



CALIFORNIA ORGANIZED  
**INVESTMENT NETWORK**  
Insurers investing in a better California

SEPTEMBER 2022

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# Overview of COIN



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**The California Organized Investment Network (COIN) was established in 1996 by the California Department of Insurance (CDI) to guide insurers in making financially sound investments that yield environmental benefits throughout California and social benefits within the State’s underserved communities.**

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COIN partners with organizations to source and structure investments promoting social and environmental investments in the State and then solicits these investments from insurance companies.

Insurance Commissioner Ricardo Lara has prioritized COIN investments that drive affordable housing, support small businesses, especially for those grappling with the effects of the pandemic, combat climate change, and encourage investors to utilize diverse investment managers.

COIN-qualified investments provide notable benefits including affordable housing, homeless shelters, jobs, education training, care facilities, and renewable energy investments, such as wind, solar, and geothermal projects.

COIN-qualified capital is allocated to investments in communities traditionally underserved by the financial markets and environmental projects promoting sustainability in California.

# 2022 COIN Community Development Investment Policy Statements

In early 2022, California Insurance Commissioner Ricardo Lara encouraged all California Licensed Insurance Companies to update their Community Development Investment Policy Statements that have been on file with the COIN Program since 2011.

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“ I believe these investments help address some of society’s greatest challenges in California, such as affordable housing, climate and environmental sustainability, and small business challenges as a result of the COVID pandemic. I believe community development investment policy statements allow us to more clearly see and understand how insurers guide their investments for the betterment of communities in which they operate.”

**California Insurance Commissioner Ricardo Lara**

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**High Level Findings  
as a result of the  
Commissioner’s Request:**

**266** Insurance  
Companies received  
a letter from the  
Commissioner

**60%** of the  
insurance companies have  
updated their investment  
policy statements

The following are three good examples of Community Development Investment Policy Statements:

# LIBERTY MUTUAL INSURANCE

## Statement of Principle & Policy

As part of Liberty Mutual Insurance and its subsidiary insurance companies (Liberty) mission of helping people live safer, more secure lives, we invest in people and organizations that build better communities around the world. The primary purpose of Liberty's investment policy is to seek attractive investment opportunities that maximize the value of our investment capital in order to meet our obligation to our policyholders to invest their funds in prudent and productive ways. Additionally, we believe that ESG factors should inform investment decision-making and risk management practices, and that the identification, understanding and management of material ESG factors can enhance our ability to meet our long-term investment objectives.

As such, in 2020, Liberty Mutual Investments (LMI) developed an ESG Framework to drive the overall integration of material ESG factors into our investment process for all assets and partnerships where Liberty Mutual Investments is deploying capital. A component of Liberty's policy is to seek and support sustainable and renewable energy, and community development and community development infrastructure across the nation through programs such as California Organized Investment Network (COIN).

### **Community Development and Infrastructure Policy & Investment Criteria:**

Liberty is committed to financing affordable housing, community redevelopment efforts, childcare, healthcare, and school facilities to benefit lower income individuals, families, and communities as well as green investment initiatives throughout California and other states. Through our involvement with Impact Community Capital, as well as through other investment channels, such as bonds and agency & commercial mortgages as of December 31, 2020, Liberty held over \$497 million in COIN-qualifying investments. By investing in the diverse neighborhoods in which we do business, Liberty seeks to build strong, long-lasting relationships that can deliver healthy returns both to our policyholders and the citizens of the communities we serve and invest in.

### **Goal:**

Liberty's goal is to maintain capital commitments to community development or community development infrastructure across the nation and in California, where the investments result in meaningful increases in sustainable and renewable energy opportunities, affordable housing, services or facilities in low or moderate income communities while stimulating the local economy by creating jobs in such communities and also providing competitive investment returns.

# STATE COMPENSATION INSURANCE FUND

## Company Policy Statement

The State Compensation Insurance Fund (State Fund) is committed to the Community Development Investment Program and its support to low to moderate income individuals, families, and communities in California and their commitment to improve life, create hope and opportunity within underserved communities in California. State Fund has been a strong supporter of COIN since the program was established in 1996 and currently holds municipal and mortgage backed securities meeting the COIN qualification parameters. As of 3/31/2022, State Fund held \$420 million of COIN investments of which \$269M in housing, \$20M in medical, \$45M in transportation and \$86M in education.

The objective of the Investment portfolio is to preserve State Fund's principal and surplus and enable State Fund to purchase and sell COIN approved investments, including both equity and debt securities as allowed by Sections 926 through 926.3 of the Insurance Code. COIN is a program administered by the California Department of Insurance that is intended to identify potential investment opportunities for State Fund and admitted California insurers with an emphasis on investments that that promote social, economic, and environmental benefits for people living in California.

The following types of investments and securities are permissible:

1. Investments in equity or debt investment, or loan, or deposit obligation, or other investment or investment transaction allowed by the Insurance Code and identified by COIN as potential investment opportunities.
2. Investments can be made in low-to-moderate income housing, community development needs, environmental and social needs and infrastructure rehabilitation and improvements in California and includes all the types of investments that are described in Section 926.1 of the Insurance Code.
3. Investments can be made in community development infrastructure debt securities including all debt issued by the State of California or a California state or local government agency, if all or a portion of the debt has as its primary purpose community development for, or that directly benefits, underserved or low-to-moderate-income communities or includes affordable housing, or community facilities or community services providers (including providers of education, health, or social services) or promotes economic development that demonstrates benefits, including, but not limited to, job creation, retention, or improvement, or provision of needed capital, to underserved or low-to-moderate-income individuals, families, or communities, including urban or rural communities, or businesses or nonprofit community service organizations.
4. Investments can be green investments that emphasize renewable energy projects, 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. "Green investments" also means investments that can help communities grow through new capital investment in the maintenance and rehabilitation of existing infrastructure so that the reuse and reinvention of city centers and existing transportation corridors and community space, including projects offering energy efficiency improvements and renewable energy generation, including, but not limited to, solar and wind power, water and waste management, sustainable agriculture, mixed-use development, affordable housing opportunities, multimodal transportation systems, and transit-oriented development, can advance economic development, jobs, and housing.
5. Investments can be "Impact Investments" that provide a social or environmental benefit to underserved or low-to-moderate-income individuals, families, or communities in California.

# THE DOCTORS COMPANY

## Sustainable Investment Philosophy

One of the pillars of TDC's corporate responsibility is how we choose to invest our capital. Our investment portfolio is structured to protect our balance sheet to support our operating business and to earn strong tax-adjusted rate of return. We recognize the importance of considering environmental, social, and governance (ESG) risk factors (which include diversity, equity, and inclusion) in the management and oversight of our investment portfolio. In support of California's Climate Risk Carbon Initiative and reduction of carbon emissions, we seek to overlay ESG considerations into asset allocation, governance, due diligence, monitoring, and investment decision making. In addition to ESG benefits, we believe this will enhance our evaluation of investment risks and returns and potentially improve long-term financial performance. Sustainability is integrated into our investment process as follows:

### **Asset Allocation:**

We will use California's Climate Sustainability Branch guidelines as a basis for assessment of both fossil fuel exposure, including oil, gas, and thermal coal enterprises, as well as positive environmental factors such as, but not limited to, green bonds. In conjunction with our external investment advisors, we will attempt to evaluate

all securities in our portfolio that exhibit poor ESG risk characteristics and ratings. Consistent with our corporate mission of advancing, protecting, and rewarding the practice of good medicine, we will restrict direct investments in tobacco.

### **Governance:**

In the selection and monitoring of external investment managers, TDC will consider how they practice ESG concepts within their respective organizations and what ESG guidelines and protocols are built into their investment processes.

### **Impact:**

We actively prospect and evaluate investment opportunities that offer compelling financial returns in conjunction with measurable positive environmental or social impact initiatives. For new strategies we will consider, but not limit ourselves to, options available through the California Organized Investment Network (COIN). COIN's mission is to guide insurers on making financially sound investments that yield environmental benefits throughout California and/or social benefits within the State's underserved communities.

# California Law Brings More Leeway to Your Investment Portfolio

## Under California's amended Leeway Law, you may be eligible to increase excess investment limits when you work with COIN.

Prior to January 1, 2022, other long-term invested assets (accounted for on Schedule BA) held by California-domiciled insurers are limited to the lesser of 5% of the insurer's admitted assets or 50% of their excess capital (also known as insurer's "leeway").

This new law, contained in California Assembly Bill 1511 (Committee on Insurance, Chapter 627, Statute of 2021), removed the Schedule BA limitation listed above, *if* the following two conditions are met:

- 1) **California Insurance Commissioner has approved the amount and terms of the investment**
- 2) **COIN has identified the investment in an investment opportunity bulletin on the COIN Impact Investment Marketplace.**

## What are some potential benefits of additional COIN-qualified Schedule BA impact investments?

- Socially responsible Investments generate favorable returns while also directly benefiting low-to-moderate income communities and/or green projects. Our "Invest in our Diverse Communities" investment manager program helps allocate capital to groups from historically underrepresented communities.
- Directing capital towards COIN qualified discretionary investments strategies that have a lower correlation with public markets could decrease portfolio volatility during uncertain times.
- Allocation in certain COIN qualified strategies can potentially provide higher expected returns than fixed income in a low interest rate environment.
- If all insurers domiciled in California held 5% in discretionary investments and increased their holdings to 6%, \$1 billion in additional capital could be allocated to COIN qualified investments. There is currently no cap on what insurers can hold in discretionary investments if they are approved by the Commissioner and are COIN qualified.
- More information can be found on the COIN Public Website, where our [Leeway Law Fact Sheet](#) provides more details.



# Insurer Spotlight



COIN would like to recognize The Hartford for its commitment to green investing, which is also one of Commissioner Lara's priorities. The Hartford announced additional climate priorities, and made a commitment to invest \$2.5 billion through 2026 in energy transition investments, which they expect will include environmental investment opportunities in California.



- **Commitment to invest \$2.5 billion over the next five years in technologies, companies and funds, which are advancing the energy transition and addressing climate change.**
- **Became a signatory of the United Nations Global Compact, which seeks to accelerate and scale the global collective impact of businesses.**
- **Has exited all tar-sands oil investments by Dec. 31, 2021, and anticipates exiting all coal investment holdings by the end of 2023.**

[COIN Community Development Investment Policy Statements](#)

# Individual COIN-qualified Investment Projects

## COIN Investment Bulletin Program

The COIN Investment Bulletin Program intends to facilitate the offering of a comprehensive array of investment products responsive to the capital needs of low-to-moderate income and rural communities, as well as green investments that yield environmental benefits in California.

COIN-approved investments are marketed to insurance companies doing business in California.

The capital raised through the COIN Investment Bulletin Program directly benefits underserved communities and environmental projects in the state, providing much-needed jobs, affordable housing, small business funding, and other community benefits. Moreover, investments with environmental benefits help fight climate change, reduce the threat of wildfires, enhance mass transit, and conserve water.

The following are examples of COIN-approved projects that have received investments from insurance companies:



# Monarch Private Capital Finances New Affordable Housing Development in California



COIN-approved investment bulletin, Monarch Private Capital is a nationally recognized ESG investment firm that develops, finances and manages a diversified portfolio of projects

benefiting underserved communities and the environment.

Monarch utilized low-income housing tax credits (LIHTC) in financing a \$74 million affordable housing development called Shiloh Terrace that adds quality homes and valuable resources to the Windsor community in Northern California.

The Shiloh Terrace apartments will be an affordable multifamily community consisting of 134 two and three-bedroom rental units for households earning at or below 70 percent of the Area Median Income (AMI).

In addition to creating quality affordable homes for residents, the development will offer valuable tenant services to both adults and children, provided by the Central Valley Coalition for Affordable Housing. These services will support education, health and wellness, and social needs through after-school programs, computer training, job-seeking skills, informational workshops, and linkages to community resources.

In its initial year alone, the project is expected to create over 200 jobs and generate more than \$15.6 million in local income, benefiting the local economy.

# Gloria Drive Apartments



COIN-approved investment bulletin, R4 Capital finances affordable housing projects, including those located in California.

Since May 2012, R4 Capital has raised more than \$4.3 billion of Low Income Housing Tax Credits (LIHTC) equity investments from 100 institutional investors across 40 funds providing capital for 442 affordable multifamily housing properties throughout the US.

Gloria Drive Apartments is a scheduled rehabilitation of an existing affordable residential community located in the Pocket area of Sacramento, CA.

It includes 32 units in seven, one-story, garden-style residential buildings, plus a to-be-built community building.

The property has not had a full interior or exterior renovation since its original construction 40 years ago.

COIN staff participated in the groundbreaking for this impactful project, that launched the rehabilitation of the property.

The one and two bedroom single family apartments are across the street from public transit stops with access to multiple bus lines serving the greater Sacramento area. Amenities located within 1 mile of the apartments include shopping centers with multiple grocery stores, pharmacies, banks, dry cleaners, hair salons, and restaurants, as well as public schools, the Martin Luther King Jr. K-8 School and the John F. Kennedy High School.



# COIN Webinar Series

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The California Organized Investment Network (COIN) highlights several of these high impact investments through it's COIN Webinar series. Our next event is "Tech's Influence on Impact Investing Webinar", an online session via Zoom featuring speakers from six COIN-approved Investment Bulletins, all of which provide financially sound investments that yield social and environmental benefits.

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## COIN Tech's Influence on Impact Investments Webinar

**Topic:** How is technology influencing impact investing in the areas of climate change and social impact.

**Date:** Wednesday, October 12, 2022

**Time:** 10am – 12pm Pacific Time

Please see the full agenda on the next page for further webinar details.

To Register for the webinar and receive the virtual Zoom event link, please RSVP to Anna Gragg at: [COIN@insurance.ca.gov](mailto:COIN@insurance.ca.gov)

# COIN Webinar: Tech's Influence on Impact Investing

October 12, 2022 | 10:00 am – 12:00 pm PST

## AGENDA

### Opening Remarks

10:00 - 10:15 am

**Sukh Randhawa**, *Chief, COIN*

**Moderator: TC Wilson, Chief Investment Officer,**

*The Doctors Company*

Responsible for oversight of The Doctors Company's \$6 billion in invested assets including the company's \$2.7 billion surplus.

TC has over 30 years of investment experience, including 18 years as the lead consultant to the Doctors Company before joining the company in 2017.

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### How Tech is Combatting Climate Change

10:15 - 10:30 am

**Janelle Goulard**, Managing Partner, Pangaea Ventures Impact Fund

10:30 - 10:45 am

**Lisa Feria**, Managing Partner, CEO, Stray Dog Capital Fund III LP

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### How Tax Equity and PropTech are Impacting Affordable Housing and Green Building

10:45 – 11:00 am

**Jason Gershwin**, Director Fund Management, R4 Housing Partners XVIII LP

11:00 – 11:15 am

**Billy Huger**, Managing Director, Monarch Impact Fund I, LLC

11:15 – 11:30 am

**Angela Johnson**, Partner, Fifth Wall Late Stage Climate Technology Fund LP

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### How Tech is Providing Social Impact in Education

11:30 - 11:45 am

**Juan Zavala**, Principal, New Markets Education Partners III, LP

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### Closing Remarks

11:45 - 12:00 pm

# Francisco Raygoza

## New COIN Team Member

Francisco recently joined COIN in November of 2021 to assist with the program's expansion, focusing on marketing impact and diverse investment management deals for insurers. Before joining COIN, Francisco worked in the California Department of Insurance Climate and Sustainability Branch, maintaining the climate risk database and scenario analysis on insurers' investment portfolios.

Before joining the Department of Insurance, Francisco worked in various back-office roles from fund accounting to FP&A and as an analyst for a private equity consulting firm. Francisco is a Chartered Financial Analyst® charterholder, and a CFA Society San Francisco member. He is a San Francisco native and currently lives in the East Bay with his wife Kailene, and his two sons, Brenson and Braxton. When not working, Francisco enjoys reading, finding new beaches to visit with his family in Northern California, having a cold beer or warm glass of wine while watching movies with his wife and kids, and trying new restaurants in the Bay Area.



**Francisco Raygoza**  
*Senior Investment Analyst  
California Organized  
Investment Network (COIN)*

The background of the slide features a dark blue gradient with a faint, glowing financial chart. The chart includes a line graph with several peaks and troughs, overlaid with a grid of dashed lines. Various numerical values are scattered across the background, some appearing to be stock prices or financial figures, such as '110,50' and '239,95'.

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