

HOUSE BILL NO. 6220

December 04, 2024, Introduced by Rep. Haadsma and referred to the Committee on Agriculture.

A bill to amend 2003 PA 198, entitled
"Farm produce insurance act,"
by amending section 9 (MCL 285.319), as amended by 2016 PA 264.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 9. (1) The farm produce insurance fund is established
2 under the direction and control of the board. The fund ~~shall~~
3 ~~consist~~ **consists** of administrative premiums, producer premiums,
4 money from any other source, and interest and earnings from fund
5 investments. The board shall direct payments from the fund only for
6 the following purposes:

1 (a) Payment of valid claims under section 15.

2 (b) Payment of administrative premiums and producer premium
3 refunds under section 13.

4 (c) Payment of administrative expenses under subsection (2).

5 (d) Payment of legal fees and legal expenses under subsection
6 (3).

7 (e) Reimbursement of the director for producer security
8 activities.

9 (2) The board shall allocate money from the fund to a separate
10 administrative expenses account to pay administrative expenses and
11 ~~to~~ reimburse the director for producer security expenses. ~~This~~**The**
12 allocation ~~shall~~**must** not exceed ~~\$500,000.00~~**\$850,000.00** in any
13 fiscal year. Administrative expenses under this subsection include
14 the actual cost of processing refunds of administrative premiums
15 and producer premiums, enforcement, record keeping, ordinary
16 management and investment fees connected with the operation of the
17 fund, verification cost under section 11(4), and any other expenses
18 approved by the board. Administrative expenses do not include
19 **investments and the** legal fees and legal expenses described in
20 subsection (3). **Beginning January 1, 2026, and every January 1**
21 **thereafter, the department may adjust the allocation for**
22 **administrative expenses described under this subsection by an**
23 **amount determined by the state treasurer to reflect the cumulative**
24 **annual percentage change in the Detroit Consumer Price Index over a**
25 **1-year period. An adjustment under this subsection must not exceed**
26 **5% even if the amount determined by the state treasurer to reflect**
27 **the cumulative annual percentage change over a 1-year period is**
28 **more than 5%. An adjustment under this subsection must be rounded**
29 **to the nearest \$3,000.00 increment. As used in this subsection,**

1 "Detroit Consumer Price Index" means the most comprehensive index
2 of consumer prices available for the Detroit-Warren-Dearborn area
3 from the Bureau of Labor Statistics of the United States Department
4 of Labor.

5 (3) For legal services requested by the board, the board shall
6 pay for any legal services and legal expenses required by the
7 authority, board, or fund from money in the fund. Legal services
8 and expenses described in this subsection are not administrative
9 expenses and ~~shall~~**must** not be paid from the administrative
10 expenses account.

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

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

17 (b) The money ~~shall~~**must** only be invested through a bank trust
18 department or a ~~professional~~ investment advisor registered with the
19 ~~securities~~**Securities** and ~~exchange commission~~**Exchange Commission**
20 under the investment ~~advisers~~**advisers** act of 1940, 15 USC 80b-1 to
21 80b-21, as determined by the board.

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

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

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

29 (A) Deposits in the financial institution are insured by an

1 agency of the United States government.

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

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

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

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

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

14 (B) The bonds are rated investment grade or better by at least
15 1 nationally recognized rating service.

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

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

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

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

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

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

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

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

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

7 (C) The money market mutual fund is subject to rule 2a-7 of
8 the ~~securities~~ **Securities** and ~~exchange commission,~~ **Exchange**
9 **Commission**, 17 CFR 270.2a-7.

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

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

20 (6) The board shall ensure that the audit required under
21 section 17 includes a certification from the certified public
22 accountant concerning whether the fund complied with the
23 requirements of subsection (4) in the audit period. If an audit
24 does not include this certification, the director by order may
25 restrict or eliminate the board's authority to invest in corporate
26 or municipal bonds or common or preferred stocks under subsection
27 (4).

28 (7) The fund ~~shall~~ **must** operate on a fiscal year established
29 by the board.

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