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State of Iowa  
1963

SUPPLEMENT TO  
**1960 INSURANCE LAWS**

State of Iowa

1963

Code Sections as Amended by the  
60th General Assembly

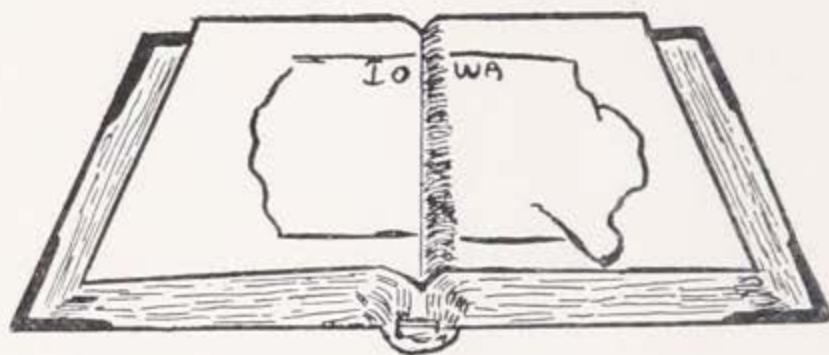


**HAROLD E. HUGHES**  
Governor

**WM. E. TIMMONS**  
Insurance Commissioner

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## PREFACE

This booklet is a supplement to the text entitled "Insurance Laws of Iowa 1960". The supplement contains five (5) sections of the 1962 Code which were amended by the Acts of the Sixtieth General Assembly of 1963, seven (7) new laws passed by the Sixtieth General Assembly, and three (3) departmental regulations approved by the Attorney General and the Departmental Rules Review Committee. All of the foregoing laws and regulations affect the transaction of insurance business in the State of Iowa.

The amended code sections and chapters are numbered as they appear in the 1962 Code of Iowa. The new laws are identified by chapter number as appears in the "Acts Regular Session 60th GA".

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# **SECTION I**

**AMENDED CHAPTERS AND  
SECTIONS OF INSURANCE LAWS**

**CHAPTER 365A****GROUP INSURANCE IN CERTAIN CITIES**

[*Revised Ch. 365A, Code 1962, as amended by S. F. 227, Acts of 60th GA.*]

**365A.1 Authority.** The governing body of the state, county, school district, city, town or any institution supported in whole or in part by public funds may establish plans for and procure group insurance, health or medical service for the employees of the state, county, school district, city, town or tax-supported institution.

**365A.2 Sources of funds.** The funds for such plans shall be created from the following sources:

1. Contributions from employees who elect to participate in any such plan; and

2. Contributions authorized by the city council from the general fund of said city in amounts not exceeding the aggregate amounts assessed against and collected from employees who elect to participate in any such plan. The funds for each plan shall be kept separately.

3. Solely from the contributions of employees, except as provided in subsections one (1) and two (2) above, for any plan established after July 4, 1963.

**365A.3 Assessment of employees.** All employees participating in any such plan the fund of which is created under the provisions of subsections 1 and 2 of section 365A.2 shall be assessed and required to pay an amount to be fixed by the governing body not to exceed the two percent which shall be contributed by the public body according to the plan adopted, and the amount so assessed shall be deducted and retained out of the wages or salaries of such employees.

Any employee may authorize deductions from his wages or salary in payment for plans authorized in this chapter in the manner provided in section five hundred fourteen point sixteen (514.16) of the Code.

**365A.4 Participation optional.** Participation in any such plan shall be optional with all employees eligible to the benefits thereof as provided by the rules and regulations adopted by the governing body pursuant thereto. Election to participate therein shall be in writing signed by the employee and filed with the city council.

**365A.5 Fund under control of governing body.** The fund for each plan shall be under the control and shall be expended under the directions of the governing body and shall be used solely for the purpose of administering and carrying out the provisions of the plan adopted by the governing body.

**365A.6 Contract with insurance carrier.** The governing body may contract with a nonprofit corporation operating under the provisions of chapter 509 or 514 or with any insurance company having a certificate of authority to transact an insurance business in this state with respect of a group insurance plan, which may include life, accident, health, hospitalization and disability insurance during period of active service of such employees, with the right of any employee to continue such life insurance in force after termination of active service at such employee's sole expense; and may contract with a nonprofit corporation operating under and governed by the provisions of chapter 509 or 514 with respect of any hospital or medical service plan.

**365A.7 Employee defined.** The word "employee" as used in this chapter shall not include temporary or retired employees; however, nothing herein shall be construed as preventing a retired employee from voluntarily continuing in force, at his own expense, an existing contract.

**365A.8 Rules and regulations.** The governing body of public bodies establishing any such plan under this chapter shall administer such plan and formulate and establish rules and regulations for the operation thereof, not inconsistent with the provisions of this chapter.

**365A.9 Exemption from debts.** All amounts payable to employees under and pursuant to the plan of group insurance established as herein provided shall be exempt from liability for debts of the person to or on account of whom the same is payable and shall not be subject to seizure upon execution or other process.

**365A.10 Decisions of governing body final.** The decisions of the governing body upon all matters upon which the said governing body is empowered to act, under and pursuant to the provisions hereof, shall be final and conclusive, in the absence of fraud, and no appeal shall be allowed therefrom nor shall such decisions of the governing body, in the absence of fraud, be reviewed, enjoined or set aside by any court.

**365A.11 Definitions.** For purposes of this chapter the following terms shall have the following meaning:



1. The words "governing body" means the executive council of the state, the board of supervisors of counties, the school boards of school districts, the city or town council of cities or towns and the superintendent or other person in charge of an institution supported in whole or in part by public funds.

2. The words "public body" means the state, a county, school district, city, town or institution supported in whole or in part by public funds.

**365A.12** Nothing contained in this Act shall invalidate any plan or contract of group insurance entered into prior to January 1, 1963.

Approved June 4, 1963.

## CHAPTER 507

### EXAMINATION OF INSURANCE COMPANIES

[*Revised Section 507.4, Code 1962, as amended by H. F. 331, Acts of 60th GA.*]

**507.4 Examiners—salaries.** The commissioner of insurance is hereby authorized to appoint insurance examiners, at least one of whom shall be an experienced actuary, and at least one of whom shall be an experienced and competent fire insurance accountant, and who, while conducting examinations, shall possess all the powers conferred upon the commissioner of insurance for such purposes. The entire time of the examiners shall be under the control of the said commissioner, and shall be employed as he may direct.

The said commissioner may, when in his judgment it is advisable, appoint assistants to aid in making examinations. Said examiners shall be compensated on the basis of the normal work week of the Iowa department of insurance at a per diem to be fixed by the commissioner which shall be in such amount as not to exceed the aggregate sum of one hundred eighty dollars per week in the examination of domestic companies and two hundred dollars per week in the examination of foreign companies. Assistant examiners shall be compensated on the basis of the normal work week of the Iowa insurance department at a per diem to be fixed by the commissioner which shall be in such amount as not to exceed the aggregate sum of ninety dollars per week. Said compensation shall be paid from funds in the state treasury upon certification of the commissioner, which shall be reimbursed as pro-

vided in sections 507.8 and 507.9. [S13,§1821-c; C24, 27, 31, 35, 39,§8628; C46, 50, 54,§507.4; 56GA, ch 236,§1]

§S13,§1821-c, editorially divided

Approved April 15, 1963.

## CHAPTER 509

### GROUP INSURANCE

[*Revised Section 509.4, Code 1962, as amended by S. F. 227, Acts of 60th GA.*]

**509.4 Number insured.** An insurer may issue policies of individual life, accident, health, hospital, medical or surgical insurance or any combination thereof at reduced rates to employees of a common employer including the state, a county, school district, city, town or institution supported in whole or in part by public funds, but the number of employees to be insured must be more than four. The premium for such policies may be paid wholly or in part by the employer. If such policies shall provide term life insurance renewable only during the continuance of employment with the employer they shall also provide for conversion to a level premium life policy substantially in accordance with the provisions of subsection 8 of section 509.2. [C24, 27, 31,§§8675, 8678; C35, §§8684-el,-e5; C39,§§8684.01, 8684.05; C46,§§509.1, 509.5; C50, 54,§509.4; 56GA, ch 240,§§1, 2]

Approved June 4, 1963.

## CHAPTER 515

### INSURANCE OTHER THAN LIFE

[*Revised Sections 515.48(1) and 515.48(5)(a), Code 1962, as amended by H. F. 25, Acts of 60th GA, and S. F. 443, Acts of 60th GA.*]

**515.48 Kinds of insurance.** Any company organized under this chapter or authorized to do business in this state may:

1. Insure dwelling houses, stores and all kinds of buildings and household furniture, and other property against direct or

indirect or consequential loss or damage, including loss of use or occupancy and the depreciation of property lost or damaged by fire, smoke, smudge, lightning and other electrical disturbances, collision, falls, wind, tornado, cyclone, volcanic eruptions, earthquake, hail, frost, snow, sleet, ice, weather or climatic conditions, including excess or deficiency of moisture, flood, rain, or drought, rising of the waters of the ocean or its tributaries, bombardment, invasion, insurrection, riot, strikes, labor disturbances, sabotage, civil war or commotion, military or usurped power, any order of a civil authority made to prevent the spread of a conflagration, epidemic or catastrophe, vandalism or malicious mischief, and by explosion whether fire ensues or not, except explosion on risks specified in subsection 6 of this section, provided, however, that there may be insured hereunder the following:

a. Explosion of pressure vessels (not including steam boilers of more than fifteen pounds' pressure) in buildings designed and used solely for residential purposes by not more than four families;

b. Explosion of any kind originating outside of the insured building or outside of the building containing the property insured; and

c. Explosion of pressure vessels which do not contain steam or which are not operated with steam coils or steam jackets; and also against loss or damage by insects or disease to farm crops or products, and loss of rental value of land used in producing such crops or products; and against accidental injury to sprinklers, pumps, water pipes, elevator tanks and cylinders, steam pipes and radiators, plumbing and its fixtures, ventilating, refrigerating, heating, lighting or cooking apparatus, or their connections, or conduits or containers of any gas, fluid or other substance; and against loss or damage to property of the insured caused by the breakage or leakage thereof; or by water, hail, rain, sleet or snow seeping or entering through water pipes, leaks or openings in buildings; and against loss of and damage to glass, including lettering and ornamentation thereon, and against loss or damage caused by the breakage of glass; and against loss or damage caused by railroad equipment, motor vehicles, airplanes, seaplanes, dirigibles or other aircraft.

Loss by depreciation as herein referred to may include the cost of repair and replacement.

d. Risks under a multiple peril nonassessable policy reasonably related to the ownership, use or occupancy of a private dwelling or dwellings.

**Approved April 5, 1963.**

515.48, 5. a. Insure any person, his family or dependents, against bodily injury or death by accident, or against disability on account of sickness, or accident, including the granting of hospital, medical, surgical and sick care benefits, but such benefits shall not include the furnishing or replacing in kind of whole human blood or blood products of any kind; however, this provision shall not prohibit payments of indemnity for human blood or blood products. [C73,§1132; C97,§1709; C24, 27, 31, 35, 39,§8940; C46, 50, 54,§515.48; 56GA, ch 245,§2]

Approved May 3, 1963.

## CHAPTER 522

### LICENSING OF INSURANCE AGENTS

[*Revised Section 522.3, Code 1962, as amended by H. F. 132, Acts of 60th G.A.*]

**522.3 Issuance and revocation.** The commissioner shall require of each first-time applicant such reasonable proof of character and competency with respect to the type and kind of insurance the applicant proposes to sell as will protect public interest, before issuing such license and may, for good cause, after hearing held within sixty days from the date of application, decline to issue such license. Any license, whether it be a first-time or renewal license, may be suspended or revoked by the commissioner for good cause, after hearing. The commissioner is authorized and directed to establish and publish reasonable rules and regulations setting forth the required qualifications for such license. Competency for any applicant not previously licensed shall be established in accordance with the rules and regulations established by the commissioner as provided herein. The commissioner may issue a temporary license for a period of not to exceed six months and for such temporary license may waive the requirements established herein.

Nothing contained herein shall preclude the licensee from engaging in any other lawful business, occupation or profession. Nothing contained herein shall be applicable to duly licensed attorneys providing surety bonds incident to their practice or to persons selling transportation tickets of a common carrier of persons or property who shall act as such agents only as to transportation ticket policies of health and accident insurance or baggage insurance on personal effects.

The commissioner shall require of each first time applicant an application fee of five dollars. [S13,§1821-k; C24, 27, 31, 35, 39,§9121; C46, 50, 54,§522.3; 57GA, ch 248,§1]

Approved February 27, 1963.

# **SECTION II**

**NEW ACTS**

**CHAPTER 299 (Acts of 60th GA)**

## DOMESTIC INSURANCE COMPANIES

*Section 1. Chapter five hundred six (506,) Code 1962, is hereby repealed and the following substituted therefor:*

1. The commissioner of insurance shall promulgate such reasonable rules and regulations as he deems necessary to assure the proper operation of newly organized insurance companies but in no event shall he:

(a) require that more than twenty percent (20%) of the original capital and surplus of a stock corporation subject to the provisions of this chapter be invested by the organizers; or

(b) restrict the alienation of securities issued to organizers for a period of more than:

(1) five (5) years, or

(2) until the operation of the insurance company produces earned surplus for two (2) successive years.

2. Neither the securities in an insurance company, nor securities in a holding company, one of the purposes of which is to organize, purchase, or otherwise acquire control of an insurance company, nor membership in an association in process of organization shall be sold or solicited until such company or association, and the promoters thereof, shall have first complied with all of the statutory provisions regulating the organization of such companies and associations, and also have secured from the commissioner of insurance a certificate indicating full compliance with the provisions of this chapter.

3. Before the commissioner of insurance shall issue such certificate of compliance, he shall first be satisfied with the general plan of such organization and the character of the advertising to be used; he shall also see that all rules and regulations promulgated under this chapter have been complied with and fix the time within which such organization shall be completed; he shall also prescribe the method of keeping books and accounts of insurance companies and those of fiscal agents of corporations subject to the provisions of this chapter.

4. The maximum promotion expense which may be incurred shall in no case exceed fifteen percent (15%) of the par value of said stock, and no portion of such amount shall be used

in the payment of salaries for officers and directors before the issuance, by the commissioner of insurance, of authority to transact an insurance business. Any amount paid to the company for stock above the par value of the stock shall constitute a contributed surplus but no dividends shall be paid by the company except from the earned profits arising from their business, which shall not include contributed capital or contributed surplus.

5. The commissioner of insurance shall have power to regulate all other matters in connection with the organization of such domestic corporations, and the sale of stock or the issuing of certificates by all insurance corporations within the state, to the end that fraud may be prevented in the organization of such companies and the sale of their stocks and securities.

6. No company shall enter into any contract with any promoter, officer, director, or agent of the company or any other person to pay his expenses or to pay him any commission or any compensation for his services in promoting or organizing such company, or in selling its stock in excess of the amount authorized in subsection four (4), section one (1), of this Act; nor shall it contract with any such person to pay him any part of the premiums arising from the insurance it has written or may write as compensation, directly or indirectly, for aiding in the promotion or for aiding or effecting any consolidation of such company with any other company, without the approval of the commissioner of insurance.

7. Any person who violates any of the provisions of the preceding sections of this chapter, or who violates any order of the commissioner of insurance made by authority thereof, shall be guilty of a misdemeanor, and upon conviction thereof shall be punished by fine not to exceed one thousand dollars, and by imprisonment in the county jail not to exceed six (6) months.

8. Any person, association, or corporation who sells or aids in selling or causes to be sold any stock, certificate of membership, or evidence of interest in any such corporation or association, in violation of law, shall be personally liable to any person to whom he may have sold any stock or certificate of membership or evidence of interest, in an amount equal to the price paid therefor by such person with legal interest, and suit to recover the same may be brought by such purchasers, jointly or severally, in any court of competent jurisdiction.

9. Any person, corporation, or association aggrieved by any order made by the commissioner of insurance under the provisions of this chapter, may appeal to the district court at the

seat of government, by the service of a written notice of such appeal on the commissioner of insurance and attorney general. If such appeal is taken, the commissioner of insurance shall transmit the transcript of the proceedings had before him to such court, and the cause shall be docketed and tried as an equitable action.

10. No insurance company shall issue in this state, or permit its agents, officers, or employees to issue in this state its own stock, agency company stock or other stock or securities, or any special or advisory board or other contract of any kind promising returns and profits as an inducement to insurance.

No insurance company shall be authorized to do business in this state which issues or permits its agents, officers, or employees to issue in this state or in any other state or territory, agency company stock or other stock or securities, or any special advisory board or other contract of any kind promising returns and profits as an inducement to insurance.

No corporation or stock company, acting as an agent of an insurance company, or any of its agents, officers, or employees, shall be permitted to agree to sell, offer to sell, or give or offer to give, directly or indirectly, in any manner whatsoever, any share of stock, securities, bonds, or agreement of any form or nature, promising returns and profits as an inducement to insurance, or in connection therewith.

Nothing herein contained shall impair or affect in any manner any such contracts issued or made as an inducement to insurance prior to the enactment of this section, or prevent the payment of the dividends or returns therein stipulated to be paid.

It shall be the duty of the commissioner upon being satisfied that any insurance company, or any agent thereof, has violated any of the provisions of this section, to revoke the certificate of authority of the company or agent so offending.

11. Nothing contained in this chapter shall be construed to exempt any corporation from the requirements of chapter five hundred two (502) of the Code.

Approved May 6, 1963.

**(See also Department Ruling T6, this Supplement.)**

## **CHAPTER 302 (Acts of 60th GA)**

### **TRANSFER OF INSURANCE STOCK**

**Section 1.** When a controlling interest in two or more corporations, at least one of which is an insurance company



domiciled in this state, is held by any person, group of persons, firm, or corporation, no exchange of stock, transfer or sale of securities, or loan based upon securities of any such corporation shall take place between such corporations, or between such person, group of persons, firm or corporation and such corporations, without first securing the approval of the insurance commissioner. If, in the opinion of the insurance commissioner, such sale, transfer, exchange, or loan would be improper and would work to the detriment of any such insurance company, he shall have the power to prohibit the transaction. Any person, firm or corporate officer or director aiding such transaction carried out without approval of the insurance commissioner shall be deemed guilty of a felony and upon conviction punished as provided in section five hundred two point twenty-eight (502.28) of the Code.

**Section 2.** For purposes of the preceding section, controlling interest means actual control or the possession directly or indirectly of the power to direct or cause the direction of the management and policies of a firm, partnership, corporation, association, or trust, whether through the ownership of voting securities, by contract, or otherwise.

Approved April 29, 1963.

## CHAPTER 303 (Acts of 60th GA)

### SUBSIDIARIES OF LIFE INSURANCE COMPANIES

Chapter five hundred eight (508), Code 1962, is hereby amended by adding thereto the following new sections:

**Section 1.** Any life insurance company incorporated in this state may organize, or acquire by purchase, in whole or in part subsidiary insurance and investment companies in which it owns not less than fifty-one percent (51%) of the common stock, and notwithstanding any other provisions of this chapter inconsistent herewith may (1) invest funds from surplus for such purpose, (2) make loans to such subsidiaries, and (3) permit all or part of its officers and directors to serve as officers or directors of such subsidiary companies.

**Section 2.** Any subsidiary company shall be a separate and distinct company, with neither the organizing or acquiring life company or such subsidiary having any liability to the creditors, policyholders or stockholders, if any, of the other. The organizing or acquiring company may be either a mutual or stock company.

**Section 3.** Any such subsidiary company organized by any such life insurance company shall comply with all the laws of

the state of its incorporation pertaining to the organization and qualification to do business of its class or kind, and if incorporated outside of the State of Iowa shall be admitted to do business in this state only upon qualification under the laws of the State of Iowa relating to such foreign corporations.

Approved February 27, 1963.

### CHAPTER 304 (Acts of 60th GA)

#### NONFORFEITURE BENEFITS OF LIFE INSURANCE

Chapter five hundred eight (508), Code 1962, is hereby amended by adding thereto the following two sections:

**Section 1.** This section shall be known as the Standard Valuation Law.

1. The commissioner shall annually value, or cause to be valued, the reserve liabilities (hereinafter called reserves) for all outstanding life insurance policies and annuity and pure endowment contracts of every life insurance company doing business in this state, except that in the case of an alien company, such valuation shall be limited to its United States business, and may certify the amount of any such reserves, specifying the mortality table or tables, rate or rates of interest and methods (net level premium method or other) used in the calculation of such reserves. In calculating such reserves, he may use group methods and approximate averages for fractions of a year or otherwise. For the purpose of making such valuation the commissioner may employ a competent actuary who shall be paid by the company for which the service is rendered; but a domestic company may make such valuation and it shall be received by the commissioner upon satisfactory proof of its correctness. In lieu of the valuation of the reserves herein required of any foreign or alien company, the commissioner may accept any valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when such valuation complies with the minimum standard herein provided and if the official of such state or jurisdiction accepts as sufficient and valid for all legal purposes the certificate of valuation of the commissioner when such certificate states the valuation to have been made in a specified manner according to which the aggregate reserves would be at least as large as if they had been computed in the manner prescribed by the law of that state or jurisdiction.

Any such company which at any time shall have adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum stand-

ard herein provided may, with the approval of the commissioner, adopt any lower standard of valuation, but not lower than the minimum herein provided.

2. This subsection shall apply to only those policies and contracts issued prior to the operative date of section two (2) of this Act (the Standard Nonforfeiture Law).

The minimum standard of valuation for all policies of domestic life insurance companies shall be the Commissioners Reserve Valuation Method defined in paragraph "b" of subsection three (3) and the American Experience Table of Mortality and four and one-half percent interest or the Actuaries' (or Combined) Experience Table of Mortality and four percent interest.

Reserves for all such policies and contracts may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by this subsection.

3. This subsection shall apply to only those policies and contracts issued on or after the operative date of section two (2) of this Act (the Standard Nonforfeiture Law).

a. The minimum standard for the valuation of all such policies and contracts shall be the Commissioners Reserve Valuation Method defined in paragraph "b" of this subsection three (3), three and one-half percent interest, and the following tables:

(1) For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies—the Commissioners 1958 Standard Ordinary Mortality Table, provided that for any category of such policies issued on female risks all modified net premiums and present values referred to in this subsection three (3) may be calculated according to an age not more than three years younger than the actual age of the insured.

(2) For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies—the 1941 Standard Industrial Mortality Table; provided, however, that the Commissioners 1961 Standard Industrial Mortality Table shall be the table for the minimum standard when said table becomes applicable under the Standard Nonforfeiture Law in accordance with subsection five (5) of section two (2) of this Act.

(3) For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies—the 1937 Standard Annuity Mortality Table

or, at the option of the company, the Annuity Mortality Table for 1949, Ultimate, or any modification of either of these tables approved by the commissioner.

(4) For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies—the Group Annuity Mortality Table for 1951, any modification of such table approved by the commissioner, or, at the option of the company, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts.

(5) For total and permanent disability benefits in or supplementary to ordinary policies or contracts—the tables of "Period 2" disablement rates and the 1930 to 1950 termination rates of the 1952 Disability Study of the Society of Actuaries, with due regard to the type of benefit. Such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(6) For accidental death benefits in or supplementary to policies—the 1959 Accidental Death Benefits Table combined with a mortality table permitted for calculating the reserves for life insurance policies.

(7) For group life insurance, life insurance issued on the substandard basis and other special benefits—such tables as may be approved by the commissioner.

b. Reserves according to the Commissioners Reserve Valuation Method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of (x) over (y), as follows:

(x) A net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one per annum payable on the first and each subsequent anniversary of such policy on which a premium falls due; provided, however, that such net level annual premium shall not exceed the net level annual premium on the nineteen year premium whole life plan for insurance of

the same amount at an age one year higher than the age at issue of such policy.

(y) A net one year term premium for such benefits provided for in the first policy year.

Reserves according to the Commissioners Reserve Valuation Method for (a) life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums, (b) annuity and pure endowment contracts, (c) disability and accidental death benefits in all policies and contracts, and (d) all other benefits, except life insurance and endowment benefits in life insurance policies, shall be calculated by a method consistent with the principles of this paragraph "b", except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums.

c. In no event shall a company's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, be less than the aggregate reserves calculated in accordance with the method set forth in paragraph "b" above and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

d. Reserves for any category of policies, contracts or benefits as established by the commissioner, may be calculated at the option of the company according to any standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided. Provided, however, that reserves for participating life insurance policies may, with the consent of the commissioner, be calculated according to a rate of interest lower than the rate of interest used in calculating the nonforfeiture benefits in such policies, with the further proviso that if such lower rate differs from the rate used in the calculation of the nonforfeiture benefits by more than one-half percent the company issuing such policies shall file with the commissioner a plan providing for such equitable increase, if any, in the cash surrender values and nonforfeiture benefits in such policies as the commissioner shall approve.

e. If the gross premium charged by any life insurance company on any policy or contract is less than the net premium for the policy or contract according to the mortality table, rate of interest and method used in calculating the reserve thereon, there shall be maintained on such policy or contract a deficiency reserve in addition to all other reserves required by law. For each such policy or contract the deficiency reserve shall be the present value, according to such standard, of an annuity of the difference between such net premium and the premium charged for such policy or contract, running for the remainder of the premium-paying period.

Sec. 2. This section shall be known as the Standard Non-forfeiture Law.

1. In the case of policies issued on or after the operative date of this section as defined in subsection eight (8), no policy of life insurance, except as stated in subsection seven (7), shall be issued or delivered in this state unless it shall contain in substance the following provisions, or corresponding provisions which in the opinion of the commissioner are at least as favorable to the defaulting or surrendering policyholder.

a. That, in the event of default in any premium payment, the company will grant, upon proper request not later than sixty days after the due date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of such due date, of such value as may be hereinafter specified.

b. That, upon surrender of the policy within sixty days after the due date of any premium payment in default after premiums have been paid for at least three full years in the case of ordinary insurance or five full years in the case of industrial insurance, the company will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value of such amount as may be hereinafter specified.

c. That a specified paid-up nonforfeiture benefit shall become effective as specified in the policy unless the person entitled to make such election elects another available option not later than sixty days after the due date of the premium in default.

d. That, if the policy shall have become paid-up by completion of all premium payments or if it is continued under any paid-up nonforfeiture benefit which became effective on or after the third policy anniversary in the case of ordinary insurance or the fifth policy anniversary in the case of industrial insurance, the company will pay, upon surrender of the policy within thirty days after any policy anniversary, a cash surrender value of such amount as may be hereinafter specified.

e. A statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture benefits available under the policy, together with a table showing the cash surrender value, if any, and paid-up nonforfeiture benefit, if any, available under the policy on each policy anniversary, either during the first twenty policy years or during the term of the policy, whichever is shorter, such values and benefits to be calculated upon the assumption that there are no dividends or paid-up additions credited to the policy and that there is no indebtedness to the company on the policy.

f. A statement that the cash surrender values and the paid-up nonforfeiture benefits available under the policy are not less than the minimum values and benefits required by or pursuant to the insurance law of the state in which the policy is delivered; an explanation of the manner in which the cash surrender values and the paid-up nonforfeiture benefits are altered by the existence of any paid-up additions credited to the policy or any indebtedness to the company on the policy; if a detailed statement of the method of computation of the values and benefits shown in the policy is not stated therein, a statement that such method of computation has been filed with the insurance supervisory official of the state in which the policy is delivered; and a statement of the method to be used in calculating the cash surrender value and paid-up nonforfeiture benefit available under the policy on any policy anniversary beyond the last anniversary for which such values and benefits are consecutively shown in the policy.

2. Any of the provisions or portions thereof set forth in subsection one (1) which are not applicable by reason of the plan of insurance may, to the extent inapplicable, be omitted from the policy. The company shall reserve the right to defer the payment of any cash surrender value for a period of six months after demand therefor with surrender of the policy.

3. Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary, whether or not required by subsection one (1), shall be an amount not less than the excess, if any, of the present value, on such anniversary, of the future guaranteed benefits which would have been provided for by the policy, including any existing paid-up additions, if there had been no default, over the sum of (a) the then present value of the adjusted premiums as defined in subsection five (5), corresponding to premiums which would have fallen due on and after such anniversary, and (b) the amount of any indebtedness to the company on the policy. Any cash surrender value available within thirty days after any policy anniversary under any policy paid-up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefit, whether or not required by subsection one (1), shall be an amount not less than the present value, on such anniversary, of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the company on the policy.

4. Any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment due on any policy anniversary shall be such that its present value as of such anniversary shall be at least equal to the cash surren-

der value then provided for by the policy or, if none is provided for, that cash surrender value which would have been required by this section in the absence of the condition that premiums shall have been paid for at least a specified period.

5. Except as provided in the third paragraph of this subsection, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding any extra premiums charged because of impairments or special hazards, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of (a) the then present value of the future guaranteed benefits provided for by the policy; (b) two percent of the amount of the insurance, if the insurance be uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with duration of the policy; (c) forty percent of the adjusted premium for the first policy year; (d) twenty-five percent of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less. Provided, however, that in applying the percentages specified in (c) and (d) above, no adjusted premium shall be deemed to exceed four percent of the amount of insurance or uniform amount equivalent thereto. The date of issue of a policy for the purpose of this subsection five (5) shall be the date as of which the rated age of the insured is determined.

In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount thereof for the purpose of this subsection five (5) shall be deemed to be the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for the same term, the amount of which does not vary with duration and the benefits under which have the same present value at the date of issue as the benefits under the policy, provided, however, that in the case of a policy providing a varying amount of insurance issued on the life of a child under age ten, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age ten were the amount provided by such policy at age ten.

The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision shall be equal to (a) the adjusted premiums for an otherwise similar policy issued at the same age without such term insurance



benefits, increased during the period for which premiums for such term insurance benefits are payable, by (b) the adjusted premiums for such term insurance, the foregoing items (a) and (b) being calculated separately and as specified in the first two paragraphs of this subsection except that, for the purposes of (b), (c) and (d) of the first paragraph of this subsection, the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in (b) of this paragraph shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in (a) of this paragraph.

All adjusted premiums and present values referred to in this section shall for all policies of ordinary insurance be calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table, provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than three years younger than the actual age of the insured. Such calculations for all policies of industrial insurance shall be made on the basis of the 1941 Standard Industrial Mortality Table; provided, however, that any company may file with the commissioner a written notice of its election that such adjusted premiums and present values shall be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table, after a specified date before January 1, 1968; provided, further, that, whether or not any election has been made, such Commissioners 1961 Standard Industrial Mortality Table shall be the basis for such calculations as to all policies of industrial insurance issued on or after January 1, 1968. All calculations shall be made on the basis of the rate of interest, not exceeding three and one-half percent per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits; provided, however, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed in the case of policies of ordinary insurance, may be not more than those shown in the Commissioners 1958 Extended Term Insurance Table, and, in the case of policies of industrial insurance, may be not more than one hundred thirty percent of the rates of mortality according to the 1941 Standard Industrial Mortality Table, except that when the Commissioners 1961 Standard Industrial Mortality Table becomes applicable, as hereinbefore provided, such rates of mortality assumed may be not more than those shown in the Commissioners 1961 Industrial Extended Term Insurance Table, provided, further, that for insurance issued on a substandard basis, the calculation of any such adjusted premiums

and present values may be based on such other table of mortality as may be specified by the company and approved by the commissioner.

6. Any cash surrender value and any paid-up nonforfeiture benefit, available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in subsections three (3), four (4) and five (5) may be calculated upon the assumption that any death benefit is payable at the end of the policy year of death. The net value of any paid-up additions, other than paid-up term additions, shall be not less than the dividends used to provide such additions. Notwithstanding the provisions of subsection three (3) above, additional benefits payable (a) in the event of death or dismemberment by accident or accidental means, (b) in the event of total and permanent disability, (c) as reversionary annuity or deferred reversionary annuity benefits, (d) as term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this section would not apply, (e) as term insurance on the life of a child or on the lives of children provided in a policy on the life of a parent of the child, if such term insurance expires before the child's age is twenty-six, is uniform in amount after the child's age is one, and has not become paid-up by reason of the death of a parent of the child, and (f) as other policy benefits additional to life insurance and endowment benefits, and premiums for all such additional benefits, shall be disregarded as ascertaining cash surrender values and nonforfeiture benefits required by this section, and no such additional benefits shall be required to be included in any paid-up nonforfeiture benefits.

7. This section shall not apply to any reinsurance, group insurance, pure endowment, annuity or reversionary annuity contract, nor to any term policy of uniform amount, or renewal thereof, of fifteen years or less expiring before age sixty-six, for which uniform premiums are payable during the entire term of the policy, nor to any term policy of decreasing amount on which each adjusted premium, calculated as specified in subsection five (5) above, is less than the adjusted premium so calculated, on such fifteen year term policy issued at the same age and for the same initial amount of insurance, nor to any policy which shall be delivered outside this state through an agent or other representative of the company issuing the policy.

8. After the effective date of this Act, any company may file with the commissioner a written notice of its election to

comply with the provisions of this section after a specified date before January 1, 1966. After the filing of such notice, then upon such specified date (which shall be the operative date of this section for such company), this section shall become operative with respect to the policies thereafter issued by such company. If a company makes no such election, the operative date of this section for such company shall be January 1, 1966.

**Section 3.** Section five hundred eight point twelve (508.12), Code 1962, is hereby repealed.

Approved April 15, 1963.

### CHAPTER 307 (Acts of 60th GA)

#### UNAUTHORIZED INSURORS OTHER THAN LIFE

*Section 1. Chapter five hundred fifteen (515), Code 1962, is hereby amended by adding thereto the following sections:*

1. Nothing contained in this chapter shall be construed to prevent a licensed resident agent of this state from procuring insurance in certain unauthorized insurers providing that such insurance is restricted to the type and kind of insurance authorized by this chapter and the agent makes oath to the commissioner of insurance in such form as is prescribed by the commissioner that the agent has made diligent effort to place said insurance in authorized insurers and has either exhausted the capacity of all authorized insurers or has been unable to obtain the desired insurance in insurers licensed to transact business in this state. The procuring of any such contracts of insurance in unauthorized insurers makes such insurers liable for, and the agent shall pay, the taxes on such premiums as if such insurer were duly authorized to transact business in the state. A sworn report of all business transacted by agents of this state in such unauthorized insurers shall be made to the commissioner of insurance on or before March 1st of each year for the preceding calendar year, on such form as the commissioner of insurance may require; such report shall be accompanied by a remittance to cover the taxes thereon. Any agent who makes the oath as above provided, pays the taxes on the premiums and files the report above provided, shall not be deemed to have written such contracts of insurance unlawfully, and such agent shall not be personally liable for such contracts.

2. No agent shall knowingly place insurance, either directly or through an intermediary broker, in insurers who are insolvent or unsound financially; and in no event shall an agent place or renew any insurance with unauthorized insurers found

by the commissioner of insurance to have failed or refused to furnish in such manner as is provided in the following section, information reasonably showing the ability or willingness of such insurers to satisfy obligations undertaken with respect to insurance issued by them.

3. The information required of non-admitted insurers under the preceding paragraph may consist of a copy of such insurer's current annual statement, duly verified, or evidence of any trust funds or deposits maintained by such insurers for the protection of their policyholders, or both, or other material of such general description and relevancy, as the commissioner may require. Such information shall be furnished at the sole cost and expense of the unauthorized insurers either to the commissioner directly, or furnished to the National Association of Insurance Commissioners for the use of its members and their staffs, including the commissioner of insurance of this state and his staff, or for dissemination to him by the Central Non-admitted Insurers Information Bureau of the said association or by any other agency or instrumentality of that association designed to receive and disseminate such information. The provisions of this Act shall not apply to insurance of vessels, craft or hulls, cargoes, marine builder's risk, marine protection and indemnity or other risk including strikes and war risks commonly insured under ocean or wet marine forms of policy.

4. The commissioner of insurance shall promulgate such rules as are reasonable and necessary to regulate the placement of insurance in unauthorized insurers.

Approved April 25, 1963.

(See also Departmental Ruling T4, this Supplement.)

## CHAPTER 308 (Acts of 60th GA)

### MORTGAGE GUARANTY INSURANCE

**Section 1.** "Mortgage guaranty insurance" means insurance against financial loss by reason of nonpayment of principal, interest and other sums agreed to be paid under the terms of any note or bond or other evidence of indebtedness secured by a mortgage, deed or trust or other instrument constituting a lien or charge on real estate.

**Section 2.** Eligibility for mortgage guaranty insurers shall be as follows:

(1) An insurer, in order to qualify for writing mortgage guaranty insurance, must have the same surplus to policyhold-

ers as that required of a multiple line company by section five hundred fifteen point forty-nine subsection eight [515.49(8)] of the Code.

(2) An insurer transacting any class of insurance other than mortgage guaranty insurance is not eligible for the issuance of a certificate of authority to transact mortgage guaranty insurance in this state, nor the renewal thereof.

(3) A foreign or alien insurer writing mortgage guaranty insurance shall not be eligible for the issuance of a certificate of authority in Iowa unless it has demonstrated a satisfactory operating experience in its state of domicile.

**Section 3.** The unearned premium reserve shall be computed in accordance with section five hundred fifteen point forty-seven (515.47) of the Code, except that all premiums on risks written for one year or less must be reserved on a monthly pro rata basis, and the reserve for those policies covering a risk period of more than five years shall be computed in accordance with formulae filed by the insurer and approved by the commissioner of insurance.

**Section 4.** For the protection of the people of this state and for the purpose of protecting against the effect of adverse economic cycles, the company shall establish a contingency reserve which shall be maintained for one hundred eighty (180) months. To provide for this, the company shall annually contribute fifty percent (50%) of the earned premiums to this reserve. The earned premiums so reserved may be released, annually, after the specified time of one hundred eighty (180) months has elapsed. However, subject to the approval of the commissioner, this reserve may be available only for loss payments, when the loss ratio (incurred losses to premiums earned) exceeds twenty percent (20%). This amount so used shall reduce the next subsequent annual release to surplus from the established contingency reserve.

**Section 5.** A mortgage guaranty insurer shall not at any time have outstanding a total liability, net of reinsurance, in excess of twenty-five (25) times its capital, unassigned funds and contingency reserve. It shall not insure loans secured by properties in a single housing tract or a contiguous tract (not separated by more than one-half ( $\frac{1}{2}$ ) mile in excess of ten percent (10%) of its capital, unassigned funds and contingency reserve. Coverage may be provided only if the improvement on such real estate is a residential building or buildings designed for occupancy by not more than four families.

**Section 6.** The case basis method shall be used to determine the loss reserves, which shall include a reserve for claims

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reported and unpaid and a reserve for claims incurred but not reported.

**Section 7.** Mortgage guaranty insurance shall be subject to the provisions of chapter five hundred fifteen A (515A) of the Code, for the purposes of rate making.

**Section 8.** All policy forms and endorsements shall be filed with and be subject to the approval of the commissioner of insurance. With respect to owner-occupied single family dwellings, the mortgage insurance policy shall provide that the borrower shall not be liable to the insurance company for any deficiency arising from a foreclosure sale.

**Section 9.** No bank, savings and loan association, insurance company or other lending institution, any of whose authorized real estate securities are insured by mortgage guaranty insurance companies may state in any brochure, pamphlet, report or any form of advertising that the real estate loans of the bank, savings and loan association, insurance company or other lending institution are "insured loans" unless the brochure, pamphlet, report or advertising also clearly states that the loans are insured by private insurers and the names of the private insurers are given and shall not make any such statement at all unless such insurance is by an insurer authorized to write this coverage in this state.

**Section 10.** All companies writing insurance as authorized by this chapter shall, in addition to the provisions herein, comply with and be subject to all of the provisions of chapter five hundred fifteen (515) of the Code not inconsistent herewith.

Approved April 26, 1963.

**(See also Departmental Ruling T7, this Supplement.)**

## CHAPTER 326 (Acts of 60th GA)

### PROBATE CODE

**Section 333. Proceeds of insurance.** The avails of any life or accident insurance, or other sum of money made payable to the decedent's estate by any mutual aid or benevolent society upon the death or disability of a member thereof, are not subject to the debts of the decedent, except by contract or by express provision in the will, and shall be disposed of like other property left by the decedent.

**Section 334. Surviving spouse included as "heir".** The words "heirs" and "legal heirs", and other equivalent words used to designate the beneficiaries in any life insurance policy

or certificate of membership in any mutual aid or benevolent association, where no contrary intention is expressed in such instrument, shall be construed to include the surviving husband or wife of the insured.

**Section 335. Share of survivor.** The share of such survivor in the proceeds of such policy or certificate made payable as aforesaid shall be the same as that provided by law for the distribution of the personal property of intestates.

**Section 526. Insurance policies.** Where the insured and the beneficiary in a policy of life or accident insurance have died, and there is no sufficient evidence that they have died otherwise than simultaneously, the proceeds of the policy shall be distributed as if the insured had survived the beneficiary.

**Section 536. Insurance beneficiary feloniously causing death.** No beneficiary of any policy of insurance or certificate of membership issued by any benevolent association or organization, payable upon the death or disability of any person, who feloniously takes or causes or procures to be taken the life upon which such policy or certificate is issued, or who feloniously causes or procures a disability of such person, shall take the proceeds of such policy or certificate.

**Section 537. Distribution to other heirs or insured.** In every instance mentioned in sections five hundred thirty-five (535) and five hundred thirty-six (536), all benefits that would accrue to any such person upon the death or disability of the person whose life is thus taken or who is thus disabled shall be distributed to the other persons who would take under the will of the decedent or according to the rules of intestate succession, as the case may be.

# **SECTION III**

## **DEPARTMENTAL RULINGS**



**Ruling T4**

## INSURANCE DEPARTMENT OF IOWA

*Implementing the provisions of House File 222**Acts of the 60th General Assembly*

Pursuant to the authority granted in House File 222, Acts of the 60th General Assembly, the following rules are promulgated, effective September 1, 1963, for the placement of insurance in unauthorized insurance carriers by licensed Iowa insurance agents:

**1.1(515) Affidavit required.** Within 30 days subsequent to the effective date of coverage on property in this state placed in unlicensed insurers, the agent shall file with the Commissioner of Insurance a sworn statement on Form No. SL163, a copy of which is attached hereto and by reference made a part hereof. Copies of Form No. SL163 are available in the office of the Insurance Commissioner and will be forwarded upon receipt of a request therefor from a qualified licensed insurance agent.

**1.2(515) Evidence of coverage.** Each agent placing coverage in unlicensed insurers shall deliver to the purchaser written evidence of the coverage listing the names and addresses of the insurers providing coverages and their relative participation in the risk. Said evidence shall plainly state on its face that the coverage is placed pursuant to House File 222, Acts of the 60th General Assembly, and that it is placed with an insurer or insurers not licensed to transact an insurance business in Iowa.

**1.3(515) Escrow of taxes.** Each agent placing coverage in unauthorized insurers shall maintain a separate bank account in which all sums due the State of Iowa in the form of taxes on unauthorized insurance premiums shall be held. Failure to establish and maintain such accounts shall be deemed grounds for the revocation of all licenses held by said agent under the provisions of Chapter 522, Code of Iowa.

**1.4(515) Annual report.** On or before March 1 of each year, every agent who has placed insurance in unauthorized insurers during the preceding calendar year shall file with the Commissioner of Insurance a sworn report of all such business written during the preceding calendar year. Said report shall be accompanied by a remittance to cover the taxes due on said business and shall be filed on Form No. SL263, a copy of which is attached hereto, and by reference made a part hereof. Failure to file said return or pay the taxes imposed by House File

222, Acts of the 60th General Assembly, will be deemed grounds for the revocation of all licenses issued to the violator by the Insurance Department.

**1.5(515) Prohibited insurers.** From time to time the Commissioner of Insurance shall add the name or names of insurers in which it shall be unlawful to place business to a list contemplated by Subsection 2, Section 1, of House File 222, Acts of the 60th General Assembly. The names of said insurers shall be added by posting them in a conspicuous place in the office of the Insurance Department and by such other methods as in the opinion of the Insurance Commissioner will give all qualified agents in Iowa actual notice of his actions.

These rules are intended to implement Section 4 of House File 222, Acts of the 60th General Assembly.

These rules shall become effective on September 1, 1963, as provided in Chapter 17A of the Code after filing in the office of the Secretary of State upon approval by the Departmental Rules Review Committee.

(Approved and adopted July 30, 1963)

### **Ruling T5**

#### **INSURANCE DEPARTMENT OF IOWA**

##### *Implementing Section 508.28 Code 1962*

Pursuant to the authority granted in Section 508.25, Code of 1962, the following rules are adopted:

**1.1(508) Purpose.** In the best interest of the citizens of Iowa and to maintain a fair and honest life insurance market, certain types of life policy forms and certain policy provisions shall be either prohibited, altered or clarified as set out herein.

**1.2(508) Scope.** These rules shall apply to all insurance policies issued by insurance companies holding a certificate of authority under the provisions of Chapter 508 Code of Iowa.

**1.3(508) Definitions.** Certain life insurance policy forms and provisions referred to herein shall have the following meaning:

**1.3(1) Founders policy.** The term or name assigned to a policy of insurance offered to the public by a newly organized stock life insurance company, issued on a participating basis with the representations that the purchasers will share preferentially in the future divisible surplus earnings of the company arising from all classes of business, both participating and non-participating, and all plans of insurance.

**1.3(2) Profit-sharing policy.** It is any policy form which contains provisions or is represented in such a way that the policyholder will be eligible to preferentially participate in any future distribution of general corporate profits.

**1.3(3) Coupon policy.** It is any policy or contract of life insurance, other than annuity, which contains in addition to basic life insurance benefits a series of annual pure endowment benefits evidenced in the policy contract by a series of coupons each of which matures on the maturation date of an annual pure endowment. For the purposes of these rules, policies containing annual pure endowments evidenced by coupons, pass books, or other devices generally acquainted with savings, banking, or investment institutions, shall be considered coupon policies.

**1.3(4) Pure endowment benefit.** It is a guaranteed insurance benefit, actuarially determined, the payment of which is contingent upon the survival of the insured to a specific point in time.

**1.4(508) Prohibitions, regulations and disclosure requirements.** In accordance with the purpose expressed in Section 1.1(508) of this rule and in conjunction with the intent of Section 508.28 of the Code, the use of certain types of policy forms and policy provisions shall be subject to the following prohibitions and regulations:

**1.4(1) Policy names.** Any insurance policy labeled or described as a founders, charter, or coupon policy or names of similar connotation, shall not be approved for use in this State on or after the effective date of these rules, and furthermore no policies so named or labeled heretofore approved shall be issued or delivered in this state on or after March 1, 1964.

**1.4(2) Founders policy.** No founders policy as herein defined shall be approved for use in this state on or after the effective date of these rules, and furthermore, no founders policy as herein defined, heretofore approved shall be issued or delivered in this state on or after March 1, 1964.

**1.4(3) Profit-sharing policy.** No profit-sharing policy shall be approved for use in this State on or after the effective date of these rules, and furthermore no profit-sharing policy heretofore approved shall be issued or delivered in this State on or after March 1, 1964. This subsection does not intend to restrict or prohibit the sale in this State of any participating life insurance policy where the dividend or abatement or premium is derived solely from the profits of that class of participating business.

**1.4(4) Coupon policy.** No coupon policy shall be approved or issued in this State after the effective date of these rules, and furthermore no coupon policy heretofore approved shall be issued or delivered in this State on or after March 1, 1964.

**1.4(5) Guaranteed pure endowment benefits.** No policy containing a series of guaranteed pure endowment benefits shall be approved for use after the effective date of these rules unless it meets the following requirements:

a. The gross premium charged for this benefit shall be separately stated in a size and style of type equal in prominence to that stating the gross premium for the other benefits contained in the policy.

b. The payment of any guaranteed pure endowment benefit shall not be made contingent upon the payment of premiums falling due on or after the time the pure endowment benefit has matured.

c. The amount of the guaranteed series of pure endowment benefits shall be expressed in dollar amounts and shall not be presented or defined, either in the policy or any sales and advertising material, as a "percentage" of any of the premiums or benefits contained therein.

d. No participating policy shall include as part of its benefits a guaranteed pure endowment benefit.

e. The language and terminology of the policy or any of the sales and advertising materials used in connection with any policy which has a series of pure endowment benefits therein, shall not purport to represent the pure endowment benefit of the policy to be anything other than a guaranteed insurance benefit for which a premium is being paid by the policyholder.

These rules are intended to implement Section 508.28 Code 1962.

These rules shall become effective on December 28, 1963, as provided in Chapter 17A of the Code, as repealed and re-enacted by the 60th General Assembly, after filing in the office of the Secretary of State and upon approval by the Departmental Rules Review Committee.

**(Approved November 12, 1963, effective December 28, 1963)**

**Ruling T6**

## DEPARTMENT OF INSURANCE

## STATE OF IOWA

*Implementing the provisions of Senate File 445 as amended by Senate File 473, Acts of the 60th General Assembly*

Pursuant to authority granted in Senate File 445 as amended by Senate File 473, Acts of the 60th General Assembly, the following rules are adopted:

**1.1(506) Definitions.**

**1.1(1) Promoters.** Promoters shall mean any incorporator, organizer, founder or other person or corporation who, acting alone or in concert with other persons, is initiating or directing, or has within one year initiated or directed, the organization of a new insurance company.

**1.1(2) Public monies.** Public monies shall mean the price paid by persons other than promoters for securities.

**1.2(506) Promoters' contributions.** Promoters shall invest of their own funds at least 20% of the proposed issue in cash. If something other than cash is contemplated to meet the requirements of this rule, it shall be valued by the Commissioner of Insurance in accordance with the provisions of Section 492.7 of the 1962 Code of Iowa.

**1.3(506) Escrow.** All public monies shall be escrowed 100% until the issue is sold unless sooner released by written order of the Commissioner of Insurance; in the event the issue is not completely sold, all expenses incurred in corporate organization, sale of securities, and cost of liquidation shall be paid from funds acquired from promoters.

**1.4(506) Alienation.** In the event of a public offering, no securities held by promoters shall, for a three year period from the date of acquisition, be alienated or hypothicated (except by operation of law) unless the operation of the insurance company produces earned surplus for two consecutive years.

**1.5(506) Sales to promoters.** In the event of a public offering, no securities shall be acquired by promoters at less than the public offering price.

**1.6(506) Options.** In the event of a public offering, stock options or warrants acquired by promoters shall not exceed 10% of the issue.

**1.7(506) Qualifications of management.** The general plan of organization as contemplated in paragraph three of Senate

File 445 as amended by Senate File 473, Acts of the 60th General Assembly, shall include proposed management personnel with biographical sketches, including state of residence and complete insurance experience of each.

**1.8(506) Chief executive.** The chief executive officer of a newly organized insurance company shall be a bona fide resident of Iowa and unless removed for cause and while acting in this capacity shall devote his entire time to such duties unless this requirement is specifically waived by written order of the Commissioner of Insurance. For purposes of this rule, a newly organized insurance company shall be deemed to be a company in existence for three years or less.

**1.9(506) Directors.** The majority of the directors shall be bona fide residents of the State of Iowa unless specifically waived by written permission of the Commissioner of Insurance.

These rules are intended to implement Subparagraph 1, Section 1, of Senate File 445, Acts of the 60th General Assembly.

These rules shall become effective on December 28, 1963 as provided in Chapter 17A of the Code after filing in the office of the Secretary of State upon approval by the Departmental Rules Review Committee.

**(Approved November 12, 1963, effective December 28, 1963)**

**Ruling T7**

## INSURANCE DEPARTMENT OF IOWA

*Unearned Premium Reserves On Mortgage Guaranty Insurance Policies*

Pursuant to authority granted in House File 319, Acts of the 60th General Assembly, the following rules are adopted:

**2.1(515) Unearned premium reserve factors.** In the case of premiums paid in advance on 10 year policies, mortgage guaranty insurers shall apply the following annual factors or comparable monthly factors in determining the unearned premium reserve:

Years policy is in force	Unearned premium factor	Years policy is in force	Unearned premium factor
1	81.8	6	18.2
2	65.5	7	10.9
3	50.9	8	5.5
4	38.2	9	1.8
5	27.3	10	—0—

**2.2(515) Contingency reserve.** From the premium remaining after applying the appropriate factor from the table in 2.1(515) above, there shall be maintained a contingency reserve as prescribed in Section 4, House File 319, Acts of the 60th General Assembly.

These rules are intended to implement Section 3 of House File 319, Acts of the 60th General Assembly.

These rules shall become effective on December 28, 1963, as provided in Chapter 17A of the Code after filing in the office of the Secretary of State upon approval by the Departmental Rules Review Committee.

(Approved November 12, 1963, effective December 28, 1963)

