

# State of South Dakota

SEVENTY-NINTH SESSION  
LEGISLATIVE ASSEMBLY, 2004

760J0535

## SENATE BILL NO. 130

Introduced by: Senators Sutton (Dan), Albers, Bogue, and Duxbury and Representatives Dykstra, Begalka, LaRue, Nesselhuf, and Novstrup

1 FOR AN ACT ENTITLED, An Act to revise certain provisions relating to farm mutual insurers.

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

3 Section 1. That § 58-3-3.4 be amended to read as follows:

4 58-3-3.4. The provisions of §§ 58-3-3.1 to 58-3-3.3, inclusive, 58-3-7.4, and 58-3-11 do not  
5 apply to farm mutual insurers subject to chapter 58-35 unless the farm mutual wrote premiums  
6 in excess of one million dollars in the prior calendar year.

7 Section 2. That § 58-35-18 be amended to read as follows:

8 58-35-18. Upon application, the director shall issue such a certificate of authority to every  
9 insurer qualified therefor under this chapter; ~~such.~~ The certificate of authority shall ~~expire at~~  
10 ~~midnight on the thirtieth day of April next following its date of issuance~~ continue, unless  
11 ~~previously~~ revoked or otherwise terminated. ~~The director shall issue to each qualified insurer~~  
12 ~~a renewal certificate of authority on or before the first day of May of each year, provided the~~  
13 ~~insurer has filed its annual statement and report of expenditures as required by this chapter.~~

14 Section 3. That § 58-35-29 be amended to read as follows:

15 58-35-29. A farm mutual insurer shall only insure the following described property against



1 loss or damage by fire or other casualty:

- 2 (1) Farm dwellings and buildings, including the usual contents therein, livestock, farm  
3 machinery, growing crops, and other forms of farm property;
- 4 (2) Dwellings designed for occupancy by not over two families, including the usual  
5 contents thereof, and private structures;
- 6 (3) Churches, schools, and community buildings including the usual contents thereof;
- 7 (4) The usual and customary possessions of the occupants of multi-family dwellings; and
- 8 (5) Personal property used in a solely-owned business activity conducted on the insured  
9 premises, including property held for resale if the insured property is covered by  
10 reinsurance.

11 For purposes of this chapter any policy written by a farm mutual insurer is considered a  
12 personal lines policy.

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

14 58-35-47. The directors of a farm mutual insurer may invest the insurer's funds or any part  
15 of the insurer's funds in any of the following:

- 16 (1) Bonds or other securities issued by the United States government or by any agency  
17 or instrumentality of the United States government, or by any United States  
18 government-sponsored enterprise;
- 19 (2) Bonds or other obligations the payment of the interest and principal of which is  
20 assumed or guaranteed by the United States government or any agency or  
21 instrumentality of the United States government, or by any United States  
22 government-sponsored enterprise;
- 23 (3) General obligation bonds or warrants of this state or of any other state of the United  
24 States, or of any of the political subdivisions or other taxing districts of this state or

- 1 any other state;
- 2 (4) Certificates of deposit in any bank wherein the deposits are insured by the federal  
3 deposit insurance corporation up to the amount to which such insurance protection  
4 applies;
- 5 (5) Shares or savings accounts of savings and loan and building and loan associations to  
6 the extent that such an account is insured by the federal savings and loan insurance  
7 corporation;
- 8 (6) When authorized by a majority vote of its members present at a duly called and held  
9 meeting of members, and with the consent of the director, in a home office building  
10 and the land on which such building is situated;
- 11 (7) With the approval of the director of the Division of Insurance, in the preferred stock  
12 of any solvent corporation existing under the laws of the United States of America,  
13 or any state of the United States and in the common stock of any other solvent  
14 insurer;
- 15 (8) Bonds, notes, or other obligations issued by any federal land bank, federal  
16 intermediate credit bank, bank for cooperatives, or any or all of the federal farm  
17 credit banks;
- 18 (9) With the approval of the director of the Division of Insurance, in mutual funds, if the  
19 underlying investments held in the portfolio of the mutual fund are investments in the  
20 common stock of any solvent public utility or investments otherwise permitted by  
21 this section and the investment in mutual funds does not exceed the lesser of ten  
22 percent of admitted assets or one-half of surplus;
- 23 (10) Money market funds which would qualify as an investment pursuant to § 58-27-101;
- 24 (11) With the approval of the director of the Division of Insurance, in an insurance

1 agency;

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

5 Section 5. That § 58-35-54 be amended to read as follows:

6 58-35-54. The president and secretary of every insurer, on or before the first day of March  
7 of each year, shall prepare, affirm under oath, affix the corporate seal thereto, and file with the  
8 director, on forms furnished by ~~him~~ the director, an annual statement as of December thirty-first  
9 of the preceding calendar year including:

- 10 (1) The names of the president and secretary;
- 11 (2) The date of the annual meeting;
- 12 (3) The amount of insurance in force;
- 13 (4) The number of members;
- 14 (5) The number of assessments made during the year;
- 15 (6) The amount paid in losses during the year;
- 16 (7) The amount of the losses claimed and not paid, with the reason for nonpayment;
- 17 (8) The number of members ~~withdrawn, suspended, and expelled~~ cancelled or  
18 nonrenewed during the year;
- 19 (9) The number of new members admitted during the year;
- 20 (10) The expenses during the year;
- 21 (11) The amount of money on hand;
- 22 (12) The amount and character of the insurer's assets;
- 23 (13) The amount of the insurer's liabilities; and
- 24 (14) Such other information as the director may require.

1 Section 6. That § 58-35-34 be repealed.

2 ~~—58-35-34. The insurer may cancel any member's policy for any reasonable cause if written~~  
3 ~~notice of cancellation is delivered to the member or mailed to his address of record by registered~~  
4 ~~or certified mail at least twenty days before the effective cancellation date.~~

5 Section 7. That § 58-35-51 be repealed.

6 ~~—58-35-51. A farm mutual insurer shall keep accurate business records. The books, files, and~~  
7 ~~records of the insurer shall be available for inspection by the insurer's members, directors, and~~  
8 ~~officers, and by the director at all reasonable times.~~

9 Section 8. That § 58-35-52 be repealed.

10 ~~—58-35-52. The director has power, at any time, to investigate and examine the affairs and~~  
11 ~~books of any insurer.~~

12 Section 9. That § 58-35-53 be repealed.

13 ~~—58-35-53. The insurer shall pay the cost of investigations and examinations provided for in~~  
14 ~~§ 58-35-52.~~