

**191—22.2(515) Financial requirements and reserves.** An insurance company otherwise authorized under Iowa Code chapter 515 to write financial guaranty insurance shall do so only when all of the following requirements are satisfied:

**22.2(1)** It has paid-in capital of at least \$1 million and surplus of at least \$1 million.

**22.2(2)** It establishes a contingency reserve, net of reinsurance, as follows:

*a.* The contributions to the reserve shall be calculated by applying the following percentages to the net principal written each calendar year of guaranties issued or delivered in this state of:

1. Municipal obligation bonds, 0.8 percent.
2. Special revenue bonds, 1.2 percent.
3. Industrial development bonds, 1.6 percent.
4. Secured investment grade obligations, 1.6 percent.
5. Investment grade obligations not secured, 2.5 percent.
6. All other obligations guaranteed, 3.0 percent.

*b.* (1) Quarterly additions to the reserve for paragraph “*a*,” “1,” “2,” and “3” above must be equal to the greater of one-eightieth of the amounts derived by applying the appropriate contribution specified in paragraph “*a*” or 50 percent of the quarterly earned premiums on the guaranties and must be maintained for a period of 20 years.

(2) Quarterly additions to the reserve for paragraph “*a*,” “4” to “6” must be equal to the greater of one-fortieth of the amounts derived by applying the appropriate contribution specified in paragraph “*a*” or 50 percent of the quarterly earned premiums on the guaranties and must be maintained for a period of ten years.

*c.* The reserve may be released after the expiration of the applicable time period, listed in paragraph “*b*,” subparagraphs (1) and (2), in the same manner, except that a part of the reserve may be released proportional to the reduction in net total liabilities resulting from reinsurance and the reinsurer shall, on the effective date of the reinsurance, establish a reserve in an amount equal to the amount released.

*d.* A withdrawal from the contingency reserve, to the extent of any excess, may be made from the earliest contributions to the reserve remaining in the reserve:

(1) With the approval of the commissioner, in any year in which the actual incurred losses exceed 35 percent of earned premiums.

(2) Upon 30 days’ prior notice to the commissioner, provided that the contingency reserve has been in existence for 40 quarters, for reserves subject to paragraph “*b*,” subparagraph (1), and 20 quarters, for reserves subject to paragraph “*b*,” subparagraph (2), upon demonstration that the amount carried is excessive in relation to the corporation’s outstanding obligations.

**22.2(3)** In addition to the contingency reserve, the case basis method or other method as the commissioner may require must be used to determine loss reserve on guaranties issued or delivered in this state. This method shall include a reserve for claims reported and unpaid net of collateral. A deduction from loss reserves must be allowed for the time value of money by application of a discount rate equal to the average rate of return on the admitted assets of the insurer as of the date of the computation of the reserve. The discount rate shall be adjusted at the end of each calendar year.

**22.2(4)** The insurance company shall maintain an unearned premium reserve on guaranties issued or delivered in this state, net of reinsurance, computed on the month pro rata basis, if financial guaranty premiums are paid on an installment basis. All other financial guaranty premiums paid must be earned proportionately with the expiration of exposure, or by any other method the commissioner requires or approves.