



August 5, 2016

Honorable Toni Atkins  
Speaker Emeritus  
State Capitol, Room 319  
Sacramento, CA 95814

RE: Insurance Industry Comments on the Community Investment Survey (CIS) 2016 Data Call

Dear Speaker Atkins:

The above-listed organizations want to thank the California Department of Insurance (CDI) for the publication of its comprehensive report outlining the California Organized Investment Network (COIN) program and the efforts of insurers to invest in California's underserved communities. The 2016 CIS data call contains important information which can inform deliberations about insurer community investments.

According to the 2016 CIS data call, total insurance industry community investments since inception of the COIN Program are \$21.8 Billion.<sup>1</sup> The insurance industry would like to congratulate the CDI for successfully leading the insurance industry, on a voluntary basis over two decades, to incorporate a focus on community investments into its ordinary course of business. As opposed to many examples within government of forcing a regulated industry to move in a desired policy direction, the COIN program has long been a model of collaboration and inclusion and the 2016 report demonstrates this effort has led to long-term change.

However, we must object to the proposed recommendations as offered in the report, particularly if the goal is to amend AB 2728 in August, the last month of session. We stand ready to work collaboratively,

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<sup>1</sup> The graph in the CIS report indicates that prior to 2009, the insurance industry invested under \$5 billion dollars between 1996 and 2008. However, we have a CDI COIN insurer investment summary from 2010 that reflects over \$18 billion in community investments during the same period.

with you, the Legislature, and the CDI towards a compromise after the appropriate deliberations, not a “rush to judgement” in the last month of the Legislative session that risks the real goal, the extension of the tax credit.

### The Role of the COIN Program

This growth of insurer community investments was set in motion with the assistance of the COIN program. COIN was originally developed to educate both community organizations and the insurance industry about each other. Community groups needed to be educated about the business of insurance and the limitations on our investments for solvency purposes. And, the insurance industry needed to be educated on ways to make investments that could benefit communities while still meeting insurance accounting rules. COIN’s “matchmaking” role has always been to bridge this gap, vetting community investment recipients and ensuring that an insurance industry investments in such recipients would meet the statutory requirements on our investments.

Over the years, COIN’s direct matchmaking activities have lessened (by their own admission) as insurers have developed knowledge of community investments. In fact, of the \$2.9 billion invested by the insurance industry during 2009-2015, COIN directly facilitated less than 10% of this amount. As pointed out in the June 2016 report by Pacific Community Ventures InSight (PCV InSight), “*California Organized Investment Network Impact Report, Examining Investments made in California from 2011 through 2015:*”

***Between 2011 and 2015, COIN has delivered significant social and environmental impact, particularly within low-to moderate-income (LMI) communities across California, by facilitating investment opportunities that offer a competitive financial return to insurers and other investors. Highlights include:***

***COIN facilitated the investment of \$237.5 million into 34 organizations, which in turn deployed \$505.7 million of pooled funds into projects and businesses that benefit underserved communities across the state of California.***

The report continues:

***COIN provides information to insurers about investment opportunities that benefit California’s underserved communities and offer appropriate risk-adjusted financial returns. Investment intermediaries such as CDFIs and investment managers seeking capital for projects in California’s underserved communities bring investment opportunities to COIN. COIN vets these intermediaries based on their track record of making debt and equity investments in underserved communities and upon due diligence, certifies qualifying CDFIs and non-CDFIs deemed eligible to receive COIN-facilitated capital. COIN then shares information about certified intermediaries with insurers and other investors through ‘Investment Bulletins’, published on COIN’s website.***

As we now enter the twentieth year of the program, it is evident that COIN has reduced its clearinghouse efforts and focuses more on its work with community development financial institutions (CDFIs) and analyzing the results of data calls. The shift away from matchmaking is demonstrated by the evolution of COIN’s mission statement since 1998.

#### Year 1998

The California Organized Investment Network (COIN) has a mission of increasing the level of insurance industry capital in safe and sound investments for economic development and affordable housing in or benefitting California's low to moderate income urban and rural communities. COIN was initially conceived as a three year "handshake" agreement between the Insurance Commissioner and the Legislature in lieu of a legislative mandate requiring the insurance industry to either report annually about community development investments or have a percentage of their gross premium taxes dedicated to investments benefiting low and moderate income communities.

#### Year 2000

COIN was as a collaborative effort between the insurance industry, the California Department of Insurance, and advocates for investment in low-income communities. COIN's mission is to provide leadership in increasing the level of insurance industry capital in safe and sound investments providing fair returns to investors and social benefit to underserved California communities.

#### Year 2004

"...COIN serves as a facilitator or liaison between insurers and community organizations, and as a clearinghouse of community investments information opportunities. COIN works with community organizations that are seeking investment capital to identify investment opportunities. "COIN Investment Bulletins" are developed to communicate those proposals to insurers and are made available through the Department's bulletin process and the COIN Web site to all insurers doing business in California."

#### Year 2007

"...COIN serves as a liaison between insurers and community organizations. It also facilitates and acts as a clearinghouse of California community development investment information. Working with nonprofit organizations, community economic development agencies, affordable housing groups, and local governments, COIN seeks to maximize insurer awareness of the widest possible choices for community development opportunities."

#### Year 2010

"...COIN's mission is to provide leadership in increasing insurance industry capital in safe and sound investments providing fair returns to investors and social benefit to underserved communities. COIN also administers the CDFI tax credit program, which is open to all taxpayers who pay taxes under the California Personal Income Tax or Corporation Tax Laws or pay insurer Premium Tax in California."

#### Year 2013

COIN was established in 1996 as a collaborative effort between the insurance industry, the Insurance Commissioner, the Legislature, and advocates for investment in low income communities. COIN's mission is to guide insurers on making safe and sound investments that yield environmental benefits throughout California and/or social benefits within the State's underserved communities.

## Year 2016

“...to guide insurers on making safe and sound investments that yield environmental benefits throughout California and/or social benefits within the State’s underserved communities.”

While COIN’s mission and role have shifted over the years from matchmaking and facilitating direct investments through the bulletin process (there are only nine available investment bulletins <http://www.insurance.ca.gov/0250-insurers/0700-coin/35-Investment-Programs/>), towards more guidance and data collection, there has been continued growth in the level of community investments by insurers. Since the introduction of AB 925 by Assemblyman Mark Ridley-Thomas, the first statutorily required data call, the insurance industry has been supportive of the COIN data calls. The insurance industry has consistently taken the position that we make these investments, when we can, and the data calls have subsequently proved it.

### COIN CIS Data Call Recommendations

In the CIS report the CDI makes five recommendations regarding the continuance of the data call. While we certainly agree that we should consider an extension of the data call, in no terms do we agree to their recommendations. The CDI prefaces the recommendations by saying, “...Insurance companies collect more than \$124 billion in written premiums annually from Californians.....Nearly all Californians pay insurance premiums for some type of insurance; these premiums should be reinvested to help strengthen California’s LMI and underserved communities.” What is galling is that the CDI knows that the majority of those premiums go towards the operation of the business and the paying of claims. To make the insinuation that all of the premiums collected by insurance companies is available for investment is wrong. We would oppose all of these recommendations:

1. Extend CIS Data Call from January 1, 2017 to January 1, 2022.
2. Annualize CIS Data Call and limit reporting to holdings acquired/disposed.
3. Eliminate reporting for Schedules A, DA, and E.
4. Streamline Schedule B to allow for reporting by zip code.
5. Develop searchable database for tracking COIN Qualified investments

### Future Data Calls

At this point, as evidenced by the 2016 report, insurers are relying less on COIN bulletin facilitation and more on their own investment personnel. As insurers have relied less upon COIN facilitation, COIN has shifted its focus to periodic reviews of community investment activities through data calls.

As the Legislature reviews the COIN data call program in 2017 for reauthorization, it will be important the Legislature, the CDI, insurers, and community organizations to consider what “COIN 2.0” will look like. Insurers look forward to this important dialogue about what COIN will look like as it continues its transformation from its initial clearinghouse mission and packaging of investments to its growing guidance role.

We would be pleased to offer collaborative recommendations for the Legislature in time for next year’s committee deliberations. We look forward to these deliberations and hope they produce future results which match COIN’s impressive past results.

Should you have any questions or concerns, please feel free to contact any of the following: Brad Wenger, President of ACLHIC ([bwenger@aclhic.com](mailto:bwenger@aclhic.com) / (916) 442-3648), Rex Frazier, President of PIFC (916-442-6646 / [rfrazier@pifc.org](mailto:rfrazier@pifc.org)); Mark Sektnan, ACIC President, (916-205-2519 / [mark.sektnan@acicnet.org](mailto:mark.sektnan@acicnet.org)); Shari McHugh, on behalf of PADIC, (916-769-4872/[smchugh@mcchughgr.com](mailto:smchugh@mcchughgr.com)); Christian Rataj, NAMIC Senior Director, (303-907-0587 / [crataj@namic.org](mailto:crataj@namic.org)); Katherine Pettibone, AIA Vice President Western Region, (916-718-9568 / [kpettibone@aiadc.org](mailto:kpettibone@aiadc.org)).

Cc: Members, Senate Insurance Committee  
Members, Assembly Insurance Committee  
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Tim Conaghan, Consultant, Senate Republican Caucus  
Michael Martinez, Deputy Legislative Secretary, Governor's Office

Enclosure

## COIN Insurer Investment Summary As Reported To COIN Calendar Years 1997 through 2008

Extent of Social Benefit: All  
Company Line of Business: All  
Social Benefit: All

Investment Type (& NAIC Statement Schedule)	1997-2004	2005	2006	2007	2008	Cumulative Total
Low-Income Housing Tax Credits (LIHTC) Partnerships (NAIC Schedule BA)	1,023,805,164	122,770,243	134,599,029	151,869,639	190,003,244	\$1,623,047,319
Other Limited Partnerships (LP) and Limited Liability Companies (LLC) (NAIC Schedule BA)	318,321,506	200,425,894	89,957,289	86,179,655	36,769,692	\$731,654,036
Bonds (NAIC Schedule D)	1,537,368,245	607,361,211	889,301,725	939,793,379	654,303,312	\$4,628,127,872
Common and Preferred Stock (NAIC Schedule D)	5,640,542	412,223	1,266,477			\$7,319,242
Certificates of Deposit, Share Certificates and Cash or Cash Equivalents (NAIC Schedule D & E)	27,579,648	3,213,460	2,922,674	2,503,202	3,930,897	\$40,149,881
Commercial Mortgages in Low or Moderate Income (LMI) Census Tracts (NAIC Schedule B)	5,668,274,758	2,018,802,839	2,040,635,150	1,377,797,189	680,268,795	\$11,785,778,731
Residential Mortgages (NAIC Schedule B)	1,899,363	123,212				\$2,022,575
Real Estate Owned (NAIC Schedule A)	161,828,749	33,872		250,000		\$162,112,621
Other (e.g., Loan Guarantee) (No NAIC Investment Schedule)	500,000					\$500,000
<b>Insurer Investment Totals:</b>	<b>\$8,745,217,973</b>	<b>\$2,953,142,955</b>	<b>\$3,158,682,344</b>	<b>\$2,558,393,064</b>	<b>\$1,565,275,941</b>	<b>\$18,980,712,277</b>
<b>No. of Investments:</b>	<b>2799</b>	<b>1194</b>	<b>664</b>	<b>662</b>	<b>649</b>	<b>5968</b>
<b>Average Size Investment:</b>	<b>\$3,124,408</b>	<b>\$2,473,319</b>	<b>\$4,757,052</b>	<b>\$3,864,642</b>	<b>\$2,411,827</b>	<b>\$3,180,414</b>

Report #1

Report run on: 11/01/10