

COMMUNITY INVESTMENT SURVEY 2014

KEY FINDINGS REPORT



CALIFORNIA ORGANIZED
INVESTMENT NETWORK
INSURERS INVESTING IN A BETTER CALIFORNIA.

CALIFORNIA DEPARTMENT OF INSURANCE

Community Investment Survey (CIS) 2014

California Organized Investment Network, California Department of Insurance
September 2014



CALIFORNIA ORGANIZED
INVESTMENT NETWORK
INSURERS INVESTING IN A BETTER CALIFORNIA.

QUICK FACTS CIS 2014 DATA CALL

CIS 2014 Data Call requires insurers to report their investments in low-to-moderate income areas, green, and rural investments in California

CIS 2014: 2009-2012 COIN investments

- 1,044 insurers responded
- 100% insurer response rate
- 19,156 investments
- 9,439 were qualified
- 49% were COIN qualified

High Impact Investments

2009: \$943.3 million
2010: \$1.1 billion
2011: \$1.5 billion
2012: \$2.3 billion

Guided Investments

2012: \$1.3 billion

Green Investments

2009: \$539.7 million
2010: \$1.1 billion
2011: \$1.5 billion
2012: \$2.3 billion

Total Qualified Investments

2009: \$5.4 billion
2010: \$6.6 billion
2011: \$7.8 billion
2012: \$9.1 billion

California admitted insurers hold approximately \$6.5 trillion in assets in the United States. In 2009, \$5.4 billion of these holdings were in COIN Qualified Investments in low-to-moderate income areas, green investments and rural investments in California. This amount increased to \$9.1 billion in 2012.

CALIFORNIA ORGANIZED INVESTMENT NETWORK (COIN)

The California Organized Investment Network (COIN) was established in 1996 as a unit within the California Department of Insurance (CDI). COIN's mission is to guide insurers in making safe and sound investments yielding environmental benefits throughout California and/or social benefits within the State's underserved communities. More information about COIN is found at <http://www.insurance.ca.gov/coin/>.

GATHERING THE DATA

In 1997, some insurers began to voluntarily report their California community development investments to COIN. In 2001, a letter from the then-Insurance Commissioner to chief executive officers of insurance companies and a voluntary survey in 2005 led to additional companies reporting their community development investments. Since 2005, insurers were required to report all of their California community development investments, as reporting was mandated in January 2007 pursuant to Assembly Bill 925 (Ridley-Thomas).

COMMUNITY INVESTMENT SURVEY (CIS) 2014 DATA CALL

In 2013, COIN conducted the CIS 2014 Data Call to bring transparency to the amount of capital that insurers held in California community development investments between 2009 and 2012, including high impact, community infrastructure, green, and rural investments. Insurers that wrote \$100 million or more in California premiums made 85% of COIN qualified investments between 2009 and 2012. Annual amounts of insurer community development, high impact, and green investments can be found at <https://interactive.web.insurance.ca.gov/coinweb/index.jsp?content=insurerSimpleSearch>

COIN QUALIFIED INVESTMENTS

COIN qualified investments are those sourced and structured, guided or approved through the COIN program. COIN seeks to source/structure investment opportunities that meet the COIN program guidelines. These investments must be safe, sound and solvent, offer an acceptable financial return, and benefit California's environment and/or LMI and rural communities.

Sourcing and Structuring Investments:

COIN collaborates with organizations that have created an investment vehicle and seek to qualify it as a COIN Investment Opportunity Bulletin. Once approved, COIN sources this investment opportunity to insurers to raise capital. COIN structures investments by helping modify the vehicle to make it more attractive for insurer investors. Modifications may include increasing yield and/or rating the investment.

Example of a COIN Sourced Investment:

Topaz Solar Energy Project in San Luis Obispo is an example of a COIN sourced investment. COIN approved the bond notes issued by Topaz Solar according to COIN's guidelines, and then sourced the investment to insurers as a COIN Investment Bulletin. This project is described in more detail later in the paper.

Example of a COIN Structured Investment:

COIN structures investments in a number of ways. For example, COIN assists its certified Community Development Financial Institutions (CDFIs) to structure equity investments, including but not limited to the Low Income Housing Tax Credit (LIHTC) investments, that may increase yield and decrease risk. The CDFIs use these equity investments from their investors to apply for COIN CDFI Tax Credits. In other instances, COIN helps organizations work with the National Association of Insurance Commissioners (NAIC) to rate their investments, thereby decreasing the risk associated with the investment and increasing the likelihood of the investment receiving funding from insurers.

Guided and Approved Investments

There are two mechanisms by which COIN guides and approves investments. The first is by qualifying investments that insurers are in the process of committing capital to and would like for COIN to approve prior to making a final capital commitment. COIN's approval of an investment guarantees that the investment will qualify for the upcoming CIS data call. The second method is by approving investments submitted under the CIS data call. Investments submitted and qualified by COIN under the CIS data call are investments that insurers have already made and are required to report as mandated by legislation.

Types of COIN Qualified Investments

1. **High Impact Investments** are investments sourced and/or structured by COIN for insurers, or are insurer investments that are innovative, responsive to community needs, not routinely provided by insurers, or have a high degree of positive impact on the economic welfare of LMI households or areas in California.

HIGH IMPACT HOLDINGS AT YEAR END			
Year	Count	COIN Qualified Holdings at Year End	Percent Change, Year Over Year
2009	275	\$ 943,296,888	-
2010	321	\$ 1,090,800,650	16%
2011	361	\$ 1,544,667,196	42%
2012	433	\$ 2,341,657,987	52%

High Impact Investment Example: Seasons at Compton: Community Impact Loan (CIL) financed a 15 year, \$1,500,000 permanent mortgage loan to Compton Senior housing. Seasons at Compton consists of 84 one and two bedroom units that are restricted to seniors (55 and older) located in Compton, California.

- 32 units are for developmentally disabled seniors and senior caregivers
- 54 units are covered by the U.S. Department of Housing and Urban Development Section 8 program
 - The Section 8 housing program provides rental assistance payments on behalf of low income individuals and families, including the elderly and persons with disabilities
- Received a LEED (Leadership in Energy and Environmental Design) Platinum designation (the highest level)

High Impact Investment Example: Varena Senior Apartments: CIL also financed a 15 year, \$5,230,000 permanent mortgage loan to Varena Sacramento, LP. Varena Senior Apartments provides housing for seniors (55 and older) and consists of 120 one-bedroom units and 32 two-bedroom units. The Varena Senior Apartments are located in Sacramento, California.

- Unit income restrictions relative to area medium income (AMI) are:
 - 15 units at no more than 30% AMI
 - 30 units at no more than 45% AMI
 - 105 units at no more than 50% AMI.

Types of High Impact Investments

A. High Impact Bulletins are investments that COIN investment officers have vetted for their social or environmental impact and financial safety and soundness. COIN notifies insurers of bulletins and sends them email reminders of remaining investment availability. COIN plans to host investment forums through which insurer investment executives, asset managers, community development financial institutions (CDFIs), and targeted California investment funds could potentially develop ideas and partnerships for investments. More information about COIN's High Impact Bulletins can be found online at <http://www.insurance.ca.gov/0250-insurers/0700-coin/InvestmentBulletins.cfm>

In 2012, four High Impact Investment Bulletins were approved by COIN and marketed to all 1,044 insurers. Only the COIN CDFI Tax Credit Program was funded by insurers because it has the added incentive of a 20% state tax credit. The CDFI Tax Credit Program received \$8.3 million in funding from 15 insurers in 2012.

B. CDFI Tax Credit Investments are equity, equity-like debt instruments, and 0% interest deposits invested into a COIN Certified CDFI. Each year, COIN allocates a state tax credit of 20% on qualified investments with a minimum value of \$50,000 and duration of 60 months. The total annual available COIN CDFI tax credit is \$10 million, which leverages up to \$50 million of private investment into COIN certified CDFIs.

COIN CDFI Tax Credit Example: California Automobile Insurance Company invested \$1.8 million in a COIN CDFI Tax Credit equity investment with Enterprise Community Investment that yielded competitive returns and the below benefits across California:

- 326 units of permanent low income housing
- 134 homeless shelter units
- 16 transitional supportive housing units for the homeless

AB 32 (John Pérez, 2013) increased the cap on the annual aggregate amount of qualified investments made into COIN certified CDFIs from \$10 million to \$50 million. This is estimated to yield 3,128 jobs and an economic impact of \$460.4 million for California between the 2013 to 2016 period, after which it is scheduled to sunset. In the 2014 calendar year COIN will allocate up to \$18 million in tax credits, leveraging \$90 million in COIN qualified tax credit investments.

2. Guided Investments are investments sourced and/or structured by COIN for insurers in accordance with COIN's programmatic guidelines and market conditions. Sourcing and structuring investment opportunities for insurers through the Guided Investment Program has proven very effective at securing insurer investment for critical community development and green investments.

Guided Investment Example: Topaz Solar Energy project is a COIN Guided Investment that received \$681.7 million of insurer investment:

- Received \$681.7 million of investment from 27 insurer investors
- Created 400 full-time positions in a rural area of San Luis Obispo County
- Produces 550 megawatts of solar power, enough to power 160,000 average California homes
- Supports California’s Renewable Portfolio Standard, which requires at least 33% of each California investor-owned utility’s retail electricity sold must be procured from renewable energy sources by 12/31/20.

3. **Green Investments** emphasize renewable energy projects, economic development, and affordable housing focused on infill sites to reduce the degree of automobile dependency and promote the use and reuse of existing urbanized lands supplied with infrastructure for the purpose of accommodating new growth and jobs.

GREEN INVESTMENT HOLDINGS AT YEAR END			
Year	Count	COIN Qualified Holdings at Year End	Percent Change, Year Over Year
2009	79	\$ 539,733,959	-
2010	143	\$ 1,110,546,362	106%
2011	170	\$ 1,531,685,949	38%
2012	196	\$ 2,263,552,170	48%

Green investments (AB 1011, Jones, 2010) were added to the CIS Data Call to also include investments that can help communities improve through new capital investment in the maintenance and rehabilitation of existing infrastructure. Capital in green investment provides for the reuse and reinvention of city centers, existing transportation corridors, and community spaces. Projects include offering energy efficiency improvements and renewable energy generation, such as solar and wind power, mixed-use development, affordable housing opportunities, multimodal transportation systems, and transit-oriented development that can advance economic development, jobs, and housing.

Green Investment Example: Genesis Solar Energy Project:

- Located in a low-income area of Riverside County
- Solar electric generating facility that will create renewable energy and provide jobs in a high unemployment area
- 250 MW solar energy generating facility
- Expected to create 800 jobs during construction and maintain 40-70 full-time employees once operational.



Parabolic trough solar thermal technology

Source: California Energy Commission

**QUICK FACTS
GREEN INVESTMENTS**

AB 1011 (Jones, 2010) added to the CIS Data Call green investments that:

- Reduce the degree of automobile dependency
- Promote the use and reuse of existing urbanized lands
- Help communities grow through new capital investment in the maintenance and rehabilitation of existing infrastructure
- Offer energy efficiency improvements

Examples of Green Investments:

- Reuse and reinvention of city centers
- Existing transportation corridors and community space
- Solar and wind power
- Mixed-use development
- Affordable housing
- Multimodal transportation systems
- Transit-oriented development

Green Investments:

2009: \$539.7million
 2010: \$1.1 billion
 2011: \$1.5 billion
 2012: \$2.3 billion

4. **Rural Investments** are those investments made in areas of California with a population of 50,000 or fewer people and not contiguous to an urban area, as defined by the United States Department of Agriculture (USDA) Rural Development Business and Industry Loan Guarantee program.

RURAL INVESTMENT HOLDINGS AT YEAR END			
Year	Count	COIN Qualified Holdings at Year End	Percent Change, Year Over Year
2009*	28	\$ 203,669,705	-
2010	35	\$ 328,855,789	61%
2011	40	\$ 289,639,707	-12%
2012	52	\$ 471,493,709	63%

*2009 percent changes are not included because rural investments were not reported in the CIS 2009 Data Call

Rural Investment Example: A \$3.2 million Schedule B investment into the rural community of Holt, California yielded competitive returns in 2009 and created water efficiency, annual crop, and agricultural benefits.

5. **Community Development Investment** includes, but is not limited to, investments in California in the following:

- Affordable housing
- Community facilities or community service providers directly benefiting LMI individuals, families, or areas
- Economic development: job creation/retention/improvement, provision of needed capital to LMI, individuals, families, or areas, including urban or rural communities, or businesses or nonprofit community service organizations that serve these communities
- Activities that revitalize or stabilize LMI communities
- Investments in or through COIN Certified CDFIs or other California CDFIs

6. **Community Development Infrastructure** investments are California public debt (including all debt issued by the State of California or a California state or local government agency) where all or a portion of the debt has as its primary purpose community development, or that directly benefits LMI communities.

Community Development Infrastructure Example:

In 2012, multiple insurers invested into bonds (Schedule D) for San Bernardino City Unified School District, which has 94% student eligibility for Free or Reduced-Price Lunch. Source: <http://www.cde.ca.gov/ta/ac/ap/>

**QUICK FACTS
TYPES OF INSURER
INVESTMENTS**

**Relating Schedules to
Asset Classes and
Examples**

- **Schedule A** includes real estate directly owned by an insurer
- **Schedule B** includes long-term mortgage loans

Example: \$3.2 million investment into the rural community of Holt, California yielded competitive returns in 2009 and created the following benefits: Water efficiency, annual crop, and agricultural benefits to the Holt, California rural community

- **Schedule BA** includes all other unrated long-term investments
- **Schedule D** includes long-term stocks and bonds

Example: In 2012, multiple insurers invested into bonds for San Bernardino City Unified School District, which has 94% student eligibility for Free or Reduced-Price Lunch.

- **Schedule E** includes short term cash and cash equivalents

DATA CALL PROCESS

In August 2013, COIN sent all 1,044 California admitted insurers the CIS 2014 Data Call. All insurers responded, and a combined total of 19,156 investments were submitted to COIN.

1. Investment Verification

All data call investments submitted were evaluated for their compliance with the requirements set forth in California Insurance Code (CIC) Section 926.1 and the definitions in the COIN Statistical Plan. COIN used the following sources to verify insurer investments:

1. Investment databases: Bloomberg, Preqin, LoopNet, ERISA, NAIC iSite
2. Investors and vendors: insurer investment executives, external fund managers, investment advisors
3. Satellite maps: Google and Bing
4. Community organizations and CDFIs
5. Government: Federal Financial Institutions Examination Council Geocoding System, 2010 Census, State of California Department of Housing and Community Development, and city and county community development departments
6. California Department of Insurance: Financial Analysis Division and Statistical Analysis Division

In addition, COIN reviewed its internal records of insurer investments through the COIN CDFI Tax Credit program.

2. Some Investments Did Not Qualify

COIN did not qualify those investments that did not satisfy the definition of a COIN qualified investment according to CIC Section 926.1, or that did not provide required reporting information as indicated in the CIS 2014 Statistical Plan.

Below are the reasons why COIN may not have qualified an investment:

1. Missing information: address on Schedule B real estate investments, city or area, or investment type
2. Insurer did not actually make the reported investment and/or the investment reported could not be found on the company's balance sheet or annual statement
3. No benefit to LMI individuals or communities: the majority of the population or area served by the investment is not LMI, or the number or percentage of LMI households served was not or cannot be identified
4. Philanthropy, grants, in-kind gifts, or other forms of charity are not investments
5. Investments that were not made between 2009 and 2012

COIN plans to work closely with insurers to provide better real-time guidance, and better instructions for the next data call, so that a higher percentage of investments can be qualified.

COIN Qualified Holdings at Year End

COIN QUALIFIED HOLDINGS AT YEAR END		
Year	Dollar Amount	Percent Change, Year Over Year
1996	\$ 190,680	-
1997	\$ 641,279,754	336211.93%
1998	\$ 744,289,796	16.06%
1999	\$ 936,829,205	25.87%
2000	\$ 1,016,048,620	8.46%
2001	\$ 1,062,249,230	4.55%
2002	\$ 1,053,349,084	-0.84%
2003	\$ 1,234,971,113	17.24%
2004	\$ 2,056,201,171	66.50%
2005	\$ 2,953,142,955	43.62%
2006	\$ 3,158,682,344	6.96%
2007	\$ 2,559,193,064	-18.98%
2008	\$ 1,568,675,941	-38.70%
2009	\$ 5,442,691,656	246.96%
2010	\$ 6,578,107,971	20.86%
2011	\$ 7,768,189,363	18.09%
2012	\$ 9,074,680,312	16.82%
2013	TBD	-

CIS Data Call years are in BOLD

The above table shows annual aggregate insurer COIN qualified investments reported by COIN.

COIN implemented a new reporting method for the CIS 2014 Data Call to more accurately portray insurer COIN qualified investment holdings and avoid over reporting. Under this new method, COIN will report insurer holdings by year, and no longer report an aggregate total.

Over reporting of insurer California community development investments is not just limited to the CIS 2014 Data Call. Each prior data call analysis has over reported insurer community developments in California due to two factors:

The first factor is that insurers report investments to COIN that they held, not investments made, in a given year. For example, an insurer might submit a 10-year investment of \$10 million to COIN as an annual investment in the CIS Data Call. In previous data calls COIN would report this as a unique investment for each year it was reported and add it to the total of insurer COIN qualified investments (see Example 1 below).

The second factor is that COIN has in previous data calls added up annual aggregate insurer COIN qualified investments to determine the total amount insurers have invested through COIN since the program's inception.

Example 1: An Insurer makes a \$10 million investment of a 10-year term into affordable housing in 2005

- \$10 million investment is reported annually by the insurer to COIN in years 2005 through 2015

- COIN conducts the CIS 2009 Data Call for investments made in 2007 and 2008
- Insurer reports the \$10 million investment in 2007 and in 2008
- COIN reports in the CIS 2009 Data Call that the insurer invested \$20 million
- COIN repeats this mistake with the other reporting insurers
- COIN conducts the CIS 2014 data call for investments in 2009 through 2012.
- Insurer again reports the \$10 million investment, this time in 2009, 2010, 2011 and 2012

Using the old methodology COIN would have reported that the insurer invested \$40 million, but this is not accurate. The insurer did not invest \$40 million from 2009 to 2012; the insurer made a \$10 million investment and held it for those years.

Annual holdings may represent prior investments made by insurers as well as acquired investments in that year. Therefore, aggregating the annual holding numbers multiplies the level of over reporting (Example 2). Below is another example that illustrates how insurer investments have been over reported by insurers and COIN.

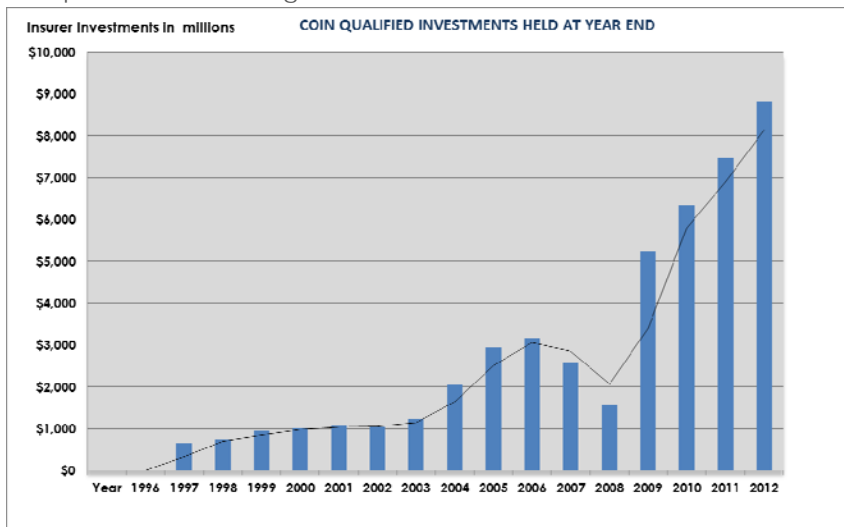
Example 2: COIN Qualified Holdings at Year End

Annual aggregate insurer investments may include multi-year investments reported several times over. To determine the total amount of California community development investments made by insurers, in previous data calls, COIN aggregated the annual holdings and over reported insurer investments through COIN as totaling \$19 billion since COIN’s inception. As illustrated in Example 1 (above), this is incorrect because many of the investments reported in the CIS Data Call are multi-year holdings. Totaling these holdings overstates the value of COIN qualified investments.

KEY FINDINGS ON HOLDINGS

1. COIN Qualified Investment Trends

Insurers invest premium dollars to build their reserves for future claim payments, run their companies, earn a profit, and make returns for their owners. Invested premium dollars add up to a substantial amount of insurance company investments. Insurer investments must be safe and sound, and diversified to mitigate risk. Insurance companies must be able to liquidate their investments to pay claims. Therefore, insurers are inclined to make investments that have predictable levels of risk and return. Note that health insurers pay claims with regular frequency. Property & casualty, and title insurers also have a shorter investment horizon, whereas life insurance companies have a longer investment horizon. A trend line of increased investments occurred from 2009 to 2012.



2. How Insurers Invest and Qualified Investments by Insurer Line of Business

Insurance companies tend to make investments that have predictable levels of risk and return. The groups and companies with qualified investments write 85% of California insurance premiums:

- 1,044 insurer companies
- 451 reported their investments as part of a group
- 119 groups and 261 companies reported qualifying investments

2012 CALIFORNIA PREMIUMS, 2012 TOTAL ASSETS, AND 2012 COIN QUALIFIED INVESTMENTS BY LINE OF BUSINESS			
Type of Business	CA Premiums	Total Assets	COIN Qualified Investments
Life	\$ 57,389,600,574	\$ 5,116,828,276,158	\$ 7,167,459,933
Property & Casualty	\$ 51,603,379,547	\$ 1,228,412,346,598	\$ 1,865,612,953
Health	\$ 6,340,211,999	\$ 3,963,075,967	\$ 31,348,717
Title	\$ 1,334,161,567	\$ 7,848,139,712	\$ 400,000
Fraternal	\$ 495,430,418	\$ 113,713,040,062	\$ 9,858,710

3. COIN Qualified Investments by Line of Business

Life Insurers: Life insurance companies provide end-of-life benefits and some offer disability benefits. Life insurers tend to hold longer-term investments like real estate, mortgage loans, and bonds because their horizon for the payment of claims is longer. In 2012, Life insurers held \$5.1 trillion in assets and in California wrote \$57.4 billion in premiums, which constituted 49% (the largest share) of the California insurance market. Life insurers held the most COIN qualified investments at the end of each year from 2009 to 2012.

COIN QUALIFIED INVESTMENTS, LIFE			
Year	Count	Dollar Amount	Percent Change, Year Over Year
2009	1157	\$3,702,229,030	-
2010	1402	\$4,731,098,602	27.79%
2011	1585	\$5,909,554,667	24.91%
2012	1745	\$7,167,459,933	21.29%

2009 percent change, year over year is left blank intentionally due to lack of 2008 data

Property & Casualty (P&C) Insurers: Property & Casualty insurance companies provide protection against loss or damage of property and accidents. P&C companies focus on short-term investments, because their assets must be available to pay claims. In 2012, P&C insurers in California wrote \$51.6 billion in premiums and constituted 44% (the 2nd largest share) of the California insurance market. From 2009 to 2012, P&C insurers did not meaningfully increase or decrease their year-end COIN investment holdings.

QUICK FACTS COIN INVESTMENT HOLDINGS BY LINE OF BUSINESS

Life insurers held \$7.2 billion in COIN qualified holdings at year end 2012

Property & Casualty insurers held \$1.9 billion in COIN qualified holdings at year end 2012

Health insurers held \$31.3 million in COIN qualified holdings at year end 2012

Fraternal insurers held \$9.9 million in COIN qualified holdings at year end 2012

Title insurers held \$400,000 in COIN qualified holdings at year end 2012

COIN QUALIFIED INVESTMENTS, P&C			
Year	Count	Dollar Amount	Percent Change, Year Over Year
2009	790	\$1,727,364,435	-
2010	840	\$1,822,868,158	5.53%
2011	874	\$1,826,588,490	0.20%
2012	877	\$1,865,612,953	2.14%

2009 percent change, year over year is left blank intentionally due to lack of 2008 data

Health Insurers: Health insurance companies provide insurance for medical payments. Health insurers hold a mixture of long-term and short-term investments because they are continuously paying claims. In 2012, health insurers in California wrote \$6.3 billion in premiums and constituted 5% of the California insurance market. COIN qualified investments held at year-end by health insurers increased each year from 2009 to 2012. The number of investments declined although the value rose.

COIN QUALIFIED INVESTMENTS, HEALTH			
Year	Count	Dollar Amount	Percent Change, Year Over Year
2009	41	\$ 9,742,102	-
2010	40	\$ 14,190,610	45.66%
2011	38	\$ 22,227,740	56.64%
2012	24	\$ 31,348,717	41.03%

2009 percent change, year over year is left blank intentionally due to lack of 2008 data

Fraternal Insurers: Fraternal insurance companies provide insurance protection to members of fraternal benefit societies. Fraternal insurers hold their assets in a mixture of long-term and short-term investments because they provide a variety of benefits to fraternal organizations including life and property insurance. In 2012, fraternal insurers in California wrote \$495 million in premiums and were less than 1% (the smallest share) of the California insurance market. COIN qualified investments held at year-end by fraternal insurers rose significantly in value in 2010 and marginally in 2012.

COIN QUALIFIED INVESTMENTS, FRATERNAL			
Year	Count	Dollar Amount	Percent Change, Year Over Year
2009	4	\$ 3,356,088	-
2010	5	\$ 9,950,601	196.49%
2011	5	\$ 9,718,467	-2.33%
2012	7	\$ 9,858,710	1.44%

2009 percent change, year over year is left blank intentionally due to lack of 2008 data

Title Insurers: Title insurance companies protect the owner's or lender's financial interest in real property against loss due to title defects, liens, or other matters. In 2012, title companies in California wrote \$1.3 billion

in premiums and constituted 1% of the California insurance market. Title companies only held COIN qualified investments in 2011 and 2012, which increased year over year. Since title insurer companies have a very short investment horizon, they mostly hold cash and cash equivalents in short term investments.

COIN QUALIFIED INVESTMENTS, TITLE			
Year	Count	Dollar Amount	Percent Change, Year Over Year
2009	0	\$ -	-
2012	0	\$ -	-
2011	1	\$ 100,000	-
2012	4	\$ 400,000	300.00%

4. COIN Qualified Investments by Schedule

An insurer files annual reports with each state in which it does business. These annual reports provide a snapshot of the financial condition of the company and their investment holdings, and they categorize insurer investments into “schedules” that loosely correspond with asset classes. Insurers invest premium dollars to build their reserves for future claim payments, run their companies, earn a profit, and make returns for their owners. Insurer investments must be safe, sound and diversified to mitigate risk because insurance companies must be able to liquidate their investments to pay claims.

Comparing Schedules to Asset Classes

- Schedule A includes real estate directly owned by an insurer
- Schedule B includes long-term mortgage loans
- Schedule BA includes all other unrated long-term investments
- Schedule D includes long-term stocks and bonds
- Schedule E includes short term cash and cash equivalents

Detailed Holdings by Schedule

Schedule A: Real estate directly owned by an insurer includes: 1) properties occupied by a company; 2) properties occupied by an insurer and held for the production of income; 3) properties occupied by an insurer and held for sale; and 4) leasehold improvements to these properties.

SCHEDULE A COIN HOLDINGS							
Year	Reported		Rejected		Qualified		Percent Qualified
	#	Dollar Amount	#	Dollar Amount	#	Dollar Amount	
2009	28	\$ 403,807,404	25	\$ 371,190,873	3	\$ 32,616,531	8%
2010	33	\$ 518,547,189	30	\$ 485,926,588	3	\$ 32,620,600	6%
2011	40	\$ 619,363,037	36	\$ 530,878,477	4	\$ 88,484,560	14%
2012	47	\$ 674,198,241	42	\$ 584,063,416	5	\$ 90,134,825	13%

Schedule B: Long-term mortgage loans. Qualified investments submitted were long-term mortgage loans for affordable housing, small businesses, or warehouse and community facilities benefitting LMI census tract areas/households and/or individuals.

SCHEDULE B COIN HOLDINGS							
	Reported		Rejected		Qualified		
Year	#	Dollar Amount	#	Dollar Amount	#	Dollar Amount	Percent Qualified
2008	137	\$ 379,674,606	137	\$ 379,674,606			0%
2009	1398	\$ 4,574,679,513	661	\$ 2,965,589,673	737	\$ 1,609,089,840	35%
2010	1649	\$ 4,928,655,577	775	\$ 3,158,727,795	873	\$ 1,767,167,033	36%
2011	1714	\$ 6,366,628,119	831	\$ 4,162,843,527	882	\$ 2,198,477,093	35%
2012	1775	\$ 7,722,092,572	794	\$ 4,979,632,063	978	\$ 2,677,960,509	35%

Schedule BA: All other unrated long-term investments that include: 1) oil and gas production; 2) transportation equipment; 3) mineral rights; 4) fixed or variable interest rate investments that have the underlying characteristics of a bond, mortgage loan, or other fixed income investment; 5) joint ventures, general and limited partnership, and limited liability company interests; 6) surplus notes; 7) collateral loans; 8) capital notes and reverse mortgages; and 9) other long-term assets owned at the end of the current year.

SCHEDULE BA COIN HOLDINGS							
	Reported		Rejected		Qualified		
Year	#	Dollar Amount	#	Dollar Amount	#	Dollar Amount	Percent Qualified
2009	265	\$ 828,564,325	12	\$ 22,219,125	253	\$ 799,358,687	96%
2010	313	\$ 1,171,347,163	12	\$ 29,309,049	301	\$ 1,135,686,997	97%
2011	427	\$ 1,414,370,456	13	\$ 65,251,633	414	\$ 1,343,607,458	95%
2012	437	\$ 1,519,018,906	25	\$ 30,685,757	413	\$ 1,486,064,686	98%

Schedule D: Long-term stocks and bonds. This includes: 1) US Treasury securities; 2) US Government agency securities; 3) municipal securities; 4) corporate bonds; 5) class one bond mutual funds; 6) bank participations; 7) convertible debt; 8) certificates of deposit; and 9) commercial paper.

SCHEDULE D COIN HOLDINGS							
	Reported		Rejected		Qualified		
Year	#	Dollar Amount	#	Dollar Amount	#	Dollar Amount	Percent Qualified
2009	2186	\$ 6,011,585,149	1206	\$ 2,724,528,914	989	\$ 3,000,615,486	50%
2010	2516	\$ 7,696,350,038	1434	\$ 3,917,491,007	1100	\$ 3,641,619,950	47%
2011	2730	\$ 8,699,629,506	1563	\$ 4,310,513,818	1192	\$ 4,136,504,536	48%
2012	2889	\$ 9,716,193,186	1689	\$ 4,671,982,113	1225	\$ 4,814,533,121	50%

Schedule E: Short-term cash and cash equivalents with original maturities of three months or less. This includes: 1) demand deposits; 2) savings accounts; 3) short-term CDs; and 4) cash equivalents.

SCHEDULE E COIN HOLDINGS							
	Reported		Rejected		Qualified		
Year	#	Dollar Amount	#	Dollar Amount	#	Dollar Amount	Percent Qualified
2009	11	\$ 6,755,002	2	\$ 5,843,890	10	\$ 1,011,112	15%
2010	11	\$ 9,918,589	2	\$ 9,005,199	10	\$ 1,013,390	10%
2011	68	\$ 23,033,780	58	\$ 22,018,064	11	\$ 1,115,716	5%
2012	79	\$ 28,712,322	65	\$ 26,845,850	16	\$ 2,966,472	10%

INSURER RECOGNITION – TOP 5 2012 QUALIFIED HOLDINGS

The table below highlights the top five insurance companies that reported the greatest value of COIN qualified investment holdings in 2012.

TOP 5 INSURERS REPORTING COIN QUALIFIED INVESTMENTS				
Group	2012 Qualified Holdings	2012 CA Group Premiums	2012 Group Total Assets	Qualified Holdings, % of Total Assets
Metropolitan	\$ 722,400,793	\$ 4,923,942,645	\$ 508,879,712,920	0.1%
Sammons Enterprises	\$ 692,961,000	\$ 998,277,528	\$ 65,516,763,331	1.1%
Prudential	\$ 642,352,004	\$ 4,451,482,726	\$ 418,977,586,242	0.2%
Northwestern Mutual	\$ 642,020,562	\$ 867,390,973	\$ 189,885,726,588	0.3%
Allstate	\$ 543,919,072	\$ 3,071,329,839	\$ 106,553,521,173	0.5%

Investments for Sammons Enterprises Group were submitted by Midland National Life Insurance Company and North American Company for Life and Health Insurance

THE COIN PROGRAM MOVING FORWARD

COIN will continue to work with insurance companies and community development partners to fulfill its mission of guiding insurers in making safe and sound investments that yield environmental benefits throughout California and/or social benefits within the State's underserved communities. The results of the CIS 2014 Data Call will give COIN the opportunity to work with the organizations that insurance companies invest in. By replicating these unique investments and marketing them to insurers, COIN can help create greater social and/or environmental benefits. COIN hopes to use this insight to expand its program and facilitate more community investments by insurers in California. Below are projects COIN is currently undertaking to further this goal:

- Posted eight bulletins to COIN's website with more diverse investment opportunities in the pipeline. These investment products fulfill unmet needs in California LMI communities, provide social or environmental benefits, and meet the insurance industry investment standards.
- AB 32 (Pérez, 2013) raised the annual CDFI Tax Credit Allocation to \$10 million, which will leverage up to \$50 million of private investment annually into COIN certified CDFIs. COIN is working with insurance companies and certified CDFIs to help increase insurer participation in the CDFI Tax Credit Program.
- COIN is expanding its investments base by working on approvals for a Small Business Investment Company (SBIC) investment vehicle, developing a "Diversity in Investments" section on its webpage, and working with mortgage backed securities syndicators like KGS's California Housing and Affordable Mortgage Program (CHAMP) bulletin (these mortgages are 100% LMI and 100% California).
- The CIS 2014 Data Call helped COIN enhance insurance company investment contacts. Raising awareness of its program through these contacts will allow COIN to better facilitate and track socially and environmentally beneficial investments in California.
- COIN's Investment Summits, beginning with the inaugural summit in September 2014, will be community development investment education forums for insurers and community organizations

CONCLUSION

The CIS Data Call is critical to understanding the amount and type of insurer capital in green, LMI, or rural community investments in California. Mandatory reporting of community development investments provides current investment holding information and benchmarks for the California Department of Insurance because this data would not otherwise be available. The information from the CIS-2014 Data Call allows the California Department of Insurance to track whether the insurance premiums that are collected by insurers are reinvested back in the State of California.

LMI households and rural communities directly benefit from these insurance industry investments. The investments made in green projects and in disenfranchised communities allow for job creation and help mitigate unemployment issues. The COIN program helps facilitate the voluntary participation of insurers in these community development investments.

COIN is asking insurers, CDFIs, and investment funds for feedback on how to improve the COIN program. COIN's CDFI Tax Credit Program has been featured in a report by Pacific Community Ventures, the UC Berkeley Institute for Research on Labor and Employment, the UC Berkeley Institute of Urban and Regional Development, and the Annie E. Casey Foundation titled "Big Ideas for Jobs, Social Impact Investing and Job Creation: Assessing the Potential of an Expanded Tax Credit for Capitalizing CDFIs, In California and Beyond". COIN looks forward to further evaluation of its programs by distinguished universities and foundations. The COIN program is a unique, innovative model – the only one of its kind in the nation. COIN promotes a mutually beneficial relationship between the private insurance industry and local community development organizations that are working to benefit California's underserved markets.

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