

FARM PRODUCE INSURANCE ACT (EXCERPT)
Act 198 of 2003

285.319 Farm produce insurance fund; establishment; payments; allocation for administrative expenses; payment for legal services and expenses; investments; compliance review of investment portfolio; audit; establishment of fiscal year; "financial institution" defined.

Sec. 9.

(1) The farm produce insurance fund is established under the direction and control of the board. The fund shall consist of administrative premiums, producer premiums, money from any other source, and interest and earnings from fund investments. The board shall direct payments from the fund only for the following purposes:

- (a) Payment of valid claims under section 15.
- (b) Payment of administrative premiums and producer premium refunds under section 13.
- (c) Payment of administrative expenses under subsection (2).
- (d) Payment of legal fees and legal expenses under subsection (3).
- (e) Reimbursement of the director for producer security activities.

(2) The board shall allocate money from the fund to a separate administrative expenses account to pay administrative expenses and to reimburse the director for producer security expenses. This allocation shall not exceed \$500,000.00 in any fiscal year. Administrative expenses under this subsection include the actual cost of processing refunds of administrative premiums and producer premiums, enforcement, record keeping, ordinary management and investment fees connected with the operation of the fund, verification cost under section 11(4), and any other expenses approved by the board. Administrative expenses do not include legal fees and legal expenses described in subsection (3).

(3) For legal services requested by the board, the board shall pay for any legal services and legal expenses required by the authority, board, or fund from money in the fund. Legal services and expenses described in this subsection are not administrative expenses and shall not be paid from the administrative expenses account.

(4) All of the following apply to the investment of any money in the fund that the board determines is not needed to meet the immediate cash needs of the fund:

(a) The treasurer of the board is the investment officer of the fund and shall invest or direct the investment of the money in the fund only in a manner that complies with this subsection.

(b) The money shall only be invested through a bank trust department or a professional investment advisor registered with the securities and exchange commission under the investment advisors act of 1940, 15 USC 80b-1 to 80b-21, as determined by the board.

(c) The money may only be invested in any of the following, as determined by the board:

(i) United States government bonds, United States treasury notes, or obligations issued by United States government agencies or United States government-sponsored enterprises.

(ii) Deposit accounts in or certificates of deposit issued by a financial institution if all of the following are met:

(A) Deposits in the financial institution are insured by an agency of the United States government.

(B) The principal office of the financial institution is located in the United States.

(C) Except as provided in sub-subparagraph (D), the amount held in any 1 account does not exceed the federally insured amount for that financial institution's accounts.

(D) The amount held in any 1 account in a state or nationally chartered bank does not exceed \$500,000.00.

(iii) Corporate bonds and municipal bonds, if all of the following are met:

(A) The total investment in corporate and municipal bonds, and in common and preferred stocks under subparagraph (iv), does not exceed 45% of the amount of the fund.

(B) The bonds are rated investment grade or better by at least 1 nationally recognized rating service.

(C) The amount invested in bonds of any 1 corporation or municipality does not exceed more than 5% of the amount of the fund.

(iv) Common or preferred stock, or a mutual fund or bank-pooled fund that invests in common or preferred stocks, if all of the following are met:

(A) The total investment under this subparagraph does not exceed 11.25% of the amount of the fund.

(B) The common or preferred stock in which the fund invests, or the stock held by the mutual fund or bank-pooled fund in which the fund invests, is stock in a publicly owned company that trades on a United States regulated exchange.

(d) The money shall not be invested in a mutual fund, unless the mutual fund is 1 of the following:

(i) A mutual fund described in subdivision (c)(iv).

(ii) A money market mutual fund, if all of the following are met:

(A) The investment is money the board determines is needed to meet short-term obligations of the fund.

(B) The money is invested for not more than 180 days.

(C) The money market mutual fund is subject to rule 2a-7 of the securities and exchange commission, 17 CFR 270.2a-7.

(D) The money market mutual fund invests only in obligations that are rated in the highest rating classification established by at least 2 standard rating services, or in obligations issued by government agencies, obligations issued by government-sponsored enterprises, or government bills, bonds, or notes.

(5) The board shall ensure that the bank trust department or professional investment advisor described in subsection (4)(a) completes a compliance review of the investment portfolio on a quarterly basis and provides a copy of the investment review to the fund and department within 30 days after the end of each quarter.

(6) The board shall ensure that the audit required under section 17 includes a certification from the certified public accountant concerning whether the fund complied with the requirements of subsection (4) in the audit period. If an audit does not include this certification, the director by order may restrict or eliminate the board's authority to invest in corporate or municipal bonds or common or preferred stocks under subsection (4).

(7) The fund shall operate on a fiscal year established by the board.

(8) As used in subsection (4), "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union.

History: 2003, Act 198, Imd. Eff. Nov. 10, 2003 ;-- Am. 2010, Act 300, Imd. Eff. Dec. 16, 2010 ;-- Am. 2012, Act 149, Imd. Eff. May 30, 2012 ;-- Am. 2016, Act 264, Eff. Sept. 26, 2016