

January 24, 1951.
Banks, Building and Loan.

House File 194
By KOSEK, LUDWIG, SCHROEDER,
McNEAL, SLOANE, (Bekman,
McCarville, Mercer, Zastrow).

Passed House, Date

Vote: Ayes..... Nays.....

Passed Senate, Date

Vote: Ayes..... Nays.....

Approved

A BILL FOR

An Act to amend section five hundred eleven point eight (511.8), Code 1950, relating to the investment of funds of life insurance companies and associations, to authorize investment in obligations issued, assumed or guaranteed by International Bank for Reconstruction and Development.

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

- 1 Section 1. Section five hundred eleven point eight
- 2 (511.8), Code 1950, is amended by adding thereto immediately
- 3 after subsection three (3), the following new subsection:
- 4 "Bonds or other evidences of indebtedness issued,
- 5 assumed, or guaranteed by the International Bank for
- 6 Reconstruction and Development."

EXPLANATION OF H. F. 194

This bill authorizes insurance companies to invest legal reserves in Iowa, in bonds of the International Bank for Reconstruction and Development, sometimes known as the World Bank.

The bank is an institution whose stockholders are the governments of 48 nations, including United States which owns 32 per cent of the stock. Its business is the lending of money to private and government enterprises for productive purposes upon projects which can qualify as being sound, business productive enterprises from a banking standpoint such as electric power developments, agriculture, industrial plants, railroads and steamships. Loans are guaranteed by the government of the borrower if it is a private enterprise.

The bonds which are the subject of this legislation are backed 1) by the productive soundness of the individual projects, which is carefully investigated; 2) by the government guarantee of the borrower's country; 3) by stock subscriptions of the member governments to the extent of 80 per cent of their total subscriptions (in the case of the United States this amounts to about 2.5 billion dollars); 4) by reserves which

are set up out of earnings of the bank and which now after 5 years' operation amount to about \$14,000,000.00 (fourteen million dollars). This comes from a 1 per cent charge to the borrowers similar to an F.H.A. insurance charge.

The bank has made a profit on its operations and the bonds carry "A" and "A-1" ratings by the recognized bond rating services. The bonds may now be purchased by insurance companies for their reserves in 39 states, including all important insurance states except Iowa.

The text of the bill adds one category of investments to the present law which includes government, municipal, state, railroad, industrial bonds, and certain stocks.

It is understood that insurance companies in other states are holders of these bonds, and that Iowa companies are favorable to the legislation and it is on the list recommended by the Council of State Governments. It is understood that the Iowa Insurance Department has no objection to the authorization as contained in the bills.

There are two bills; one for *life* and the other for *non-life* companies.