

April 10, 1963.
Passed on File. *on calendar 4/10*

Senate File 445
By INSURANCE COMMITTEE.

Passed Senate, Date *4-19-63*

Passed House, Date *4-29-63*

Vote: Ayes *48* Nays *0*

Vote: Ayes *98* Nays *0*

Approved *May 6, 1963*

Defting Committee 4/27

A BILL FOR

An Act relating to the organization of domestic insurance companies.

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

- 1 Section 1. Chapter five hundred six (506), Code 1962, is
- 2 hereby repealed and the following substituted therefor:
- 3 "1. The commissioner of insurance shall promulgate such
- 4 reasonable rules and regulations as he deems necessary to assure
- 5 the proper operation of newly organized insurance companies but
- 6 in no event shall he:
- 7 (a) require that more than twenty percent (20%) of the
- 8 original capital and surplus of a stock corporation subject to
- 9 the provisions of this chapter be invested by the organizers; or
- 10 (b) restrict the alienation of securities issued to organizers
- 11 for a period of more than:
- 12 (1) five (5) years, or
- 13 (2) until the operation of the insurance company produces
- 14 earned surplus for two (2) successive years.
- 15 "2. Neither the securities in an insurance company, nor
- 16 securities in a holding company, one of the purposes of which is
- 17 to organize, purchase, or otherwise acquire control of an
- 18 insurance company, nor membership in an association in process of
- 19 organization shall be sold or solicited until such company or
- 20 association, and the promoters thereof, shall have first complied

21 with all of the statutory provisions regulating the organization
22 of such companies and associations, and also have secured from
23 the commissioner of insurance a certificate indicating full
24 compliance with the provisions of this chapter.

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

34 "4. The maximum promotion expense which may be incurred shall
35 in no case exceed fifteen percent (15%) of the par value of said
36 stock, and no portion of such amount shall be used in the payment
37 of salaries for officers and directors before the issuance, by
38 the commissioner of insurance, of authority to transact an
39 insurance business. Any amount paid to the company for stock
40 above the par value of the stock shall constitute a contributed
41 surplus but no dividends shall be paid by the company except from
42 the earned profits arising from their business, which shall not
43 include contributed capital or contributed surplus.

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

50 "6. No company shall enter into any contract with any
51 promoter, officer, director, or agent of the company or any other
52 person to pay his expenses or to pay him any commission or any
53 compensation for his services in promoting or organizing such
54 company, or in selling its stock in excess of the amount
55 authorized in section five hundred six point three (506.3) of the
56 Code; nor shall it contract with any such person to pay him any
57 part of the premiums arising from the insurance it has written or
58 may write as compensation, directly or indirectly, for aiding in
59 the promotion or for aiding or effecting any consolidation of such
60 company with any other company, without the approval of the
61 commissioner of insurance.

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

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

77 "9. Any person corporation, or association aggrieved by any
78 order made by the commissioner of insurance under the provisions

79 of this chapter, may appeal to the district court at the seat of
80 government, by the service of a written notice of such appeal on
81 the commissioner of insurance and attorney general. If such
82 appeal is taken, the commissioner of insurance shall transmit the
83 transcript of the proceedings had before him to such court, and
84 the cause shall be docketed and tried as an equitable action.

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

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

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

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

107 It shall be the duty of the commissioner upon being satisfied

108 that any insurance company, or any agent thereof, has violated
109 any of the provisions of this section, to revoke the certificate
110 of authority of the company or agent so offending.

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