

HOUSE REPUBLICAN STAFF ANALYSIS

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|----------------|------------------------|-----------------|-----------------------------|
| Bill: | House File 986 | H Commerce Com: | PASSED 3/4/25 (21-2) |
| Committee: | Commerce | H Ways & Means: | PASSED 4/2/25 (24-0) |
| Floor Manager: | Rep. Mike Vondran | House Floor: | |
| Date: | April 24, 2025 | Senate Floor: | |
| Staff: | Natalie Ginty (5-2063) | Governor: | |

DIFS Bills

- This bill comes from the Department of Insurance and Financial Services to do the following:
 - Bring financial literacy programs into department wide duties post-reorg. Allows up to \$250,000 to be transferred into the financial exploitation prevention fund and the financial literacy and investor education fund from the commerce revolving loan fund.
 - Makes tax returns by captive insurers confidential
 - Allows for public hearings to be held on proposed health insurance rate increases, rather than required.
 - Establishes language going forward regarding high-deductible health plans and cost-sharing requirements
 - Requires insurers to file a withdrawal plan with the Insurance Division if significantly lowering business in the state or limiting new policies
 - Defines "line of sight" for replacement costs and actual cash value, and allows insurers to write a different standard in to their policies
 - Includes a rewrite of the service contract laws in Iowa
 - Strikes language added in 1996 to prohibit public utilities from providing residential or commercial HVAC or interior lighting systems services and sales.

Section by Section Analysis

Division I – Financial Literacy and Financial Exploitation

Section 1 (Iowa Code 502.410)

Strikes the current "securities Investor Education and Financial Literacy Training Fund" and moves it from the securities code section to DIFS under the "financial literacy and investor education fund". The \$10 per securities licensing fee remains. This section also sets up a "financial exploitation prevention fund" which is also funded by allocating \$10 of every \$40 to for each securities registration.

Sections 2-3 (Iowa Code 502.601)

Conforming code change

Section 4 (Iowa Code 505.7)

Strikes the requirement that 60% of nonexamination revenues are deposited in the general fund.

Section 5 (Iowa Code 546.2)

Requires the Director of the Department of Insurance and Financial Services to identify and coordinate with banking, insurance and credit unions regarding financial literacy.

Section 6 (Iowa Code 546.14) – New Section

Creates the financial literacy and investor education fund within the treasury to educate the public on financial topics. Allows up to \$250,000 to be transferred into the fund from the commerce revolving loan fund. Allows for these funds to be transferred to the financial exploitation prevention fund. These moneys will not revert and interest remains in the fund.

Section 7 (Iowa Code 546.15) – New Section

Requires DIFS to educate the public on financial exploitation, assist victims, and conduct investigations.

Establishes a financial exploitation prevention fund. Allows up to \$250,000 to be transferred into the fund from the commerce revolving loan fund. These moneys will not revert and interest remains in the fund.

Finds that all investigation materials are confidential

Section 8 – Transfer of Moneys

Money in the securities investor education and financial literacy training fund are transferred to the financial literacy and investor education fund.

Division II – Tax on Gross Premiums – Confidentiality

Section 9 (Iowa Code 432.1)

States that tax returns filed under the insurance companies tax are not open records. Its unlawful to publish these tax returns and any person who violates this is guilty of a serious misdemeanor and loss of job.

Section 10 (Iowa Code 432.1A)

Tax returns filed by captive insurers are confidential as well. This section does not prohibit the department of revenue from sharing information or tax returns with duly authorized officials.

Division III – Health Insurance Rate Increases – Public Hearings

Section 11 (Iowa Code 505.19)

Instead of requiring the insurance division to hold a public hearing if there is a proposed health insurance rate increase exceeding the average annual health spending growth rate, this allows them to hold the public hearing.

Division IV – Health Savings Accounts and Qualified High-Deductible Health Plans – Cost-Sharing

Section 12 (Iowa Code 509.3B) – New Section

Adds under the group insurance code chapter that cost-sharing requirements apply only to enrollee's deductibles if they are in a high-deductible health plan.

Section 13 (Iowa Code 514A.3C) – New Section

Adds under the accident and health insurance code chapter that cost-sharing requirements apply only to enrollee's deductibles if they are in a high-deductible health plan.

Division V – Insurance Company Withdrawal Requirements

Section 14 (Iowa Code 505.36) – New Section

Defines "commissioner" and "insurer". This section does not apply to a transfer of business from one insurer to another insurer.

Requires insurers to file a withdrawal plan if the insurer intends to:

- Reduce total annual premium volume in Iowa by 50% or more,

- Reduce total annual premium in a line of insurance by 75% or more,
- Or reduce the total annual premium volume in a line of private passenger automobile insurance, homeowners insurance, or dwelling property insurance by 50% or more

Requires written notice if the insurer intends to restrict writing new business in Iowa.

Withdrawal plans must include fulfilling all contractual obligations, providing service to all policyholders and claimants, meet all statutory obligations. Additionally include:

- Date on which the withdrawal plan will be completed
- The reason for withdrawal for each line of insurance
- Number of policyholders
- total amount of premiums impacted
- A copy of the notification the insurer will provide to each impacted insurance producer and policyholder
- A list of lines of insurance that the insurer will continue to offer in Iowa

Requires the commissioner to approve if the withdrawal plan provides a minimum of 180 days notice and complies with all other provisions.

Allows the commissioner to modify or deny the withdrawal plan, hold a hearing, and adopt rules.

Prohibits an insurer that withdraws all lines of insurance in the state from resuming writing insurance for a minimum of 5 years from withdrawal.

Section 15 (Iowa Code 507B.4)

Failure to comply with Section 14 will be seen as unfair method of competition and unfair or deceptive act or practice in the business of insurance.

Division VI – Replacement Cost, Actual Cash Value, and Line of Sight

Section 16 (Iowa Code 515.116) – New Section

Defines “actual cash value”, “line of sight”, “reasonable distance”, “reasonably similar appearance”, and “reasonably similar product”.

~~Requires insurers to replace a product with the same product if that item remains available, or an identical product even if it does not show wear and tear of the rest of the item. Requires a reasonably similar product to achieve a reasonably similar appearance. Allows for an insurer to write their own policy that says otherwise.~~

~~Requires insurers to determine actual cash value including depreciation, unless the policy says otherwise.~~

Division VII – Service Companies, Service Contracts, and Licenses

Section 17 (Iowa Code 507B.4)

Adds failure of a person in the business of service contracts to comply with the law as an unfair method of competition and unfair or deceptive act or practice in the business of insurance.

Section 18 (Iowa Code 523C.1)

Adds definitions of “communicating in a verifiable manner”, “person”, “service contract holder”, “substitute part”, and “support services”.

Section 19 (Iowa Code 523C.1)

Revises the definition of “motor vehicle”.

Section 20 (Iowa Code 523C.2)

Strikes existing requirements and replaces it to clarify that service companies are responsible for ensuring third-party support services, like marketers, are in compliance with the requirements of the chapter. Clarifies that a license must be maintained as long as the service company has contractual obligations to Iowans. Services companies are also required to report administrative or criminal actions taken against the companies, or listed executives, to the Iowa Insurance Division.

Section 21 (Iowa Code 523C.3)

Strikes existing requirements and replaces it with requirements on the necessary information for IID to make a determination about their licensure in the state. This section includes a \$500 fee to a license.

Section 22 (Iowa Code 523C.4)

Strikes existing requirements and replaces it with additional requirements on the necessary information for IID to make a determination on renewal.

Section 23 (Iowa Code 523C.7)

Strikes existing requirements and replaces it with new disclosures to ensure consumers are properly informed about the agreement they’re entering into and are aware of the actions they can take as they contract holder. Some of these changes include requiring the contract to state any waiting period that may exist, requiring the method used for the cancellation of the contract to be as easy and accessible as the method used to enter into the contract, and making clear the service company’s responsibilities in cases of emergencies – time periods in which service must begin and allowing a consumer to allow for someone else to do the job if the service company can’t.

Section 24 (Iowa Code 523C.8) – New Section

Outlines new requirements on service contract forms and fees. Allow for the ability to continue using their current contracts until June 30, 2026 as they transition into using new contracts with additional disclosures.

Section 25 (Iowa Code 523C.9)

Updates the reasons for denial, nonrenewal, suspension, or revocation to ensure the commissioner can stop bad actors from doing business in the state.

Section 26 (Iowa Code 523C.12)

Opens up what IID can look for in an examination.

Section 27 (Iowa Code 523C.13)

Clarifies what is considered a prohibited act or practice.

Sections 28-30 (Iowa Code 523C.22, 523C.23)

Updates the requirements of written explanations given to service contract holders to include instructions on the processes available to appeal the denial of a claim.

Section 31 (Iowa Code 523C.25) – New Section

Clarifies what information is considered confidential.

Section 32 (Iowa Code 714.16)

Adds a violation of 523C is an unlawful practice.

Section 33 – Repeal

Iowa Code 523C.19 – Cease and desist orders

Division VIII – Public Utility Regulation – Cross-Subsidization

Section 34 (Iowa Code 476.78)

~~Strikes language added in 1996 to prohibit public utilities from providing residential or commercial HVAC or interior lighting systems services and sales.~~

Amendment Analysis

H-1233 by Vondran – This amendment comes from the Department of Insurance and Financial Services. The amendment does the following:

- Creates a specific fund for the senior health insurance information program
- Strikes the requirement for an insurer to provide withdrawal information when restricting writing new business. Industry found the language too vague and wants clarity for the insurers on when they must file necessary information with IID.
- ~~Makes changes to actual cash value and depreciation in the line of sight provisions~~
- Removes the state of Iowa and state board of regents from the Iowa Individual Health Benefit Reinsurance Association
- Removes the requirement that government owned cemeteries with a trust arrangement are examined by IID at least once every 5 years. These government owned cemeteries are not required to have reasonable repayment schedules or file annual reports.
- **Revises the title**

H-1257 to H-1233 by Vondran – Strikes Division VI – Replacement Cost, Actual Cash Value, and Line of Sight from the amendment and the bill

H-1273 to HF-1233 by Vondran – Strikes Division VIII – Public Utility Regulation – Cross-Subsidization

H-1234 by Wengryn – Adds in House File 918. This bill passed the House 91-6 on March 25th. The Senate did not hold a subcommittee. This amendment does the following:

- Requires proof of financial liability coverage at application and renewal for vehicle registration.
- Persons convicted of not having financial liability coverage are guilty of a simple misdemeanor
- Adds additional penalties for multiple violations. A second violation within 5 years doubles the fines. A third violation within 5 years triples the fine.
- Effective date of December 1, 2028
- **Revises the title**
- **Fiscal note:** In FY24, there were 16,671 convictions, and 3,147 had prior convictions within the previous five years. LSA estimates that this will increase prison and probation admissions, which would increase the cost to DOC by \$19.5 million annually (\$6.2 million for increased prison admissions and \$13.3 million due to increased probationary costs).

