

AN ACT concerning regulation.

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

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

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

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

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

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

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

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

political subdivision;

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

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

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

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

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

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

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

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

~~aggregate;~~

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Maximum additional investment of 3% of admitted assets in any one issuer;

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

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

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

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

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

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