



March 27, 2014

To: The Honorable Henry T. Perea, Chair
The Honorable Curt Hagman, Vice Chair
Members, Assembly Insurance Committee

From: American Insurance Association
Association of California Insurance Companies
National Association of Mutual Insurance Companies
Personal Insurance Federation of California

Subject: AB 2128 (Gordon) Insurer Investments - Community Development
Assembly Insurance Committee Hearing, April 2, 2014

We have strong concerns with the extension of any more community investment data calls that could be amended into **AB 2128 - Insurer Investments: Community Development by Assemblymember Gordon.**

As currently drafted, AB 2128 would authorize the Commissioner's discretion to extend or reduce a board member's 2-year term, delete the staggered terms requirement, delete the quarterly meeting requirement and instead requires a minimum of 3 or more meetings per year. These changes would be extended until 2020.

For nearly a decade, our organizations have provided the Insurance Commissioner with information on our investments in California's underserved communities. We feel that before the extension of any more data calls, there be a comprehensive and academic analysis of those investments, and an evaluation of the COIN Program in facilitating these efforts.

Background

COIN was initially conceived in 1996 as a three year "handshake" agreement between the Insurance Commissioner and the State Legislature in lieu of a legislative mandate requiring that a percentage of the insurance industry gross premium taxes be dedicated to investments benefiting low and moderate income communities. While COIN has always had an Advisory Board, the program was formally established through legislative action (AB 624, 2011). Over the years this voluntary, one of a kind, collaborative effort between the insurance industry, the Insurance Commissioner, and advocates for investment in low income communities has led to improved knowledge and awareness of community economic development opportunities by the insurance industry. In fact, COIN helped to create Impact Community Capital, an insurer owned and operated, specialized investment vehicle that helps companies support California communities while maintaining prudent investment standards.

CDFI Tax Credit Program

COIN also operates the Community Development Financial Institution (CDFI) Tax Credit program. Established in 1997, this program provides tax credits to insurance companies that invest in community development organizations. The tax credits are meant as an incentive to encourage investments in financially underserved communities through CDFIs by corporations, individuals and the insurance industry. This 17 year program was recently expanded to increase the number of tax credits from \$2 million to \$10 million.

Role of the COIN Program

Since inception, the role of COIN has been to match community organizations (those that need access to capital) with insurers. As part of this responsibility, COIN is obligated to understand the statutory requirements on insurance industry investments, the areas insurers invest in and which investments insurers prefer in order to expedite the relationships and connections with community groups.

Data Calls

Beginning as early as a year after the creation of the program, the Industry has provided data on its investments in these targeted areas. Since then, every successive Insurance Commissioner has conducted data calls, either voluntarily or mandated (AB 925 by Assemblymember Ridley-Thomas, and extended in 2010 by AB 41 by Assemblymember Solorio). **As an industry, we believe that our companies have contributed significantly to the economic well-being of California. In addition, we believe that the data calls have demonstrated that the industry has made substantial investments in underserved areas (1997-2009 - \$19B dollars / 2010-12, unofficially, over \$65B). The Insurance Trade Organizations listed on this letter believe that COIN has sufficient data to perform a comprehensive analysis of the industry's performance.**

Definition of Success

Previous Advisory Boards, Directors, and the Legislature have struggled with the critical question of how do you measure what constitutes an acceptable level of community investment? Is success measured by the number of companies making investments? Is it measured by a specific dollar amount of investments? Is it in the success of COIN in facilitating investments, or is it in the success of insurers in making investments? Ultimately the question centers on metrics. Which metrics, and what level of analysis is COIN's responsibility.

Today, the COIN program seems a one dimensional, bureaucratic entity, analyzing data calls and focusing on servicing the CDFI tax credit program. There no longer appears to be any significant outreach effort to community groups to educate them on the investment opportunities with the insurance industry. Further, the program is not doing the necessary "hunting and gathering" work of reaching out and identifying investments and matching them with insurers. This is an obligation of COIN. All the previous data calls have provided sufficient information that the insurance industry makes these types of investment when they can.

We believe that before any further data calls, more analysis is necessary to evaluate the level, frequency and performance of the industry in making community investments. Additionally, it is time for a review of how successful COIN has been in its efforts. Therefore, we have strong concerns that the bill not be amended later to extend any insurer community investments data calls until there is a comprehensive analysis of both the industry's investments and the operations of the COIN Program.

cc: Assemblymember Richard S. Gordon, Author
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