

PUBLIC HEARING ON IOWA INSURANCE DIVISION PROPOSED AMENDMENTS TO CHAPTER 20,  
"PROPERTY AND CASUALTY INSURANCE RATE AND FORM PROCEDURES," IOWA ADMINISTRATIVE CODE

FINDINGS AND RECOMMENDATIONS

April 27, 2012

A public hearing on proposed amendments to Chapter 20, Iowa Administrative Code, was held at the Iowa Insurance Division's offices at 330 Maple Street, Des Moines, Iowa at 10:00 AM, Central Time, on April 25, 2012. James R Mumford, First Deputy Commissioner, acted as the hearing officer. His findings and recommendations are set forth in this report. A court reporter was present for the hearing and entered all written comments received as exhibits for the hearing and recorded all testimony presented at the hearing.

FINDINGS:

There was concern expressed that additional definitions were needed in the rule, i.e., "nonrecourse lending", "commercial transactions" etc. The additional definitions are not needed because the terms have general meaning in the business world and have no different meaning in the rule.

The concern about whether there was flexibility once the 20 day trigger had started for the insured and insurer to agree to something other than requested was expressed. This is a business transaction and it is assumed that both parties will want to reach an agreement about insurance coverage. Thus, if the insurer does not want to agree to the request of the potential insurer, it has the option to negotiate further with the potential insured or can deny coverage.

The term "insured" should be read in the context of the sentence in which it is being used and technically may not be an insured but a potential insured.

The request for a sunset provision was raised but the Division has the authority to amend rules when needed. Thus, the Division will review this rule and possible changes when an issue is raised by someone of unintended consequences.

RECOMMENDATIONS:

It is recommended that the rule become effective on May 9, 2012, as proposed in the Division's Notice of Intended Action without any changes. The proposed rule is a result of approximately two years of discussion with interested parties conducted by the Division, additional discussion with interested parties by concerned legislators and meetings among interested parties. The result was a compromise

draft of the rule agreed to by most interested parties and that is the rule being discussed. The purpose of the rule, clarification of what an insurance company may provide its customer in connection with a commercial real estate transaction between the customer and a lender, is achieved.

It is recommended that the Division's bulletins previously issued on this matter be reviewed to assure no conflicts exist between those bulletins's guidance and the rule.

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James R Mumford

Date

Hearing Officer

First Deputy Insurance Commissioner, Iowa Insurance Division

Iowa Department of Commerce.