



Sen. Napoleon Harris, III

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10300SB0765sam001

LRB103 03220 JDS 65002 a

1 AMENDMENT TO SENATE BILL 765

2 AMENDMENT NO. _____. Amend Senate Bill 765 by replacing
3 everything after the enacting clause with the following:

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,

1 including such property temporarily located elsewhere;

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

3 (C) ~~(c)~~ Buildings and personal property used in
4 the processing of agricultural products in conjunction
5 with a farming operation;

6 (D) ~~(d)~~ Residences, including household and
7 personal effects, and including such property
8 temporarily located elsewhere;

9 (E) ~~(e)~~ Churches, schools and community buildings
10 and such property as may be properly contained
11 therein.

12 No farm mutual insurance company may insure any
13 property within the limits of any city containing over
14 50,000 inhabitants at the time of the organization of the
15 company.

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

21 A farm mutual insurance company insuring against
22 the perils of wind or hail must have and maintain adequate
23 catastrophic reinsurance ~~which limits the company's~~
24 ~~exposure on any one loss occurrence to 20% of its~~
25 ~~policyholders' surplus.~~

26 A farm mutual insurance company converting from

1 unlimited catastrophic reinsurance to adequate
2 catastrophic reinsurance under this Section shall provide
3 notice of the change to policyholders in a form approved
4 by the Director of Insurance.

5 A farm mutual insurance company must additionally have
6 and maintain aggregate reinsurance coverage in an amount
7 no less than that required for a 250-year event, based on
8 an actuarially sound catastrophe model.

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

17 Nothing in this Section shall be construed to prohibit
18 a farm mutual insurance company from purchasing
19 reinsurance coverage greater than the minimum requirement
20 set forth under this Section, including purchasing
21 unlimited catastrophic coverage.

22 ~~No portion of any such risk which has been reinsured~~
23 ~~with a farm mutual insurance company or an insurance~~
24 ~~company authorized to write the kinds of insurance~~
25 ~~described in Class 2 or Class 3 of Section 4 of the~~
26 ~~Illinois Insurance Code shall be included in determining~~

1 ~~the limitation of risk described herein.~~

2 For purposes of this Section:

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

5 "Adequate catastrophic reinsurance" means reinsurance
6 in an amount no less than that required for a 500-year
7 event, based on an actuarially sound catastrophe model
8 that limits the company's exposure on any one loss
9 occurrence to (i) 20% of its policyholders' surplus or
10 (ii) an amount authorized by the Director of Insurance.

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

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

20 (A) ~~(a)~~ To reduce the loss exposure by
21 reinsurance;

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

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

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

1 (E) ~~(e)~~ To levy a special assessment of
2 policyholders;

3 (F) ~~(f)~~ To reduce general or acquisition expenses
4 by specified methods.

5 (4) Whenever the Director determines that a farm
6 mutual insurance company is insolvent he shall order the
7 farm mutual insurance company to levy a special assessment
8 within 30 days of receipt of such order. If the insolvency
9 is not corrected within 90 days of the mailing of such
10 assessment, the company shall be subject to liquidation
11 pursuant to Article XIII of the Illinois Insurance Code.

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

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

17 (A) Farm property, including residences and other
18 farm buildings and all classes of personal property in
19 connection therewith, other than motor vehicles
20 required to be licensed for road use, including such
21 property temporarily located elsewhere;

22 (B) Growing crops;

23 (C) Buildings and personal property used in the
24 processing of agricultural products in conjunction
25 with a farming operation;

26 (D) Residences, including household and personal

1 effects, and including such property temporarily
2 located elsewhere;

3 (E) Churches, schools and community buildings and
4 such property as may be properly contained 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 the
15 perils of wind or hail must have and maintain catastrophic
16 reinsurance which limits the company's exposure on any one
17 loss occurrence to 20% of its policyholders' surplus.

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

24 For purposes of this Section:

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

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

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

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

11 (B) To reduce the volume of business being written
12 or renewed;

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

14 (D) To suspend the writing of both new and renewal
15 business;

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

17 (F) To reduce general or acquisition expenses by
18 specified methods.

19 (4) Whenever the Director determines that a farm
20 mutual insurance company is insolvent he shall order the
21 farm mutual insurance company to levy a special assessment
22 within 30 days of receipt of such order. If the insolvency
23 is not corrected within 90 days of the mailing of such
24 assessment, the company shall be subject to liquidation
25 pursuant to Article XIII of the Illinois Insurance Code.

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

1 Section 99. Effective date. This Act takes effect upon
2 becoming law.".