June 8, 2012

TO: **The Honorable Ronald S. Calderon, Chair**
Members, Senate Insurance Committee

FROM: **American Council of Life Insurers**
American Insurance Association
Association of California Insurance Companies
Association of California Life and Health Insurance Companies
California Chamber of Commerce
Pacific Association of Domestic Insurance Companies
Personal Insurance Federation of California
National Association of Mutual Insurance Companies

RE: **AB 2160 (Blumenfield): OPPOSE**

This letter is to inform you that the above listed organizations **OPPOSE** AB 2160, which would forbid California domiciled insurers from acquiring direct or indirect investments in Iran.

Notwithstanding that this bill has worthy objectives, we must oppose because it intrudes upon federal authority over foreign relations.

Insurers currently comply with State Department and the Department of Treasury rules that prohibit investments in Iran. Federal courts have consistently held that state legislation pertaining to foreign policy cannot interfere with the federal government's primacy in the area of foreign policy. The only time the states can legislate in the foreign policy arena is the limited cirucumstance when the federal government gives the states explicit authority to do so. The federal government has not done so with respect to the matters AB 2160 would cover.

On July 1, 2010, President Barak Obama signed into law the "Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010." As the title clearly implies, the bill makes very clear that this is a federal issue.

The sweeping federal bill does grant some specific authority to state and local governments as seen below.

> SEC. 202. AUTHORITY OF STATE AND LOCAL GOVERNMENTS TO DIVEST FROM CERTAIN COMPANIES THAT INVEST IN IRAN.
> (b) AUTHORITY TO DIVEST.—Notwithstanding any other provision of law, a State or local government may adopt and enforce measures that meet the requirements of subsection (d) to divest the assets of the State or local government from, or prohibit investment of the assets of the State or local government in, any person that the State or local government determines, using credible information available to the public, engages in investment activities in Iran described in subsection (c).

Thus the federal bill only authorizes state and local government entities to divest their own assets, or prohibit their investments, in Iran investment activities. Indeed, this Legislature has already passed legislation that relies on that provision. AB 1650 (Feuer and Blumenfield), which was signed into law in 2010, prohibits state and local government from having contracts with any entity that has direct or indirect investments in Iran.

However, as a clear reading of Section 202 indicates, the federal bill does NOT authorize the states to control, ban or otherwise affect the activities of private businesses as proposed by AB 2160.

For the foregoing reasons we **OPPOSE** AB 2160, unless it is amended, and respectfully urge you to vote "NO" on this measure.

cc: Assembly Member Bob Blumenfield, Author
Hugh Slayden, Senate Insurance Committee
Tim Conaghan, Senate Republican Caucus