

DEPARTMENT OF INSURANCE

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February 17, 2011

Dear Chief Executive Officer:

As California's Insurance Commissioner, I look forward to working closely with you on a variety of matters. I write today to request your personal attention to two matters relating to admitted insurer investments in low-income communities.

\$4.75 million in existing state tax credits unclaimed

I strongly encourage California insurance companies to invest in underserved communities. The Community Development Financial Institution (CDFI) state tax credit to encourage these investments has been underutilized in recent years.

There is currently \$4.75 million in CDFI state tax credits available for investments in underserved communities. In the recent past, CDFIs across the state have made notable investments, including:

- A mortgage loan for a nonprofit residential alcohol treatment facility
- Micro-loans of \$500 to \$5,000 to self-employed business owners
- Loans for six childcare centers to serve 500 low-income children
- Pre-development loans to Habitat for Humanity to construct affordable homes
- A loan to a church to build a child care center for lower income residents
- A loan for 953 water hook-ups in two small, rural communities
- A short-term loan to close escrow on housing for low-income foster youth.

Insurers have an exclusive window to claim these tax credits before July 1, 2011. I ask California insurers to examine their investment portfolio and invest in this CDFI tax credit program.

I have enclosed the CDFI tax credit program brochure for easy reference.

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New law requires insurers to develop Community Investment Policy Statement

Recently enacted California legislation (Assembly Bill 41, Solorio 2010) requires your company to develop and file with the Insurance Commissioner a Policy Statement on Community Development Investment and Community Development Infrastructure Investments by July 1, 2011.

A 2007 survey by the Department of Insurance found that only 11% (54 out of 485) of responding insurers had adopted a Policy Statement regarding Community Development Investments. Only three reported that they have adopted comprehensive community service policies and eight had set specific goals for community development investments. The California Legislature, through the passage of AB 41 (Solorio 2010), sought to increase the number and amount of Community Development Investments by requiring the adoption of Community Investment Policy Statements.

As you are aware, the California Organized Investment Network (COIN) Program was created in 1996 as a collaborative private and public sector partnership of insurance industry leaders, state government leaders, and community development organizations to increase the level of insurer investment in traditionally underserved communities in California. The Department of Insurance agreed to facilitate this program. Many insurers have already participated: over \$19 billion of California Community Development Investments have been reported to date.

Community Development Investment is good business. These investments can provide solid returns while bringing much needed capital to low-income communities. They offer tremendous opportunities for less prosperous families while creating positive business relationships with the fastest growing demographic markets in the nation. I strongly encourage you to increase investment in community development projects.

As noted above, Insurance Code Section 926.3 requires each admitted insurer in California that writes California premiums of \$100,000,000 or more to develop and file with the Insurance Commissioner a Policy Statement on Community Development Investments and Community Development Infrastructure Investments. The Community Development Investment Policy Statement should express the insurer's goals for community investments during 2011 and 2012. The policy statements may include general goals or specific investment goals, but is not required to contain specific investment goals or thresholds. The initial Community Development Investment Policy Statement is due no later than July 1, 2011.

Links to instructions and reporting guidelines will be provided to your COIN investment contact via email in the near future, and are also enclosed. These filings are public information and will be made available on the California Department of Insurance's web site.

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Should you like more information about Community Development Investing or the Policy Statements due from your company, please contact Anna Gragg of the COIN program at (916) 492-3422 or anna.gragg@insurance.ca.gov.

Sincerely,

A handwritten signature in black ink that reads "Dave Jones". The signature is written in a cursive, flowing style.

DAVE JONES
Insurance Commissioner

Enclosure: Circular CDIPS – 2011
CDFI Tax Credit Program Brochure