter 523A, "guaranteed" means that a preneed seller has agreed to accept the funds available from contractual payments made by a purchaser and the allocable portion of accumulated income on those payments as payment in full for the applicable items of cemetery merchandise and services selected and identified in a purchase agreement for the merchandise and services. A purchaser, beneficiary, or beneficiary's estate is not obligated to pay any additional costs related to price increases on the merchandise and services selected even if the additional costs exceed the funds available. This provision does not prevent the inclusion of nonguaranteed items in an otherwise guaranteed purchase agreement.

Code section 523A.204(3) is amended to provide that information in annual reports provided to the commissioner by preneed sellers is confidential pursuant to the Iowa open records law (Code chapter 22) and shall not be made available for inspection or copying except upon the approval of the commissioner or the attorney general or when sought by the preneed seller to whom the records relate. Such information is also privileged and confidential in any judicial or administrative proceeding except as specified. Similar requirements concerning confidentiality of information provided to the commissioner are added in Code section 523A.205(3) concerning annual reports by financial institutions, Code section 523A.206(6) concerning information obtained in the course of an examination, new Code section 523A.207(2) concerning records obtained during an audit performed by a certified public accountant, new Code section 523A.401(10) concerning information maintained about purchase agreements funded by insurance proceeds, Code section 523A.502A(2) concerning licensure of sales agents, and Code section 523A.803(1)(c) concerning investigations into violations of the Code chapter. Code section 22.7, subsection 58, is amended to specify that information provided to the commissioner pursuant to Code sections 523A.205, 523A.206, 523A.207, 523A.401, and
523A.803 is confidential.

Code section 523A.204(4) and (5) are stricken, eliminating provisions related to levying an administrative penalty against a preneed seller for violations of the annual reporting requirement.

Code section 523A.205(2) is stricken, eliminating a requirement that the commissioner accept annual reports of preneed sellers in electronic format, including computer diskettes.

Code section 523A.401(8) is amended by eliminating the provision that allows computer printouts to be submitted with annual reports filed by insurance companies issuing policies to fund preneed purchase agreements. Code section 523A.402(8) is similarly amended to eliminate the provision that such printouts may be submitted with annual reports pertaining to purchase agreements funded by annuity proceeds.

Code section 523A.405 is amended to eliminate specific requirements concerning the use of a surety bond in lieu of trust requirements and instead allows the commissioner, by rule, to establish the terms and conditions under which a seller may file a surety bond.

Code section 523A.501(2) is amended to provide that the commissioner may establish the format for applications for a preneed seller’s license. The application is also required to include the name of the natural person or legal entity to be licensed and any other name under which the preneed seller will be transacting business. The application must be updated as necessary to ensure that the commissioner is notified of all names under which the preneed seller is operating and doing business. The application must be accompanied by a filing fee set by rule. The current filing fee is $50.

Code section 523A.501(7) is amended to require that a preneed seller’s license be renewed annually instead of every four years. The license shall be renewed April 15 of each year so long as the preneed seller has filed a complete annual report.
report and paid the required fees. Code section 523A.502(5) is similarly amended to require annual renewal of the licenses of preneed sales agents.

Code section 523A.502A(1) is amended to provide that a sales agent must file an annual report whether or not the sales agent made any sales during the year, is no longer an agent of a preneed seller, or is no longer licensed as a sales agent. Code section 523A.502A(3) and (4) are stricken, eliminating provisions related to levying an administrative penalty against a preneed sales agent for violations of the annual reporting requirement.

Code section 523A.504 requiring a preneed seller to file a notice and pay a fee to appoint a person to act as a sales agent of the preneed seller is repealed. Code section 523A.807(3) is amended to remove a cross-reference to the repealed section.

CEMETERIES. Code section 523I.810(9) is amended to provide that a cemetery may adopt a resolution to authorize the withdrawal and expenditure of the principal of a cemetery care fund to repair boundaries; to construct a columbarium, mausoleum, or similar structure to create additional interment spaces; and to purchase equipment for tree, shrub, and lawn care; or to purchase backhoes or similar equipment used to open and close interment spaces. The bill eliminates a requirement that the repayment schedule provide for interest on the amount withdrawn from the care fund but if the deposit of care fund income over five years is unlikely to fund replenishment of the principal of the care fund, the resolution must be accompanied by a bond or proof of insurance.

Code section 523I.811(1) is amended to provide that distributions from the care fund can be used for the new purposes described in Code section 523I.810(9).

New Code section 523I.811A provides that a perpetual care cemetery may make application to the commissioner to withdraw funds from the cemetery's care fund for a financial emergency. The commissioner may allow such a withdrawal upon finding that
1 the cemetery has an urgent financial need and it is reasonable
2 and prudent to fund a necessary expense of the cemetery. The
3 commissioner shall establish conditions for the specific use
4 of the funds and may require repayment of all or part of the
5 amount withdrawn.