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HOUSE REPUBLICAN STAFF ANALYSIS

Bill: Senate File 406
Committee: Commerce
Floor Manager: Representative Dawn Pettengill
Date: July 30, 2011
Staff: Brad Trow (1-3471)

Insurance Division Omnibus

Senate File 406 is the annual statutory proposal from the Iowa Insurance Division.

Summary of Action

Committee Action – The Commerce Committee **PASSED** House Study Bill 125 on a vote of 17-5 on February 28, 2011.

Senate Action – The Senate **ADOPTED** Senate File 406 on a vote of 48-0 on March 22, 2011.

House Action – The House **ADOPTED** Senate File 406 on a vote of 60-35 on April 6, 2011.

Final Action – The Governor **SIGNED** Senate File 406 on April 19, 2011.

Section by Section Analysis

Section 1 – The section amends Iowa Code section 502.604 (2,4) by including language allowing for the Insurance Division to issue a restitution order under the Administrative Enforcement provisions of the Uniform Securities Act. This change is necessary to comply with the expansion of regulatory oversight of investment advisers brought about by the 2010 Dodd-Frank bill.

Section 2 – The section amends Iowa Code section 505.8 (1, 10) by clarifying that the Insurance Commissioner has the ability to assess the costs incurred during an examination upon the party that is the subject of the examination.

Section 3 – The section adds a new provision to Iowa Code section 505.8 – duties and powers of the Insurance Commissioner – giving the Commissioner authority to promulgate rules for the implementation of the insurance provisions of the Patient Protection and Affordable Care Act or other applicable federal laws.

Section 4 – The section amends Iowa Code section 505.18(2) – the Commissioner’s annual health insurance report – is on the calendar year basis.

Section 5 – The section amends Iowa Code section 505.18 (2) (d) to correct a reference.

Section 6 – The section amends Iowa Code section 505.19 (3 and 4) – health insurance rate increase hearings and comments – to allow the Consumer Advocate to post comments during normal working hours. Currently, the Code requires comments to be posted immediately – no matter what time of day it is. The section also provides that the Consumer Advocate would present public testimony or public comments received.

Section 7 – The section amends Iowa Code section 507E.8 to clarify that investigators from Insurance Fraud Bureau are to be classified as law enforcement officers. This change brings the classification of this group in line with others performing similar functions. Currently, insurance fraud investigators are classified as peace officers.

Sections 8 through 23 – These sections pertain to the establishment of uniformity amongst the states in the operations and functions of guaranty funds for life and health insurance companies. The language is part of model legislation developed by the National Association of Insurance Commissioners (NAIC).

Sections 24 and 25 – The sections address the permitted use of hedge funds and securities as investments for life insurance companies. The sections amend Iowa Code section 511.8 to permit these types of securities to be held as part of the investment portfolio of the insurance company, and as collateral.

Section 26 – The section amends Iowa Code section 513B.2 (18) to change the definition of small employer to an employer with 1-50 employees.

Section 27 – The section amends Iowa Code section 513C.13 (1) (j) to change the definition of small employer to an employer with 1-50 employees.

Section 28 – The section amends Iowa Code section 514C.18 (1) (a) by striking the current language regarding specific testing methods for diabetes and inserting “Equipment and Supplies”. This allows for new testing and treatment options to be covered without having to amend the Code every time new technology emerges.

Sections 29 through 30, 32 and 33 – These sections correct internal Code references that are now out of date.

Section 31 – The section amends Iowa Code section 515.129A to clarify that if a personal lines policy or contract has been in effect for 60 days or more, the policy can be cancelled in only certain situations.

Sections 34 through 38 – These sections update the guaranty fund provisions for state and county mutual insurance companies, by bringing them into line with the guaranty fund requirements for property and casualty guaranty funds.

Section 39 – The section amends Iowa Code section 521.1 (4) to allow for health maintenance organizations to merge with domestic mutual insurance companies.

Section 40 – The section amends Iowa Code section 521.2 (1) by clarifying that chapter 521 applies to all mergers and consolidations of mutual insurance companies.

Section 41 – The section amends Iowa Code section 521.2 to allow a non-Iowa insurance company to merge into an Iowa insurance company or Iowa mutual insurance company under chapter 521.

Section 42 through 44 – These sections deal with what are known as “company-action level events”. The sections implement language that provides for consistent treatment of “company-action level events” by insurance regulators across the country.

Section 45 – The section addresses a recent Iowa Supreme Court ruling that changed the scope of duty that insurance agents are required to provide to their customers. Section 42 overrides the decision of the Court to change the scope duty of insurance agents, and returns it to the previous level.

Sections 46 and 47 – The section change the time frame that the Insurance Commission must conduct examinations of licensed sellers of pre-need funeral services and cemetery goods and services. Currently, they are to be examined once every three years. These sections change this to once every five years.

Section 48 – Repeal – The section repeals Iowa Code section 515.135.

Section 49 – Effective Date – The section makes sections 26 and 27 effective on January 1, 2014.