

COMMUNITY INVESTMENT SURVEY (CIS) 2016 DATA CALL

California Organized Investment Network
California Department of Insurance

July 2016

Dave Jones, Insurance Commissioner
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CALIFORNIA ORGANIZED
INVESTMENT NETWORK

DEPARTMENT OF INSURANCE

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July 22, 2016

Dear COIN Stakeholders:

I am pleased to provide you with the 2016 Community Investment Survey (CIS) Data Call Key Findings Report as required by California Insurance Code section 926.2. This report describes in detail the results of the 2016 CIS Data Call that required insurers with greater than \$100 million in California written premiums to report their community development and green investments held during 2013, 2014, and 2015. The California Organized Investment Network (COIN), a program within the Department of Insurance, administers the CIS Data Call to make transparent the amount of capital insurers hold in California community development and green investments.

It is very encouraging that insurance company holdings in California community development and green investments have consistently increased, and more than tripled from \$6.6 billion at the beginning of 2011 to \$21.85 billion at the end of 2015. This underscores the importance of the CIS Data Call and monitoring insurer reinvestment into California.

Insurer investments into California's underserved communities remain crucial to the economic development of the State. I encourage the Legislature to annualize the CIS data call as part of Assembly Bill 2728 (Atkins 2016).

Sincerely,

A handwritten signature in blue ink that reads "Dave Jones".

DAVE JONES
Insurance Commissioner

EXECUTIVE SUMMARY

Overview of COIN

The California Organized Investment Network (COIN) was established in 1996 within the California Department of Insurance (CDI) 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.

Purpose of the Data Call and Key Findings Report

COIN conducted the CIS 2016 Data Call to make transparent the amount of capital insurers held in California community development and green investments between 2013 and 2015. This report highlights major trends in insurers' COIN qualified investment holdings, recommends improvements to the CIS Data Call process, and suggests methods for COIN to facilitate greater insurer investment into California's underserved communities.

High-Level Findings

Total COIN qualified investment holdings more than tripled from \$6.6 billion at the beginning of 2011 to \$21.85 billion at the end of 2015.

This CIS 2016 Data Call Report provides information about insurer community development investments held between 2013 and 2015.

Upon assuming office in 2011, Commissioner Jones reinvigorated the COIN program and prioritized insurer reinvestment into California. This report uses 2010 as a baseline to highlight the changes in insurer COIN qualified investments from the start of the commissioner's term through the CIS 2016 Data Call

All 228 insurance companies that wrote more than \$100 million in California premiums submitted their investment holdings through the CIS 2016 Data Call. COIN analyzed and qualified 99% of the 21,520 holdings submitted in the CIS 2016 Data Call, a marked increase from the 49% of insurers' holdings that qualified in the CIS 2014 Data Call. Overall, insurers' COIN qualified holdings significantly increased between 2013 and 2015.

- Total COIN qualified investment holdings increased by 19% from \$18.39 billion in 2013 to \$21.85 billion in 2015
- High Impact Investment holdings increased by 9% from \$5.41 billion in 2013 to \$5.88 billion in 2015
- Green investment holdings increased by 11% from \$7.18 billion in 2013 to \$7.98 billion in 2015
- Rural investment holdings increased by 15% from \$2.29 billion in 2013 to \$2.64 billion in 2015
- Life insurance companies increased COIN qualified holdings by 23% from 2013-2015.

QUICK FACTS CIS 2016 DATA CALL 2013-2015

TOTAL QUALIFIED HOLDINGS

- 228 insurers
- 100% response rate
- 21,520 investments
- 99% of investments qualified

HIGH IMPACT INVESTMENTS

- 2013: \$5.41 billion
- 2014: \$5.51 billion
- 2015: \$5.88 billion

GREEN INVESTMENTS

- 2013: \$7.18 billion
- 2014: \$7.74 billion
- 2015: \$7.98 billion

RURAL INVESTMENTS

- 2013: \$2.29 billion
- 2014: \$2.36 billion
- 2015: \$2.64 billion

TOTAL QUALIFIED INVESTMENTS

- 2013: \$18.39 billion
- 2014: \$19.43 billion
- 2015: \$21.85 billion

CIS DATA CALL SUNSETS 1/2017

Without an extension of the CIS Data Call, COIN will lose the ability to provide transparency on insurers' community development investments and insurers may decrease community investments to pre-COIN levels.

Insurer Recognition

The table below highlights the top five insurance companies by COIN qualified holdings in 2015.

TOP 5 INSURERS BY COIN QUALIFIED INVESTMENTS				
Group	2015 Qualified Holdings	2015 CA Group Premiums	2015 Group Total Holdings	COIN Qualified Holdings, % of Total Holdings
Metropolitan Group	\$3,130,320,221	\$3,125,269,990	\$592,026,114,739	0.5%
Northwestern Mutual Group	\$1,924,323,894	\$1,079,679,984	\$238,709,802,421	0.8%
TIAA Family Group	\$1,671,907,665	\$761,989,343	\$280,868,663,577	0.6%
Pacific Life Group	\$984,299,406	\$1,315,630,385	\$119,458,963,561	0.8%
Voya Financial Group	\$891,574,649	\$2,050,223,469	\$187,538,099,319	0.5%

Increased Insurer Investment Holdings, 2013-2015

Assembly Bill 2128 (Gordon, 2014) reduced the number of insurers that must report through the CIS Data Call from 1118 to the 228 insurers that wrote \$100 million or more in California premiums in 2015. AB 2128 reduced COIN's workload by 15% because these insurers account for 85% or more of the total COIN qualified holdings. Reducing the number of insurers required to report through the CIS Data Call allowed COIN to focus on key insurers, annually grow COIN qualified investments, and to expand its programs and marketing efforts. Before this reduction, COIN received investment information from the more than 1,000 insurers licensed to conduct business in California. COIN has since increased the number of investment opportunities qualified through the Insurer Investment Bulletin and the COIN CDFI Tax Credit program, held annual investment summits to increase insurer awareness of the program, redesigned its impact reporting methodology for evaluating tax credit and bulletin investments, and began working with an independent consultant to raise awareness among insurers of COIN's programs.

The number of high impact investment bulletins reviewed by COIN staff more than doubled from 2013 to 2015. During that period, COIN approved eleven High Impact Investments, which received more than \$80 million in commitments from insurers. Through the Insurer Investment Bulletin Program, COIN conducts thorough due diligence and helps structure investments that provide social or environmental benefits in California and are safe, sound and solvent. These investments have helped grow small businesses and renovate more than 800 affordable housing and senior housing apartments in low-income areas throughout California. COIN staff works with insurers to understand their investment priorities and identifies investments that meet those criteria. Insurer Investment Bulletins are posted on COIN's website (<http://www.insurance.ca.gov/0250-insurers/0700-coin/35-Investment-Programs/>).

From 2013 to 2015, the number of COIN CDFIs increased by 24%, from 33 to 41. COIN conducts due diligence on all CDFIs applying to the COIN CDFI Certification program to verify their eligibility to receive insurer capital through the COIN CDFI Tax Credit program. CDFIs are certified for their community development mission, history of benefiting California's underserved communities, and ability to remain financially solvent during the 60-month term of the potential investment. Additional information about the COIN CDFI Tax Credit Program is available on COIN's website (<http://www.insurance.ca.gov/0250-insurers/0700-coin/20-CDFI-Tax-Credit/>).

IMPACT OF AB 2128 (GORDON, 2014) ON COIN 2014 – 2015

AB 2128 reduced COIN's workload by 15%, which allowed COIN to focus on key insurers and annually grow COIN qualified investments.

CIS 2016 VS CIS 2014

- Reduced number of insurers reporting by 73%
- 2,364 more holdings in CIS 2016
- Greater percent of holdings qualified: 99% vs 49%

INVESTMENT BULLETIN PROGRAM

2015:

- 28 investments reviewed, 800% YOY increase
- 4 investments approved, 33% YOY increase
- \$40MM invested by 3 insurers*, 560% YOY increase

*COIN Investment Bulletins are still raising capital

CDFI TAX CREDIT PROGRAM

2015:

- 8 new CDFIs certified, 300% YOY increase
- 25 deal introductions made, 400% YOY increase

ANNUAL INVESTMENT SUMMIT

2015:

- 160 total attendees, 27% YOY increase

The annual COIN Investment Summit was launched in 2014 to encourage partnerships between CDFIs, investment funds, and insurance companies. In 2014, 116 stakeholders attended the Inaugural COIN Investment Summit, including 34 representatives from 21 insurance companies. COIN recognized insurers for their investments into California's underserved communities by presenting Tax Credit and Leadership awards. The 2015 COIN Investment Summit brought together 160 stakeholders including 23 representatives from 17 insurance companies.

In late 2015, new impact metrics that allow COIN to measure and report the tangible social, environmental, and financial impact of COIN qualified Investment Bulletins and CDFI Tax Credit Investments, were designed on an online platform that allows COIN to collect more detailed data including expanded impact categories, the location of each investments and financial returns. COIN Certified CDFIs and Investment Bulletins will provide this data to COIN using the new metrics and COIN will publish an annual report on the benefits created by COIN qualified investments. COIN worked with a third party consultant to redesign its impact reporting methodology.

"In the last 12 months, Genesis LA has closed more loans and deployed more capital than in any prior 12 month period. These loans have supported affordable housing, community services, and local jobs. Genesis LA never could have provided this financing without the capital we secured through COIN. In late 2015, we received a COIN investment from MetLife for \$3 million, which is the largest single investment Genesis LA has raised to date. We are thrilled to be working with MetLife and COIN to improve underserved communities in our Los Angeles County service area."

Tom De Simone, President of Genesis LA

In partnership with insurers, COIN has increased the percent of qualified investment from 49% in the 2014 CIS Data Call to 99% in the 2016 CIS Data Call. Insurers provided guidance throughout the planning of the 2016 CIS Data Call and improved the statistical plan and reporting workbook. During the data call process, COIN staff worked closely with insurers to identify qualified investment holdings and to verify that reported investment holdings met the qualification criteria.

Using the CIS Data

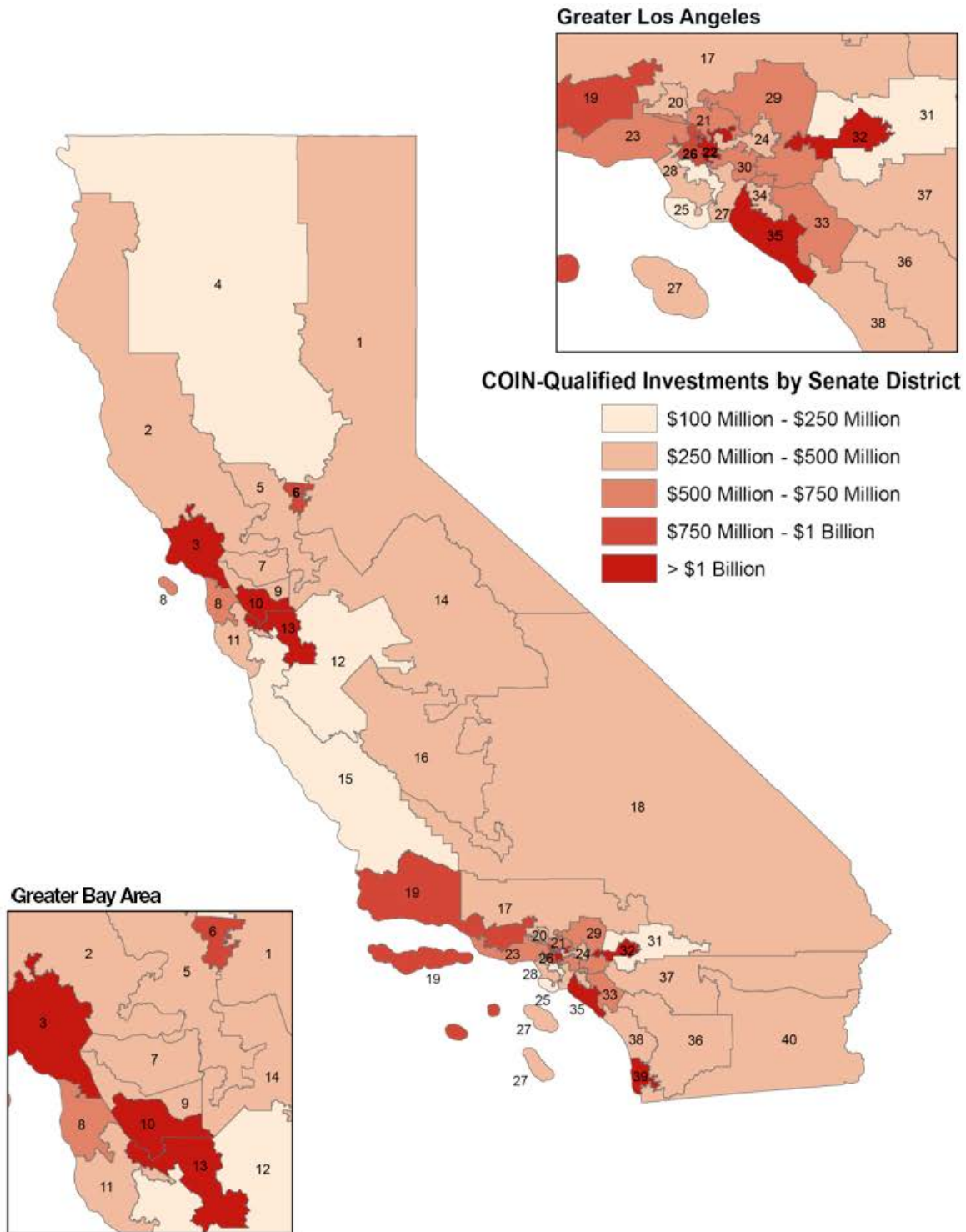
COIN uses the information collected through the CIS Data Call to analyze patterns in insurers' community development investments and determine sectors and locations in California where insurers hold fewer investments. The greatest amount of insurer holdings is located in Greater Los Angeles and the Greater Bay Area. COIN is continuously searching for and evaluating opportunities for High Impact, Guided, and CDFI Tax Credits investments outside of these areas to give insurers more investment options and broaden the impact of the program.

High Impact Investments 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. These include investment made through the COIN CDFI Tax Credit program. 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 High Impact and Guided Investment Program has proven very effective at securing insurer investment for critical community development and green investments. COIN recognizes the need for insurers to reduce the risk of their portfolios by investing in diverse geographies, and works with investment managers to structure investments that meet the needs of insurers and the COIN program.

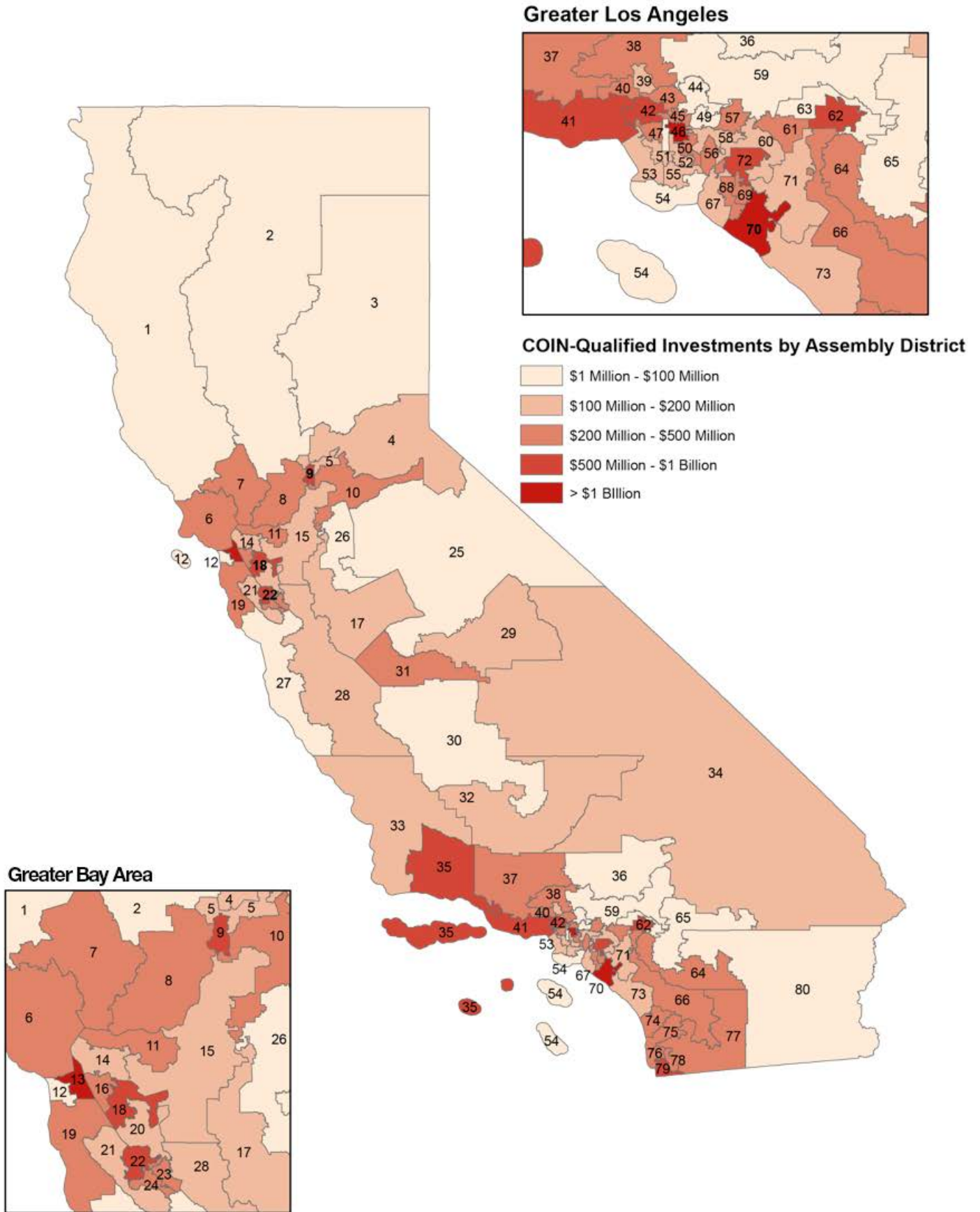
The CIS 2014 Data Call illustrated that almost all of regions outside of the Greater San Francisco and Los Angeles area receive the least insurer capital. In 2014 and 2015, COIN focused on identifying investments that were not solely located in the San Francisco and Los Angeles area. During that period, more than 20% of the investments awarded COIN CDFI Tax Credits were located in rural areas. The maps on the next two pages illustrate where insurers held investments reported in the CIS 2016 Data Call. California's rural areas are still underserved by insurer capital.

Besides diversification by geography, COIN promotes impact category diversification. Oftentimes institutional investors will overlook niche asset classes. COIN sources investment opportunities that fund a variety of impact categories depending on community needs, and that have acceptable risk-adjusted returns for insurers. In certain instances, COIN works with investment managers or CDFIs to structure an investment that did not exist before, but that benefits Californians.

Distribution of COIN Qualified Investment Holdings, CIS 2016 – by California State Senate District



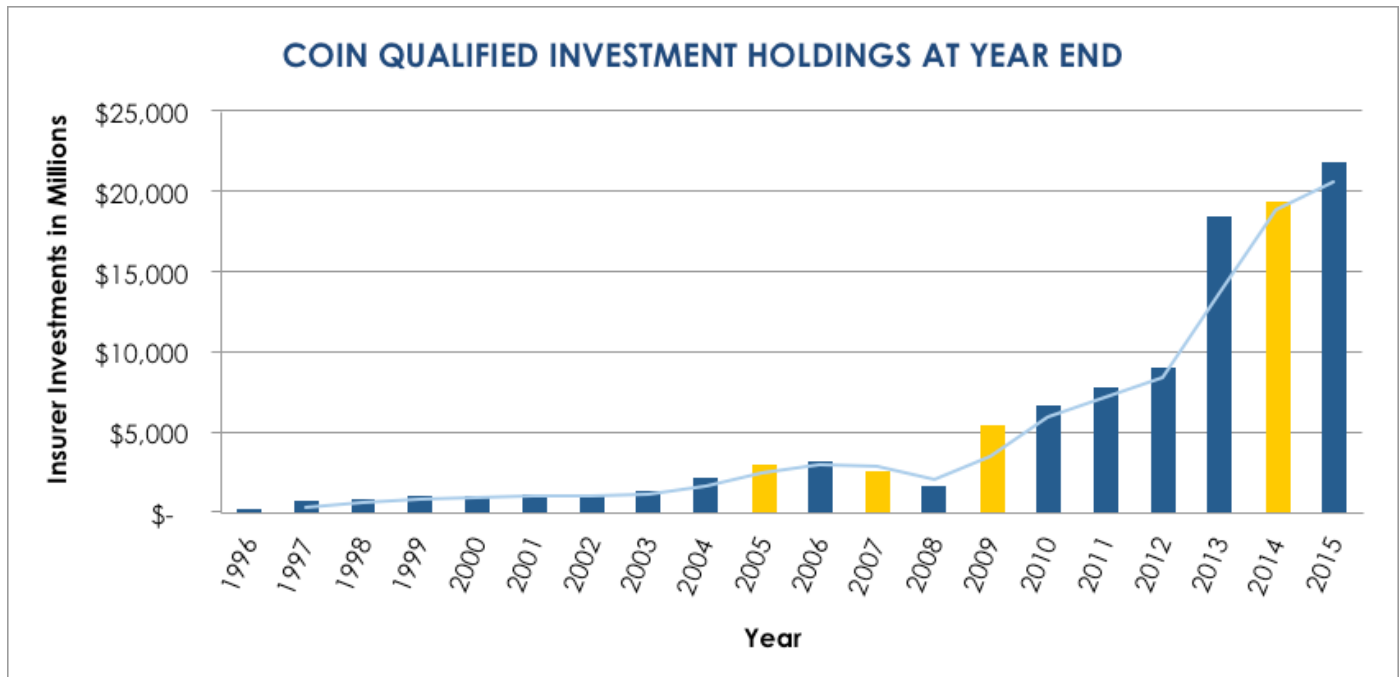
Distribution of COIN Qualified Investment Holdings, CIS 2016 – by California State Assembly District



KEY FINDINGS

Historical COIN Qualified Investment Holdings

Prior to the first data call in 2005, insurers' community development investment holdings were low and then decreased during the Great Recession. Since the CIS 2009 Data Call, insurers' annual investment holdings have continually increased. Insurers' COIN qualified investment holdings increased by 232% between 2010 and 2015. At year-end 2015, insurers held \$21.8 billion in COIN qualified investments.



Data Call Years are in YELLOW

- 2005 - Voluntary data call
 - 2007- CIS Data Call capturing investments held in 2005 and 2006
 - 2009- CIS Data Call capturing investments held in 2007 and 2008
 - 2014- CIS Data Call capturing investments held between 2009 and 2012
 - 2016- CIS Data Call capturing investments held between 2013 and 2015
- A tabular version of this graph is in part six of the Appendix

COIN Legislation Years

- 2011- Assembly Bill 624 (Pérez), created COIN Advisory Board
- 2013 - Assembly Bill 32 (Pérez), increased CDFI Tax Credit
- 2014 - Assembly Bill 2128 (Gordon), authorized CIS 2016 Data Call

COIN Qualified Investment Types

COIN qualified investments are insurer investments verified by COIN to provide a positive environmental or social impact to low-to-moderate income (LMI) households or areas, as well as rural communities in California. These investments are segmented into three non-exclusive categories: high impact investments, green investments, and rural investments.

High Impact Investments 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.

Between 2013 and 2015, COIN approved and marketed eleven High Impact Investment Bulletins to insurers. Three insurers, Prudential, Assurant, and TIAA-CREF, funded three of these High Impact Investment Bulletins. During that same period, four insurers, MetLife, UnitedHealth Care, CSAA, and Allianz, also held a combined \$61.1 million in COIN CDFI Tax Credit investments.

Insurer high impact investment holdings have increased by 9% since 2013. In 2015, 66% of these investments were special purpose bonds reported on Schedule D and 21% were Low Income Housing Tax Credit Investments (LIHTC) reported on Schedule BA.

HIGH IMPACT HOLDINGS AT YEAR END			
Year	Count	COIN Qualified Holdings at Year End	Percent Change, Year Over Year
2015	1019	\$5,880,365,025	7%
2014	1008	\$5,506,302,986	2%
2013	978	\$5,412,982,683	131%
2010	321	\$1,090,800,650	baseline

COIN approves Investment Bulletins and certifies CDFIs to help insurers identify High Impact Investments. Investment Bulletins are investments that COIN investment officers have vetted for their social or environmental impact and will provide competitive financial returns. COIN notifies insurers of bulletins and sends them email reminders of remaining investment availability. CDFI Tax Credit Investments are equity, equity-like debt instruments, and 0% interest loans or deposits into a COIN certified CDFI. Each year, COIN may award 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 or more of private investment into COIN certified CDFIs.

Example: Rocketship Discovery Prep

In 2015, COIN awarded MetLife Insurance Company \$1.5 million in tax credits for a \$7.5 million investment into Enterprise Community Loan Fund (ECLF). ECLF used a portion of that investment to finance a \$1.875 million loan to Rocketship Education for Rocketship Discovery Prep, a new charter school. The school serves 518 low- to moderate-income K-5th grade students in San Jose's Five Wounds and Brookwood Terrace neighborhoods.



Rocketship Discovery Prep in San Jose, California

Green Investments emphasize renewable energy projects, transit oriented development, economic development, and affordable housing focused on infill sites so as 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.

Insurer Green Investments increased by 11% since 2013. In 2015, 61% of Green Investments were bonds for renewable energy facilities reported on Schedule D.

GREEN INVESTMENT HOLDINGS AT YEAR END			
Year	Count	COIN Qualified Holdings at Year End	Percent Change, Year Over Year
2015	703	\$7,981,536,156	3%
2014	620	\$7,739,067,628	8%
2013	557	\$7,183,736,046	217%
2010	143	\$1,110,546,362	baseline

Example: Catalina Solar

In 2014, TIAA-CREF invested \$96 million into a 143-megawatt solar project in the Mojave Desert. Catalina Solar, which is the eighth largest photovoltaic plant in the world, produces enough to energy to power 35,000 homes and is estimated to offset 250,000 metric tons of greenhouse gas emissions annually. The facility also employed more than 500 workers during construction.



Catalina Solar in the Mojave Desert, California

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
2015	704	\$2,640,020,591	12%
2014	557	\$2,360,969,306	3%
2013	382	\$2,285,909,936	385%
2010	35	\$328,855,789	baseline

The amount of capital insurers held in COIN qualified rural investments increased by 15% from 2013 to 2015. In 2015, insurers held 85% of their rural investments as bonds that were reported on Schedule D. The majority of these investments financed renewable energy facilities and educational facilities; however, bonds are not the only types of rural investments that qualify. Below is an example of rural investment an insurer made through the COIN CDFI Tax Credit Program.

Example: Open Door Community Health Centers

In 2014, COIN awarded MetLife Insurance Company \$600,000 in tax credits for a \$3 million investment into Northern California Community Loan Fund (NCCLF). NCCLF used a portion of that investment to finance a \$1.85 million loan that will allow Open Door Community Health Centers to construct new clinics in Fortuna and Arcata and to pay back construction debt for the Eureka Community Health Center. All three health centers will serve approximately 39,000 patients in highly distressed rural communities.



Open Door Community Health Center in Eureka, California

COIN Qualified Investment Holdings by Schedule

Insurers annually report their investment holdings to the National Association of Insurance Commissioners on “schedules” that loosely correspond with asset classes. Depending on reporting schedule, investments vary in liquidity, risk and expected return. Schedule A (directly owned real estate), Schedule B (long-term mortgage loans), and Schedule BA (all other unrated long-term investments) tend to be higher risk and have a higher expected return. Investments reported on Schedule D (long-term stocks and bonds) and Schedule E (short-term cash and cash equivalents) are more secure and have lower risk adjusted returns. Through the CIS 2016 Data Call, insurers reported investments on Schedule A, Schedule B, Schedule BA, Schedule D, and Schedule E. This section of the report provides information on investment trends by schedule. Detailed information about the relationship between asset classes and schedules is located in part five of the Appendix.

COIN QUALIFIED HOLDINGS BY SCHEDULE, AT YEAR END						
Year	Schedule A	Schedule B	Schedule BA	Schedule D	Schedule E	Total
2015	\$507,122,692	\$9,468,017,147	\$2,038,519,064	\$9,820,297,118	\$11,598,962	\$21,845,554,983
2014	\$349,430,720	\$8,052,687,562	\$1,934,502,810	\$9,083,337,629	\$11,569,000	\$19,431,527,721
2013	\$334,339,989	\$7,559,955,740	\$1,818,044,732	\$8,685,666,039	\$1,569,000	\$18,399,575,500

Between 2013 and 2015, insurers reported 98% of their COIN qualified investment holdings on Schedule D (bonds), Schedule B (long term mortgage loans), and Schedule BA (other unrated long term investments). Insurers reported the majority of their qualified investments on Schedule D as government bonds, which are some of the most secure investments. In 2015, insurers held 45% of their total COIN qualified investment holdings on Schedule D, 43% of their holdings on Schedule B, and 10% of their holdings on Schedule BA.

COIN Qualified Investment Holdings by Insurer Line of Business

Insurers invest premiums to build their reserves for future claim payments, run their companies, earn a profit, and make returns for their owners. The types of investments held by insurers vary depending on the insurer's line of business. Life insurers, health insurers, property & casualty (P&C) insurers, and title insurers reported investment holdings through the CIS 2016 Data Call. This section of the report provides information on investment trends by line of business. Detailed information about investments held by each line of business is located in part four of the Appendix.

COIN QUALIFIED HOLDINGS BY LINE OF BUSINESS, AT YEAR END					
Year	Health	Life	P&C	Title	Total
2015	\$31,968,444	\$18,885,085,676	\$2,927,159,159	\$1,341,704	\$21,845,554,983
2014	\$34,958,218	\$16,478,498,811	\$2,916,728,988	\$1,341,704	\$19,431,527,721
2013	\$37,956,027	\$15,353,941,980	\$3,006,335,788	\$1,341,704	\$18,399,575,500

Between 2013 and 2015, life insurance companies held the most COIN qualified investments. During the period covered by the data call, life insurers increased their COIN qualified investment holdings by 29%. Although P&C insurance companies held the second most COIN qualified investments, their total qualified investment holdings decreased by 2.6% from 2013 to 2015. While, P&C insurers did increase their total COIN qualified holdings from 2014 to 2015, the increase was not enough to offset the decrease from 2013 to 2014. Health insurance companies reported annual decreases in their qualified investment holdings. Their total qualified holdings decreased by 16% between 2013 and 2015.

COIN qualified investment holdings do not constitute a large portion of an insurer's total assets. On average, insurers hold less than 1% of their assets as COIN qualified investments.

2015 CALIFORNIA PREMIUMS, 2015 TOTAL HOLDINGS, AND 2015 COIN QUALIFIED HOLDINGS BY LINE OF BUSINESS				
Type of Business	CA Premiums	Total Holdings	COIN Qualified Holdings	COIN Qualified Holdings, % of Total Holdings
Health	\$5,826,234,570	\$9,847,487,329	\$31,968,444	0.32%
Life	\$58,963,121,046	\$5,294,852,145,718	\$18,885,085,676	0.36%
Property & Casualty	\$51,087,036,226	\$747,923,251,862	\$2,927,159,159	0.39%
Title	\$1,335,102,907	\$8,077,601,252	\$1,341,704	0.02%

Recommendations

Increased insurer investment in California would mean more reinvestment of Californian premiums to support outcomes such as job creation in LMI communities. Insurance companies collect more than \$124 billion in written premiums annually from Californians and are an important source of economic and community development investments for California. 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. Reducing the workload related to the CIS data call, while still retaining important checks and balances, would allow COIN staff to significantly increase the amount of investments sourced, structured, and presented to insurers.

1. **Extend the CIS Data Call from January 1, 2017 until January 1, 2022**

California Insurance Code 926.2 requires each admitted insurer to provide information by January 1, 2017, to the Insurance Commissioner on all of its green investments, community development investments, and community development infrastructure investments in California. In this report, the California Department of Insurance has used information from the CIS-2016 Data Call to provide information to the public about how the insurance industry invests back into California. There are still many communities in California, such as those in rural areas that do not receive large amounts of insurer capital. Without the CIS Data Call, COIN would not be able to identify those regions and work with insurers to increase investments.

2. **Annualize the CIS Data Call and Streamline Reporting**

Annualizing the data call will allow insurers to update acquired and disposed investments reported in the prior year. This may reduce insurers' and COIN's data call time by 40%, reduce the number of investments reported by 80%, eliminate duplication, and improve reporting accuracy. CIS Data Calls capture insurer investments held up to one year prior to the data call. COIN currently measures the success of the insurance industry in making community development investments by tracking the number of companies who make these investments and the specific dollar amount of these investments. Both of these metrics are important to determine the success of the insurance industry in making green and community development investments.

3. **Eliminate Reporting of Schedules A and E to Reduce Insurer Workload.**

Insurers hold 98% of their COIN qualified investments on Schedules B (long-term mortgage loans), BA (all other unrated long-term investments), and D (long-term stocks and bonds), but must identify and report investments across all schedules. By eliminating the requirement for insurers to report investments held on Schedules A (directly owned real estate) and E (short-term cash and cash equivalents), which totaled \$518.7 million in 2015, COIN would still receive and analyze 98% of insurer's qualified investments holdings, but insurers would review fewer holdings for the CIS Data Call.

CIS DATA CALL RECOMMENDATIONS

1. Extend CIS Data Call from January 1, 2017 to January 1, 2022.
2. Annualize CIS Data Call and streamline reporting.
3. Eliminate reporting for Schedules A, DA, and E.
4. Streamline Reporting Requirements for Schedule B.
5. Searchable Database for COIN Qualified Holdings

Recommendations (continued)

4. Streamline Reporting Requirements for Schedule B

COIN will provide a list of qualifying zip codes where 50% or more of the addresses are located in a low to moderate income census tract. Insurers will no longer need to look up and provide the full address of Schedule B investments, thereby reducing their workload on schedule B by roughly 95%.

5. Searchable Database for COIN Qualified Holdings

COIN and insurers use Bloomberg in order to research unique identifiers (CUSIPS) for each bond investment submitted and verify that the underlying project of the bond will have a certain amount of social or environmental benefit. COIN will provide a list of CUSIPS to insurance companies that have been qualified from previous data calls. Insurers may use this list to cross check against their investment holdings in Schedule D. Having the ability to download qualified CUSIPS from historical data calls will reduce insurer workload by 80%.

Appendix

1. Definitions

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

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.

Green Investments emphasize renewable energy projects, transit oriented development, economic development, and affordable housing focused on infill sites so as 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.

High Impact Investments 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.

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.

2. Data Call Timeline

- Feedback from insurers on the CIS 2016 Data Call Statistical Plan: October 6 to October 14, 2015
- The CIS 2016 Acknowledgement of Receipt Form: December 3, 2015
- Electronic data submission of the CIS 2016 Report Workbook and Affidavit Form: March 16, 2016
- COIN analysis of data: March 23, 2016 to June 7, 2016
- Writing the Key Findings Report: June 8, 2016 to July 6, 2016
- CIS 2016 Key Findings Report Published: July 22, 2016

3. Data Call Process

All investment holdings reported through the CIS 2016 Data Call were evaluated for compliance with the requirements and definitions set forth in CIC 926.1. COIN used the following sources to verify insurer investments:

- Investment databases: Bloomberg, Preqin, LoopNet, ERISA, NAIC iSite
- Investors and vendors: insurer investment executives, external fund managers, investment advisors
- Satellite maps: Google and Bing
- Community organizations and CDFIs
- Government: Federal Financial Institutions Examination Council Geocoding System, 2010 Census, State of California Department of Housing and Community Development, and municipal data

The majority of investment holdings that did not qualify were non-green or non-rural investments made outside of LMI areas or with no direct benefit to LMI persons. Throughout the CIS 2016 Data Call process, COIN has communicated with insurers on the qualification of their reported investment holdings. COIN notifies insurers of the investment holdings that do not meet COIN's requirements and insurers have the option to provide additional information. Below are the reasons an investment may not be qualified by COIN.

- Missing information: address on Schedule B (real estate investments), city or area, or investment type
- 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
- Not located in California
- Investment amount was reported as zero

4. COIN Qualified Investment Holdings by Insurer Line of Business

Insurers invest premiums to build their reserves for future claim payments, operate and manage their companies, earn a profit, and make returns for their owners. Investments strategies and horizons tend to vary depending on the insurer's line of business. Due to the nature of their business, life insurance companies tend to hold longer-term investments than P&C insurance companies, which tend to focus on short-term investments so they can more readily pay claims. In general, insurers implement conservative investment strategies to preserve capital and indemnify clients filing claims.

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 2015, Life insurers held \$5.3 trillion in assets and, in California, wrote \$58.9 billion in premiums, which constituted 50.3% (the largest share) of the California insurance market. Life insurers held the most COIN qualified investments from 2013 to 2015. During that period, their investment holdings increased by 23%.

COIN QUALIFIED INVESTMENT HOLDINGS, LIFE			
Year	Count	Dollar Amount	Percent Change, Year Over Year
2015	6117	\$18,885,085,676	14.60%
2014	4913	\$16,478,498,811	7.32%
2013	3555	\$15,353,941,980	114.22%
2010	1402	\$4,731,098,602	baseline

Property & Casualty (P&C) Insurers: P&C 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 2015, P&C insurers held \$747.9 billion in assets and, in California, wrote \$51.1 billion in premiums, which constituted 43.6% (the 2nd largest share) of the California insurance market. From 2013 to 2014, P&C insurers' COIN qualified investment holdings decreased by 3%. Even though P&C insurers held more COIN qualified investment in 2015 than in 2014, overall their investments decreased by 2.6%.

COIN QUALIFIED INVESTMENT HOLDINGS, P&C			
Year	Count	Dollar Amount	Percent Change, Year Over Year
2015	2355	\$2,927,159,159	0.36%
2014	2219	\$2,916,728,988	-2.98%
2013	2062	\$3,006,335,788	61.14%
2010	840	\$1,822,868,158	baseline

Health Insurers: Health insurance companies provide insurance for medical payments. Health insurers hold a mixture of long-term and short-term investments to cover regular payment of claims. In 2015, health insurers held \$9.8 billion in assets and, in California, wrote \$5.8 billion in premiums, which constituted 4.9% of the California insurance market. The COIN qualified investment holdings for health insurers decreased by 16% between 2013 and 2015, with a greater decrease from 2014 to 2015 than from 2013 to 2014.

COIN QUALIFIED INVESTMENT HOLDINGS, HEALTH			
Year	Count	Dollar Amount	Percent Change, Year Over Year
2015	18	\$31,968,444	-8.55%
2014	21	\$34,958,218	-7.90%
2013	23	\$37,956,027	21.08%
2010	40	\$14,190,610	baseline

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. They have short investment horizons and primarily hold their investments as cash and cash equivalents. In 2015, title companies held \$8.1 billion in total assets and wrote \$1.3 billion in premiums in California representing 1.1% of the California's insurance market share. Between 2013 and 2015, title insurers did not meaningfully increase or decrease their COIN investment holdings.

COIN QUALIFIED INVESTMENT HOLDINGS, TITLE			
Year	Count	Dollar Amount	Percent Change, Year Over Year
2015	7	\$1,341,704	0.00%
2014	7	\$1,341,704	0.00%
2013	7	\$1,341,704	235.43%
2010	0	\$	baseline

5. 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. Depending on reporting schedule, investments vary in liquidity, risk and expected return. Schedule A (directly owned real estate), Schedule B (long-term mortgage loans), and Schedule BA (all other unrated long-term investments) tend to be higher risk, and have a higher expected return. Investments reported on Schedule D (long-term stocks and bonds) and Schedule E (short-term cash and cash equivalents) are more secure and have lower risk adjusted returns.

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							
Reported			Rejected			Qualified	
Year	#	Dollar Amount	#	Dollar Amount	#	Dollar Amount	Percent Qualified
2015	7	\$507,122,692	7	\$-	7	\$507,122,692	100%
2014	6	\$349,430,720	6	\$-	6	\$349,430,720	100%
2013	5	\$334,339,989	5	\$-	5	\$334,339,989	100%
2010	33	\$518,547,189	30	\$485,926,588	3	\$32,620,600	baseline

Insurer COIN qualified investment holdings on Schedule A have consistently increased since 2013. Insurer's real estate holdings increased by 4% from 2013 to 2014 and by 31% from 2014 to 2015. During the three year period covered by this data call, COIN qualified investment holdings on Schedule A increased by 35%. These investments are located close to public transportation, in low to moderate-income communities, or in a LEED-certified building.

Schedule B: Long-term mortgage loans.

SCHEDULE B COIN HOLDINGS							
Reported		Rejected			Qualified		
Year	#	Dollar Amount	#	Dollar Amount	#	Dollar Amount	Percent Qualified
2015	6279	\$9,527,700,976	56	\$59,683,830	6223	\$9,468,017,147	99%
2014	5020	\$8,103,464,825	47	\$50,777,263	4973	\$8,052,687,562	99%
2013	3542	\$7,593,588,669	13	\$33,632,929	3529	\$7,559,955,740	100%
2010	1649	\$4,928,655,577	775	\$3,158,727,795	873	\$1,767,167,033	baseline

Insurer COIN qualified investment holdings on Schedule B have consistently increased since 2013. Long-term mortgage loan holdings increased by 7% from 2013 to 2014 and by 18% from 2014 to 2015. During the three-year period covered by this data call, COIN qualified investment holdings on Schedule B increased by 25%. 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 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
2015	510	\$2,038,519,064	9	\$ -	501	\$2,038,519,064	100%
2014	510	\$1,934,502,810	6	\$ -	504	\$1,934,502,810	100%
2013	490	\$1,818,044,732	8	\$ -	482	\$1,818,044,732	100%
2010	313	\$1,171,347,163	12	\$29,309,049	301	\$1,135,686,997	baseline

Insurers' COIN qualified Schedule BA investment holdings have grown steadily since 2013. Investment holdings grew by 6.4% in 2014 and by 5.4% in 2015. During each year covered by this data call, more than 94% of the investment holdings were high impact investments. The most commonly reported investment on Schedule BA was Low Income Housing Tax Credit (LIHTC), which is affordable rental housing that is eligible for federal tax credits. LIHTCs accounted for approximately 75% of the reported investments.

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							
Year	#	Reported		Rejected		Qualified	
		Dollar Amount	#	Dollar Amount	#	Dollar Amount	Percent Qualified
2015	1783	\$9,954,850,490	27	\$134,553,372	1756	\$9,820,297,118	99%
2014	1694	\$9,220,225,707	27	\$136,888,078	1667	\$9,083,337,629	98%
2013	1646	\$8,817,303,617	24	\$131,637,578	1622	\$8,685,666,039	99%
2010	2516	\$7,696,350,038	1434	\$3,917,491,007	1100	\$3,641,619,950	baseline

Insurer COIN qualified investment holdings on Schedule D have consistently increased since 2013. Bond holdings increased by 10% from 2013 to 2014 and again by 6% from 2014 to 2015. During the three-year period covered by this data call, COIN qualified investment holdings on Schedule D increased by 13%. High Impact investments accounted for 39% of overall Schedule D qualified holdings in 2015.

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

SCHEDULE E COIN HOLDINGS							
Year	#	Reported		Rejected		Qualified	
		Dollar Amount	#	Dollar Amount	#	Dollar Amount	Percent Qualified
2015	10	\$11,679,962	1	\$81,000	9	\$11,598,962	99%
2014	10	\$11,650,000	1	\$81,000	9	\$11,569,000	99%
2013	8	\$1,650,000	1	\$81,000	7	\$1,569,000	95%
2010	11	\$9,918,589	2	\$9,005,199	10	\$1,013,390	baseline

COIN qualified investment holdings on Schedule E have consistently increased since 2013. Insurer's short-term cash and cash equivalents holdings increased by 85% from 2013 to 2014 and by less than 1% from 2014 to 2015. During the three-year period covered by this data call, COIN qualified investment holdings on Schedule E increased by 85%. The investment holdings insurers reported on Schedule E were into federally insured depositories that had been certified by COIN or the U.S. Treasury Department's CDFI Program for focusing on community development lending in low- to moderate- income areas to enhance economic vitality and social welfare in the community and provide meaningful social justice and environmental benefits that are financially sustainable.

6. COIN Qualified Investment Holding Amounts over Time

The table below shows annual aggregate insurer COIN qualified investment holdings reported to COIN.

COIN QUALIFIED HOLDINGS AT YEAR END		
Year	Dollar Amount	Percent Change, Year Over Year
1996	\$190,680	baseline
1997	\$641,279,754	baseline
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	\$18,399,575,499	102.76%
2014	\$19,431,527,721	5.61%
2015	\$21,845,554,983	12.42%

Data Call Years are in BOLD

- 1996** COIN launched
- 2005** Voluntary data call
- 2007** CIS Data Call capturing investments held in 2005 and 2006
- 2009** CIS Data Call capturing investments held in 2007 and 2008
- 2014** CIS Data Call capturing investments held between 2009 and 2012
- 2016** CIS Data Call capturing investments held between 2013 and 2015

7. COIN History

Commissioner Dave Jones made the COIN program one of his key priorities upon assuming office in 2011. Since the beginning of 2011 until the end of 2015, COIN investments have more than tripled from \$6.6 billion to \$21.8 billion. The amount of community investment held by insurers has continually increased and is expected to continue to increase, despite severe limitations on access to capital in the financial markets created during the last economic downturn. COIN has also grown in scope to include green investments (AB 1011, Jones, 2010), an advisory board (AB 624, Pérez, 2011) and quintupled the annual available amount of COIN CDFI Tax Credits (AB 32, Pérez, 2013).

8. Data Call History

Overview

In 1997, some insurers began to voluntarily report their California community development investments to COIN. Later, a letter from the Insurance Commissioner to chief executive officers of insurance companies in 2001 and a voluntary survey in 2005 (CIS 2005) compelled additional companies to report their community development investment holdings. Insurers were required to report all of their California community development investments made since 2005 when reporting was mandated in January 2007, pursuant to California Insurance Code (CIC) Sections 926.1 and 926.2 that Assembly Bill 925 (Ridley-Thomas, 2006) established.

COIN Legislative History

Under Assembly Bill 925 (Ridley-Thomas, 2006), the first mandatory CIS Data Call in 2007 imposed specified reporting requirements on participating insurers to the Department of Insurance and required the Commissioner to provide certain information on these investments to the public. The 2007 CIS Data Call mandated that insurers report qualified investments they held during the 2005 and 2006 calendar years. This 2007 CIS Data Call was the first to collect information on high impact investments, which includes 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 individuals, families, or communities in urban or rural California (see CIC 926.2 (b)). The 2007 CIS Data Call was followed by another mandatory CIS Data Call in 2009, which required insurers to report their qualified investments held during the 2007 and 2008 calendar years.

The CIC was amended to include green investments in 2010. Assembly Bill 1011 (Jones, 2010) established green investments as qualified investments in the CIS Data Call and required the department of insurance post to its web site those insurers that make investments that qualify as green investments and the aggregate amount of identified insurer investments in green investments. Assembly Bill 2128 (Gordon, 2014) authorized the 2016 CIS Data Call, decreased the number of insurers required to submit the CIS Data Call, and extended its sunset date until 2017. The results of these five CIS Data Calls (2005, 2007, 2009, 2014 and 2016) provide COIN with a record of the qualified investments held by insurers in California as required by CIC Sections 926.1 and 926.2.

QUICK FACTS

COIN LEGISLATION

CDI established the COIN program in 1996.

AB 925 (Ridley-Thomas, 2006) established the CIS Data Call.

AB 1011 (Jones, 2010) amended CIC Sections 926.1, 926.2, and 12939 to include green investments.

AB 41 (Solorio, 2010) created the first Data Call to cover a four-year period from 2009 to 2012 and extended the sunset of the program to January 1, 2015.

AB 624 (Pérez, 2011) renewed the COIN Advisory Board.

AB 32 (Pérez, 2013) quintupled the annual available amount of COIN CDFI Tax Credit to \$10 million annually.

AB 2128 (Gordon, 2014) extended the CIS Data Call and COIN Advisory Board until 2017.

AB 2728 (Atkins, 2016) would extend the CIS Data Call and COIN CDFI Tax Credit until 2022.



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