

State of South Dakota

EIGHTY-NINTH SESSION
LEGISLATIVE ASSEMBLY, 2014

913V0149

HOUSE COMMERCE AND ENERGY ENGROSSED NO. **HB 1163** - 02/10/2014

Introduced by: Representatives Anderson, Bolin, Haggar (Don), Hawley, Kirschman, Nelson, Olson (Betty), Rasmussen, Schoenfish, and Stalzer and Senators Begalka, Holien, Lederman, Maher, and Welke

1 FOR AN ACT ENTITLED, An Act to authorize farm mutual insurers to invest funds in certain
2 stocks and market funds.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 Section 1. That § 58-35-47 be amended to read as follows:

5 58-35-47. The directors of a farm mutual insurer may invest the insurer's funds or any part
6 of the insurer's funds in any of the following:

- 7 (1) Bonds or other securities issued by the United States government or by any agency
8 or instrumentality of the United States government, or by any United States
9 government-sponsored enterprise;
- 10 (2) Bonds or other obligations the payment of the interest and principal of which is
11 assumed or guaranteed by the United States government or any agency or
12 instrumentality of the United States government, or by any United States
13 government-sponsored enterprise;
- 14 (3) General obligation bonds or warrants of this state or of any other state of the United



- 1 States, or of any of the political subdivisions or other taxing districts of this state or
2 any other state;
- 3 (4) Certificates of deposit in any bank wherein the deposits are insured by the federal
4 deposit insurance corporation up to the amount to which such insurance protection
5 applies;
- 6 (5) Shares or savings accounts of savings and loan and building and loan associations to
7 the extent that such an account is insured by the federal savings and loan insurance
8 corporation;
- 9 (6) When authorized by a majority vote of its members present at a duly called and held
10 meeting of members, and with the consent of the director, in a home office building
11 and the land on which such building is situated;
- 12 (7) With the approval of the director of the Division of Insurance, in the preferred stock
13 of any solvent corporation existing under the laws of the United States of America,
14 or any state of the United States and in the common stock of any other solvent
15 insurer;
- 16 (8) Bonds, notes, or other obligations issued by any federal land bank, federal
17 intermediate credit bank, bank for cooperatives, or any or all of the federal farm
18 credit banks;
- 19 (9) With the approval of the director of the Division of Insurance, in ~~mutual funds, if the~~
20 ~~underlying investments held in the portfolio of the mutual fund are investments in the~~
21 ~~common stock of any solvent public utility or investments otherwise permitted by~~
22 ~~this section and the investment in mutual funds does not exceed the lesser of ten~~
23 ~~percent of admitted assets or one-half of surplus~~ common stocks, mutual funds and
24 exchange traded funds consisting of common stocks, not to exceed twenty percent

1 of the company's admitted assets. No individual common stock may exceed five
2 percent of the company's admitted assets;

3 (10) Money market funds which would qualify as an investment pursuant to § 58-27-101;

4 (11) With the approval of the director of the Division of Insurance, in an insurance
5 agency;

6 (12) Investments set forth in § 58-27-103 if the aggregate value of the investments
7 pursuant to that section do not exceed ten percent of the farm mutual's total admitted
8 assets and do not exceed the limitation set forth in § 58-27-53;

9 (13) With the approval of the director of the Division of Insurance, in corporate bonds,
10 convertible bonds, preferred stocks, or other fixed income mutual funds, or exchange
11 traded funds consisting of income securities issued by corporations. No issuer may
12 exceed five percent of admitted assets and no one mutual fund or exchange traded
13 fund may exceed twenty percent of admitted assets. All individual holdings must be
14 rated A3 or better by Moody's Investor Service or rated A- or better by Standard &
15 Poor's Corporation. All mutual funds or exchange traded funds must have an average
16 credit quality of A3 or better as rated by Moody's Investor Service or A- or better as
17 rated by Standard & Poor's Corporation.

18 If a farm mutual insurer has invested its funds or any part of its funds pursuant to subdivisions
19 58-35-47(9) or (13) and the farm mutual insurer is determined to be in a financially hazardous
20 condition, the director may order the farm mutual insurer to reinvest those funds pursuant to
21 chapters 58-4 or 58-29B.