

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  
5 is amended by changing Section 10 as follows:

6 (215 ILCS 120/10) (from Ch. 73, par. 1260)

7 Sec. 10. Property insurable; limitations of risk.

8 (a) Until the date that is 5 years after the effective date  
9 of this amendatory Act of the 103rd General Assembly this  
10 subsection (a) applies:

11 (1) Farm mutual insurance companies are permitted to  
12 insure the following classes of property:

13 (A) ~~(a)~~ Farm property, including residences and  
14 other farm buildings and all classes of personal  
15 property in connection therewith, other than motor  
16 vehicles required to be licensed for road use,  
17 including such property temporarily located elsewhere;

18 (B) ~~(b)~~ Growing crops;

19 (C) ~~(c)~~ Buildings and personal property used in  
20 the processing of agricultural products in conjunction  
21 with a farming operation;

22 (D) ~~(d)~~ Residences, including household and  
23 personal effects, and including such property

1 temporarily located elsewhere;

2 (E) ~~(e)~~ Churches, schools and community buildings  
3 and such property as may be properly contained  
4 therein.

5 No farm mutual insurance company may insure any  
6 property within the limits of any city containing over  
7 50,000 inhabitants at the time of the organization of the  
8 company.

9 (2) No farm mutual insurance company authorized to  
10 write the kinds of insurance enumerated in Section 5 of  
11 this Act may expose itself to any loss on any one risk in  
12 an amount in excess of \$20,000 plus 10% of its  
13 policyholders' surplus in excess of \$20,000.

14 A farm mutual insurance company insuring against  
15 the perils of wind or hail must have and maintain adequate  
16 catastrophic reinsurance ~~which limits the company's~~  
17 ~~exposure on any one loss occurrence to 20% of its~~  
18 ~~policyholders' surplus.~~

19 A farm mutual insurance company converting from  
20 unlimited catastrophic reinsurance to adequate  
21 catastrophic reinsurance under this Section shall provide  
22 notice of the change to policyholders in a form approved  
23 by the Director of Insurance.

24 A farm mutual insurance company must additionally have  
25 and maintain aggregate reinsurance coverage in an amount  
26 no less than that required for a 250-year event, based on

1 an actuarially sound catastrophe model.

2 The reinsurance permitted or required by this Section  
3 must be provided by (i) a farm mutual insurance company,  
4 (ii) an insurance company authorized to write the kinds of  
5 insurance described in Class 2 or Class 3 of Section 4 of  
6 the Illinois Insurance Code, or (iii) a reinsurer and  
7 reinsurance program meeting the standards set forth in  
8 Article XI of the Illinois Insurance Code that permit a  
9 domestic company to take credit for reinsurance.

10 Nothing in this Section shall be construed to prohibit  
11 a farm mutual insurance company from purchasing  
12 reinsurance coverage greater than the minimum requirement  
13 set forth under this Section, including purchasing  
14 unlimited catastrophic coverage.

15 ~~No portion of any such risk which has been reinsured~~  
16 ~~with a farm mutual insurance company or an insurance~~  
17 ~~company authorized to write the kinds of insurance~~  
18 ~~described in Class 2 or Class 3 of Section 4 of the~~  
19 ~~Illinois Insurance Code shall be included in determining~~  
20 ~~the limitation of risk described herein.~~

21 For purposes of this Section:

22 A single risk shall be all real and personal property  
23 in one fixed location and not separated by 50 feet.

24 "Adequate catastrophic reinsurance" means reinsurance  
25 in an amount no less than that required for a 500-year  
26 event, based on an actuarially sound catastrophe model

1       that limits the company's exposure on any one loss  
2       occurrence to (i) 20% of its policyholders' surplus or  
3       (ii) an amount authorized by the Director of Insurance.

4           As regards the peril of wind or hail, the term "loss  
5       occurrence" shall mean all losses occasioned by tornadoes,  
6       cyclones, windstorms, hurricanes, or hail stones arising  
7       from the same atmospheric disturbance and occurring during  
8       any continuous period of not less than 48 hours.

9           (3) Whenever the company's financial condition is such  
10       that the further assumption of risks might be hazardous to  
11       policyholders, the Director of Insurance may order the  
12       company to take one or more of the following steps:

13           (A) ~~(a)~~ To reduce the loss exposure by  
14       reinsurance;

15           (B) ~~(b)~~ To reduce the volume of business being  
16       written or renewed;

17           (C) ~~(c)~~ To suspend the writing of new business;

18           (D) ~~(d)~~ To suspend the writing of both new and  
19       renewal business;

20           (E) ~~(e)~~ To levy a special assessment of  
21       policyholders;

22           (F) ~~(f)~~ To reduce general or acquisition expenses  
23       by specified methods.

24           (4) Whenever the Director determines that a farm  
25       mutual insurance company is insolvent he shall order the  
26       farm mutual insurance company to levy a special assessment

1 within 30 days of receipt of such order. If the insolvency  
2 is not corrected within 90 days of the mailing of such  
3 assessment, the company shall be subject to liquidation  
4 pursuant to Article XIII of the Illinois Insurance Code.

5 (b) On and after the date that is 5 years after the  
6 effective date of this amendatory Act of the 103rd General  
7 Assembly this subsection (b) applies:

8 (1) Farm mutual insurance companies are permitted to  
9 insure the following classes of property:

10 (A) Farm property, including residences and other  
11 farm buildings and all classes of personal property in  
12 connection therewith, other than motor vehicles  
13 required to be licensed for road use, including such  
14 property temporarily located elsewhere;

15 (B) Growing crops;

16 (C) Buildings and personal property used in the  
17 processing of agricultural products in conjunction  
18 with a farming operation;

19 (D) Residences, including household and personal  
20 effects, and including such property temporarily  
21 located elsewhere;

22 (E) Churches, schools and community buildings and  
23 such property as may be properly contained therein.

24 No farm mutual insurance company may insure any  
25 property within the limits of any city containing over  
26 50,000 inhabitants at the time of the organization of the

1       company.

2       (2) No farm mutual insurance company authorized to  
3 write the kinds of insurance enumerated in Section 5 of  
4 this Act may expose itself to any loss on any one risk in  
5 an amount in excess of \$20,000 plus 10% of its  
6 policyholders' surplus in excess of \$20,000.

7       A farm mutual insurance company insuring against the  
8 perils of wind or hail must have and maintain catastrophic  
9 reinsurance which limits the company's exposure on any one  
10 loss occurrence to 20% of its policyholders' surplus.

11       No portion of any such risk which has been reinsured  
12 with a farm mutual insurance company or an insurance  
13 company authorized to write the kinds of insurance  
14 described in Class 2 or Class 3 of Section 4 of the  
15 Illinois Insurance Code shall be included in determining  
16 the limitation of risk described herein.

17       For purposes of this Section:

18       A single risk shall be all real and personal property  
19 in one fixed location and not separated by 50 feet.

20       As regards the peril of wind or hail, the term "loss  
21 occurrence" shall mean all losses occasioned by tornadoes,  
22 cyclones, windstorms, hurricanes, or hail stones arising  
23 from the same atmospheric disturbance and occurring during  
24 any continuous period of not less than 48 hours.

25       (3) Whenever the company's financial condition is such  
26 that the further assumption of risks might be hazardous to

1 policyholders, the Director of Insurance may order the  
2 company to take one or more of the following steps:

3 (A) To reduce the loss exposure by reinsurance;

4 (B) To reduce the volume of business being written  
5 or renewed;

6 (C) To suspend the writing of new business;

7 (D) To suspend the writing of both new and renewal  
8 business;

9 (E) To levy a special assessment of policyholders;

10 (F) To reduce general or acquisition expenses by  
11 specified methods.

12 (4) Whenever the Director determines that a farm  
13 mutual insurance company is insolvent he shall order the  
14 farm mutual insurance company to levy a special assessment  
15 within 30 days of receipt of such order. If the insolvency  
16 is not corrected within 90 days of the mailing of such  
17 assessment, the company shall be subject to liquidation  
18 pursuant to Article XIII of the Illinois Insurance Code.

19 (Source: P.A. 88-364.)

20 Section 99. Effective date. This Act takes effect upon  
21 becoming law.