

**House File 454 - Introduced**

HOUSE FILE 454  
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HSB 139)

**A BILL FOR**

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

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

1 Section 1. Section 22.7, subsection 58, Code 2015, is  
2 amended to read as follows:

3 58. Information filed with the commissioner of insurance  
4 pursuant to sections 523A.204 ~~and~~, 523A.205, 523A.206,  
5 523A.207, 523A.401, 523A.502A, and 523A.803.

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

8 **502.103 References to federal statutes.**

9 "*Securities Act of 1933*", 15 U.S.C. §77a et seq.; "*Securities*  
10 *Exchange Act of 1934*", 15 U.S.C. §78a et seq.; "*Public Utility*  
11 *Holding Company Act of 1935*", 15 U.S.C. §79 et seq.; "*Investment*  
12 *Company Act of 1940*", 15 U.S.C. §80a-1 et seq.; "*Investment*  
13 *Advisers Act of 1940*", 15 U.S.C. §80b-1 et seq.; "*Employee*  
14 *Retirement Income Security Act of 1974*", 29 U.S.C. §1001 et  
15 seq.; "*National Housing Act*", 12 U.S.C. §1701; "*Commodity*  
16 *Exchange Act*", 7 U.S.C. §1 et seq.; "*Internal Revenue Code*",  
17 26 U.S.C. §1 et seq.; "*Securities Investor Protection Act*  
18 *of 1970*", 15 U.S.C. §78aaa et seq.; "*Securities Litigation*  
19 *Uniform Standards Act of 1998*", 112 Stat. 3227; "*Small Business*  
20 *Investment Act of 1958*", 15 U.S.C. §661 et seq.; and "*Electronic*  
21 *Signatures in Global and National Commerce Act*", 15 U.S.C.  
22 §7001 et seq.; and "*Dodd-Frank Wall Street Reform and Consumer*  
23 *Protection Act*", Pub. L. No. 111-203 mean those federal statutes  
24 and the rules and regulations adopted under those federal  
25 statutes, as in effect on January 1, ~~2005~~ 2015.

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

28 NEW SUBSECTION. 24. *Intrastate crowdfunding.*

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

31 (1) "*Intermediary*" means a broker-dealer that is subject  
32 to the registration requirements of section 502.401 and that  
33 facilitates the offer and sale of securities by issuers to  
34 investors through an internet-based system that is open to  
35 and accessible by the general public. If an intermediary's

1 activity as a broker-dealer is limited to offerings conducted  
2 in accordance with the exemption in this subsection, the  
3 administrator shall by rule list the specific broker-dealer  
4 requirements with which the intermediary must comply.

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

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

12 (1) A foreign issuer.

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

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

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

21 (5) Any person who is subject to a disqualifying event as  
22 described in the regulations adopted in accordance with section  
23 926 of the federal Dodd-Frank Wall Street Reform and Consumer  
24 Protection Act, Pub. L. No. 111-203, or in rules adopted by the  
25 administrator pursuant to chapter 17A.

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

32 (1) Securities sold to Iowa resident institutional  
33 investors.

34 (2) Securities sold to the Iowa resident issuer's  
35 management.

1     *d. Individual sales limit.* The aggregate amount of  
2 securities sold to an investor by the issuer during the  
3 twelve-month period preceding the date of the offer or sale,  
4 including any amount sold in reliance upon the exemption in  
5 this subsection, shall not exceed five thousand dollars unless  
6 the investor is an accredited investor who resides in Iowa.  
7 For purposes of this individual sales limit, the following  
8 investors shall be treated as one investor:

9       (1) A relative, spouse, or relative of the spouse of an  
10 investor who has the same principal residence as the investor.

11       (2) A trust or estate in which an investor and any related  
12 person collectively have more than fifty percent of the  
13 beneficial interest, excluding contingent interests.

14       (3) A corporation or other organization of which an investor  
15 and any related person collectively are beneficial owners of  
16 more than fifty percent of the equity securities, excluding  
17 directors' qualifying shares, or equity interests.

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

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

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

31       (1) Mandatory disclosures.

32       (2) Restrictions on advertising and communications.

33       (3) Target amount, offering period, and escrow  
34 requirements.

35       (4) Use and compensation of promoters.

1 (5) Restrictions on the sale of securities purchased under  
2 the exemption in this subsection.

3 (6) Sales reports.

4 (7) Limitations on the offering price.

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

8 (9) Records maintenance.

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

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

13 (1) A person who is the issuer of a federal covered  
14 security under section 18(b)(2) of the Securities Act of  
15 1933 shall initially make a notice filing and annually renew  
16 a notice filing in this state ~~for an indefinite amount or a~~  
17 ~~fixed amount. The fixed amount must be for two hundred fifty~~  
18 ~~thousand dollars.~~

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

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

29 Sec. 6. Section 502.302, subsection 1, paragraph a,  
30 subparagraph (2), subparagraph divisions (a) and (b), Code  
31 2015, are amended by striking the subparagraph divisions.

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

34 2. *Notice filing effectiveness and renewal.* A notice filing  
35 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 a 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

1 available for its fixed charges for a period of five fiscal  
2 years next preceding the date of acquisition of the obligations  
3 by such insurance company shall have averaged per year not  
4 less than one and one-half times such average annual fixed  
5 charges of the issuing, assuming, or guaranteeing corporation  
6 applicable to such period, and, during at least one of the last  
7 two years of such period, its net earnings shall have been  
8 not less than one and one-half times its fixed charges for  
9 such year; or if, at the date of acquisition, the obligations  
10 are ~~adequately secured and have investment qualities and~~  
11 ~~characteristics wherein the speculative elements are not~~  
12 predominant investment grade as defined by the commissioner by  
13 rule.

14 (2) However, with respect to fixed interest-bearing  
15 obligations which are issued, assumed, or guaranteed by a  
16 financial company, the net earnings by the financial company  
17 available for its fixed charges for the period of five fiscal  
18 years preceding the date of acquisition of the obligations by  
19 the insurance company shall have averaged per year not less  
20 than one and one-fourth times such average annual fixed charges  
21 of the issuing, assuming, or guaranteeing financial company  
22 applicable to such period, and, during at least one of the last  
23 two years of the period, its net earnings shall have been not  
24 less than one and one-fourth times its fixed charges for such  
25 year; or if, at the date of acquisition, the obligations are  
26 ~~adequately secured and speculative elements are not predominant~~  
27 ~~in their investment qualities and characteristics~~ investment  
28 grade as defined by the commissioner by rule. As used in  
29 this subparagraph (2), "*financial company*" means a corporation  
30 which on the average over its last five fiscal years preceding  
31 the date of acquisition of its obligations by the insurer,  
32 has had at least fifty percent of its net income, including  
33 income derived from subsidiaries, derived from the business  
34 of wholesale, retail, installment, mortgage, commercial,  
35 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.

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

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

32     Sec. 11. Section 511.8, subsection 8, unnumbered paragraph  
33 1, Code 2015, is amended to read as follows:

34     Securities included under subsections 5, 6, and 7, and  
35 subsection 9, paragraph "h", shall not be eligible:



1     Sec. 12. Section 511.8, subsection 8, paragraph b,  
2 unnumbered paragraph 1, Code 2015, is amended to read as  
3 follows:

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

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

11     (1) ~~With the exception of public securities~~ For any one  
12 corporation other than a public utility company, two percent  
13 of the legal reserve ~~in the securities of any one corporation.~~  
14 ~~Five~~ For any one public utility company, five percent of the  
15 legal reserve ~~in the securities of any one public utility~~  
16 ~~corporation.~~

17     (2) ~~Seventy-five percent of the legal reserve in the~~  
18 ~~securities described in subsection 5 issued by other than~~  
19 ~~public utility corporations. Fifty percent of the legal~~  
20 ~~reserve in the~~ For securities described in subsection 5 issued  
21 by public utility ~~corporations~~ companies, fifty percent of the  
22 legal reserve.

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

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

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

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

31     (b) Set forth techniques to minimize the likelihood or  
32 impact of a bankruptcy filing on the part of the real estate  
33 owner or the mezzanine real estate loan borrower consistent  
34 with the national association of insurance commissioners'  
35 accounting practices and procedures manual.

1 (c) Require the real estate owner or mezzanine real estate  
2 loan borrower to do all of the following:

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

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

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

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

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

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

32 (b) The value of a company's or association's total  
33 investments qualified under this paragraph "h" in mezzanine  
34 real estate loans classified as CM4 in accordance with the  
35 national association of insurance commissioners' 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

1 interests shall not create a conflict of interest for an  
2 officer or director of the company between the insurance  
3 company and the corporation whose common stocks, ~~or~~ shares, or  
4 equity interests are purchased.

5 Sec. 17. Section 511.8, subsection 20, paragraph b, Code  
6 2015, is amended to read as follows:

7 b. For purposes of this subsection, "*venture capital*  
8 *fund*" means a corporation, partnership, proprietorship, or  
9 other entity formed under the laws of the United States, or  
10 a state, district, or territory of the United States, whose  
11 principal business is or will be the making of investments in,  
12 and the provision of significant managerial assistance to,  
13 small businesses which meet the small business administration  
14 definition of small business. "*Equity interests*" means limited  
15 partnership interests and other equity interests in which  
16 liability is limited to the amount of the investment, but does  
17 not mean general partnership interests or other interests  
18 involving general liability. "*Venture capital fund*" includes an  
19 equity interest in the Iowa fund of funds as defined in section  
20 15E.62 and an equity interest in an innovation fund as defined  
21 in section 15E.52.

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

24 c. Investments in financial instruments used in hedging  
25 transactions are not eligible in excess of two percent of  
26 the legal reserve in the financial instruments of any one  
27 corporation, less any securities of that corporation owned  
28 by the company or association and in which its legal reserve  
29 is invested, except insofar as the financial instruments are  
30 collateralized by cash, United States government obligations  
31 as authorized by subsection 1, or obligations of or guaranteed  
32 by a United States government-sponsored enterprise which on  
33 the date they are pledged as collateral are ~~adequately secured~~  
34 ~~and have investment qualities and characteristics wherein the~~  
35 ~~speculative elements are not predominant~~ investment grade as

1 defined by the commissioner by rule, which are deposited with a  
2 custodian bank as defined in subsection 21, and held under a  
3 written agreement with the custodian bank that complies with  
4 subsection 21 and provides for the proceeds of the collateral,  
5 subject to the terms and conditions of the applicable  
6 collateral or other credit support agreement, to be remitted to  
7 the legal reserve deposit of the company or association and to  
8 vest in the state in accordance with section 508.18 whenever  
9 proceedings under that section are instituted.

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

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

30 (1) Investments in financial instruments of foreign  
31 governments or foreign corporate obligations, other than  
32 Canada, used in hedging transactions shall be included  
33 in the limitation contained in subsection 19 that allows  
34 only twenty percent of the legal reserve of the company or  
35 association to be invested in such foreign investments, except

1 insofar as the financial instruments are collateralized by  
 2 cash, United States government obligations as authorized by  
 3 subsection 1, or obligations of or guaranteed by a United  
 4 States government-sponsored enterprise which on the date  
 5 they are pledged as collateral are ~~adequately secured and~~  
 6 ~~have investment qualities and characteristics wherein the~~  
 7 ~~speculative elements are not predominant~~ investment grade as  
 8 defined by the commissioner by rule, which are deposited with a  
 9 custodian bank as defined in subsection 21, and held under a  
 10 written agreement with the custodian bank that complies with  
 11 subsection 21 and provides for the proceeds of the collateral,  
 12 subject to the terms and conditions of the applicable  
 13 collateral or other credit support agreement, to be remitted to  
 14 the legal reserve deposit of the company or association and to  
 15 vest in the state in accordance with section 508.18 whenever  
 16 proceedings under that section are instituted.

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

19 **514G.102 Scope.**

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

33 Sec. 21. Section 515.35, subsection 4, paragraph m, Code  
 34 2015, is amended to read as follows:

35 *m. Venture capital funds.* Shares or equity interests in

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

22 Sec. 22. Section 521A.5, subsection 4, paragraph d, Code  
 23 2015, is amended to read as follows:

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

1 compensation of the principal officers.

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

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

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

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

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

30 a. An action commenced by the commissioner.

31 b. An administrative proceeding brought by the insurance  
32 division.

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

35 d. An action brought by the insurance division or



1 the attorney general to recover moneys for embezzlement,  
2 misappropriation, or misuse of trust funds.

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

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

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

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

17 a. An action commenced by the commissioner.

18 b. An administrative proceeding brought by the insurance  
19 division.

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

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

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

28 6. All records maintained by the commissioner under this  
29 section, including work papers, notes, recorded information,  
30 documents, and copies thereof that are produced or obtained  
31 by or disclosed to the commissioner or another person in the  
32 course of a compliance examination, shall be confidential  
33 pursuant to section 22.7, subsection 58, and shall not be  
34 made available for inspection and copying except upon the  
35 approval of the commissioner or the attorney general. Such

1 records shall be privileged and confidential in any judicial or  
2 administrative proceeding except any of the following:

3     *a.* An action commenced by the commissioner.

4     *b.* An administrative proceeding brought by the insurance  
5 division.

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

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

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

13     **523A.207 Audits by certified public accountants — penalty.**

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

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

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

5 a. An action commenced by the commissioner.

6 b. An administrative proceeding brought by the insurance  
7 division.

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

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

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

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

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

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

32 a. An action commenced by the commissioner.

33 b. An administrative proceeding brought by the insurance  
34 division.

35 c. An action or proceeding which arises out of the criminal

1 provisions of the laws of this state or of the United States.

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

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

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

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

16 **523A.405 Bond in lieu of trust fund.**

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

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

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

35 Sec. 36. Section 523A.501, subsection 7, Code 2015, is

1 amended to read as follows:

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

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

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

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

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

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

34 a. An action commenced by the commissioner.

35 b. An administrative proceeding brought by the insurance

1 division.

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

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

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

9 Sec. 40. Section 523A.803, subsection 1, paragraph c, Code  
10 2015, is amended by striking the paragraph.

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

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

23 a. An action commenced by the commissioner.

24 b. An administrative proceeding brought by the insurance  
25 division.

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

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

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

33 If the commissioner finds that a person has violated section  
34 523A.201, 523A.202, 523A.203, 523A.207, 523A.401, 523A.402,  
35 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:

1 NEW PARAGRAPH. *g.* To purchase equipment to maintain the  
2 cemetery.

3 NEW PARAGRAPH. *h.* To purchase backhoes or similar equipment  
4 used to open and close interment spaces.

5 NEW PARAGRAPH. *i.* To purchase equipment used to construct  
6 a columbarium, mausoleum, or similar structure to create  
7 additional interment spaces.

8 Sec. 46. NEW SECTION. 523I.811A **Emergency use of care**  
9 **funds.**

10 1. Notwithstanding any other provision of this chapter,  
11 a perpetual care cemetery may apply to the commissioner to  
12 withdraw funds from the cemetery's care fund for a financial  
13 emergency. The commissioner shall, by rule, establish  
14 standards and procedures for such applications and for  
15 withdrawals from care funds.

16 2. Upon application, the commissioner may allow a perpetual  
17 care cemetery to withdraw funds from the care fund if the  
18 commissioner finds that the cemetery has an urgent financial  
19 need and the withdrawal is deemed reasonable and prudent to  
20 fund a necessary expense of the cemetery. The commissioner  
21 shall establish conditions for the specific use of the funds  
22 withdrawn and may require repayment of all or part of the  
23 amount withdrawn.

24 Sec. 47. **EFFECTIVE DATE.** The following provision or  
25 provisions of this Act take effect January 1, 2016:

26 1. The section of this Act adding section 502.202,  
27 subsection 24.

28 Sec. 48. **DIRECTIONS TO CODE EDITOR.** The Iowa code editor is  
29 directed to transfer section 515.11 to new section 515.23.

30 Sec. 49. **REPEAL.** Section 523A.504, Code 2015, is repealed.

31 **EXPLANATION**

32 The inclusion of this explanation does not constitute agreement with  
33 the explanation's substance by the members of the general assembly.

34 This bill relates to various matters involving insurance  
35 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

1 by the commissioner by rule. Similar changes are made as to  
2 investments in preferred and guaranteed stocks (Code section  
3 511.8(6)(a)(1)(b)), and financial instruments used in hedging  
4 transactions (Code section 511.8(22)(c),(d), and (e)(1)).

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

12 Code section 511.8(8)(b)(1) and (2) are amended to provide  
13 that investments in corporate obligations, preferred and  
14 guaranteed stocks, equipment trust obligations, or mezzanine  
15 real estate loans are limited to 2 percent of legal reserve  
16 for any one corporation other than a public utility company,  
17 5 percent of the legal reserve for any one public utility  
18 company, and 50 percent of the legal reserve for corporate  
19 obligations issued by public utility companies.

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

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

33 Code section 511.8(18)(a) is amended to provide that life  
34 insurance companies and associations can invest in certain  
35 specified equity interests as well as common stocks and shares

1 issued by corporations or institutions. The provision provides  
2 limitations on the percentage of legal reserve that can be  
3 invested in specified types of common stocks, shares, or equity  
4 interests.

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

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

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

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

22 INSURANCE HOLDING COMPANY SYSTEMS. Code section  
23 521A.5(4)(d) is amended to require that when a domestic  
24 insurer is required to establish a committee or committees of  
25 directors or other persons appointed by the board, that are  
26 responsible for nominating candidates for director, evaluating  
27 the performance of officers, and recommending the selection  
28 and compensation of principal officers, the majority of such  
29 committee members shall not be officers or employers of any  
30 entity controlling, controlled by, or under common control with  
31 the insurer.

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

35 New Code section 523A.102(13A) provides that for purposes

1 of Code chapter 523A, "guaranteed" means that a preneed seller  
2 has agreed to accept the funds available from contractual  
3 payments made by a purchaser and the allocable portion of  
4 accumulated income on those payments as payment in full for the  
5 applicable items of cemetery merchandise and services selected  
6 and identified in a purchase agreement for the merchandise and  
7 services. A purchaser, beneficiary, or beneficiary's estate  
8 is not obligated to pay any additional costs related to price  
9 increases on the merchandise and services selected even if the  
10 additional costs exceed the funds available. This provision  
11 does not prevent the inclusion of nonguaranteed items in an  
12 otherwise guaranteed purchase agreement.

13 Code section 523A.204(3) is amended to provide that  
14 information in annual reports provided to the commissioner  
15 by preneed sellers is confidential pursuant to the Iowa  
16 open records law (Code chapter 22) and shall not be made  
17 available for inspection or copying except upon the approval  
18 of the commissioner or the attorney general or when sought  
19 by the preneed seller to whom the records relate. Such  
20 information is also privileged and confidential in any judicial  
21 or administrative proceeding except as specified. Similar  
22 requirements concerning confidentiality of information provided  
23 to the commissioner are added in Code section 523A.205(3)  
24 concerning annual reports by financial institutions, Code  
25 section 523A.206(6) concerning information obtained in  
26 the course of an examination, new Code section 523A.207(2)  
27 concerning records obtained during an audit performed by a  
28 certified public accountant, new Code section 523A.401(10)  
29 concerning information maintained about purchase agreements  
30 funded by insurance proceeds, Code section 523A.502A(2)  
31 concerning licensure of sales agents, and Code section  
32 523A.803(1)(c) concerning investigations into violations of the  
33 Code chapter. Code section 22.7, subsection 58, is amended to  
34 specify that information provided to the commissioner pursuant  
35 to Code sections 523A.205, 523A.206, 523A.207, 523A.401, and

1 523A.803 is confidential.

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

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

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

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

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

32 Code section 523A.501(7) is amended to require that a  
33 preneed seller's license be renewed annually instead of every  
34 four years. The license shall be renewed April 15 of each  
35 year so long as the preneed seller has filed a complete annual

1 report and paid the required fees. Code section 523A.502(5)  
2 is similarly amended to require annual renewal of the licenses  
3 of preneed sales agents.

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

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

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

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

32 New Code section 523I.811A provides that a perpetual care  
33 cemetery may make application to the commissioner to withdraw  
34 funds from the cemetery's care fund for a financial emergency.  
35 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.