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 10 as follows:

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

Sec. 10. Property insurable; limitations of risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For purposes of this Section:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(B) Growing crops;

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

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

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

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

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

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

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

For purposes of this Section:

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

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

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

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

(A) To reduce the loss exposure by reinsurance;

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

(C) To suspend the writing of new business;

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

(E) To levy a special assessment of policyholders;

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

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

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

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