



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

HB4510

by Rep. Frank J. Mautino

SYNOPSIS AS INTRODUCED:

215 ILCS 120/12

from Ch. 73, par. 1262

Amends the Farm Mutual Insurance Company Act of 1986. Makes changes with regard to the types of financial instruments that the funds of a company operating under or regulated by the provisions of the Act may be invested in without the prior approval of the Director of Insurance.

LRB098 19760 RPM 54975 b

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Farm Mutual Insurance Company Act of 1986 is
5 amended by changing Section 12 as follows:

6 (215 ILCS 120/12) (from Ch. 73, par. 1262)

7 Sec. 12. Investments. Without the prior approval of the
8 Director, the funds of any company operating under or regulated
9 by the provisions of this Act, shall be invested only in the
10 following:

11 (1) Direct obligations of the United States of America,
12 or obligations of agencies or instrumentalities of the
13 United States to the extent guaranteed or insured as to the
14 payment of principal and interest by the United States of
15 America;

16 (2) Bonds which are direct, general obligations of the
17 State of Illinois or any other state, subject to a maximum
18 of 30% of admitted assets in states other than Illinois in
19 the aggregate;

20 (3) Bonds which are direct, general obligations of
21 political subdivisions of the State of Illinois or any
22 other state, subject to the following conditions:

23 (a) Maximum of 5% of admitted assets in any one

1 political subdivision;

2 (b) Maximum of 30% of admitted assets in all
3 political subdivisions in the aggregate;

4 (c) Rating of A3 or higher by Moody's Investors
5 Service, Inc. or A- or higher by Standard & Poor's
6 Corporation;

7 (4) Bonds, notes, debentures, or other similar
8 obligations of the United States of America, its agencies,
9 and its instrumentalities, subject to a maximum investment
10 of 10% of admitted assets in any one entity ~~Bonds that are~~
11 ~~obligations of the Federal National Mortgage Association~~
12 ~~subject to a maximum investment of 10% of admitted assets~~
13 ~~in the aggregate;~~

14 (5) Bonds that are obligations of corporations
15 organized by the United States of America, subject to the
16 following conditions:

17 (a) Maximum of 5% of admitted assets in any one
18 entity;

19 (b) Maximum of 15% of admitted assets in the
20 aggregate;

21 (c) Rating of A3 or higher by Moody's Investors
22 Service, Inc. or A- or higher by Standard & Poor's
23 Corporation;

24 (d) Maximum maturity of no longer than 10 years ~~the~~
25 ~~Federal Home Loan Mortgage Corporation subject to a~~
26 ~~maximum investment of 10% of admitted assets in the~~

1 ~~aggregate;~~

2 (6) Mutual funds, unit investment trusts, and exchange
3 traded funds, subject to the following conditions:

4 (a) Maximum of 6% ~~3%~~ of policyholders' surplus in
5 any one balanced or growth mutual fund that invests in
6 common stock;

7 (b) Maximum of 5% of admitted assets in any one
8 bond or income mutual fund or any one non-governmental
9 money market mutual fund;

10 (c) Maximum of 10% of admitted assets in any one
11 governmental money market mutual fund;

12 (d) Maximum of 25% of admitted assets in all mutual
13 funds in the aggregate;

14 (7) Common stock and preferred stock subject to the
15 following conditions:

16 (a) Common stock and preferred stock shall be
17 traded on the New York Stock Exchange or the American
18 Stock Exchange or listed on the National Association of
19 Securities Dealers Automated Quotation (NASDAQ)
20 system;

21 (b) Maximum of 3% of policyholders' surplus in
22 excess of \$400,000 in any one common stock or preferred
23 stock issuer provided that the net unearned premium
24 reserve does not exceed policyholders' surplus;

25 (8) Investments authorized under subdivision (a) of
26 item (6) and subdivision (a) of item (7) of this Section

1 shall not in the aggregate exceed 15% ~~10%~~ of policyholders'
2 surplus;

3 (9) Funds on deposit in solvent banks and savings and
4 loan associations which are insured by the Federal Deposit
5 Insurance Corporation; however, the uninsured portion of
6 funds held in any one such bank or association shall not
7 exceed 5% of the company's policyholders' surplus;

8 (10) Real estate for home office building purposes,
9 provided that such investments are approved by the Director
10 of Insurance on the basis of a showing by the company that
11 the company has adequate assets available for such
12 investment and that the proposed acquisition does not
13 exceed the reasonable normal value of such property;:-

14 (11) Amounts in excess of the investment limitations
15 contained in items (2) through (9) may be allowed, subject
16 to the following conditions:

17 (a) Maximum additional investment of 3% of
18 admitted assets in any one entity;

19 (b) Maximum additional investment of 6% of
20 admitted assets in the aggregate.

21 An investment that qualified under this Section at the time
22 it was acquired by the company shall continue to qualify under
23 this Section.

24 Investments permitted under this Section shall be
25 registered in the name of the company and under its direct
26 control or shall be held in a custodial account with a bank or

1 trust company that is qualified to administer trusts in
2 Illinois under the Corporate Fiduciary Act and that has an
3 office in Illinois. However, securities may be held in street
4 form and in the custody of a licensed dealer for a period not
5 to exceed 30 days.

6 Notwithstanding the provisions of this Act, the Director
7 may, after notice and hearing, order a company to limit or
8 withdraw from certain investments or discontinue certain
9 investments or investment practices to the extent the Director
10 finds those investments or investment practices endanger the
11 solvency of the company.

12 (Source: P.A. 90-794, eff. 1-1-99.)