

Assembly Bill No. 41

CHAPTER 340

An act to amend Section 926.2 of, and to add Section 926.3 to, the Insurance Code, relating to insurer investments.

[Approved by Governor September 25, 2010. Filed with
Secretary of State September 27, 2010.]

LEGISLATIVE COUNSEL'S DIGEST

AB 41, Solorio. Insurance: community development investments.

Existing law requires each admitted insurer to provide information biennially to the Insurance Commissioner on all of its community development investments and community development infrastructure investments, as defined, in California. The commissioner and the Department of Insurance are required to provide certain information on these investments to the public, as specified. These provisions are to remain in effect only until January 1, 2011, and are repealed as of that date.

This bill would instead require each admitted insurer to provide information, by January 1, 2014, to the commissioner on all of its community development investments and community development infrastructure investments. The bill would also require that the information the commissioner and the department are required to provide to the public on these investments be provided by May 31, 2014.

This bill would extend the date for repealing those provisions to January 1, 2015, and would state that certain insurers could meet the filing requirements relating to community development investments and community development infrastructure investments through a specified filing.

This bill would also require certain insurers to develop and file with the commissioner, no later than July 1, 2011, a community development investment and community development infrastructure investment policy statement that expresses the insurer's goals for these investments during the current and following calendar year. Thereafter, each insurer would be required to biennially review its policy statement and, if the insurer revises or changes its policy statement, submit the new policy statement to the commissioner no later than July 1 of each odd-numbered year. The bill would require the commissioner to establish a link on the department's Internet Web site providing public access to each insurer's community development investment and community development infrastructure investment information, as specified.

This bill would delete obsolete provisions.

The bill would incorporate additional changes to Section 926.2 of the Insurance Code, proposed by AB 1011 of the 2009–10 Regular Session, to

be operative only if both bills are chaptered and become effective on or before January 1, 2011, and this bill is chaptered last.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) In 1996, California policymakers and insurance companies instituted efforts to encourage investments by insurance companies in urban and economically disadvantaged areas through the establishment of the California Organized Investment Network (COIN).

(b) COIN is the first-in-the-nation collaborative effort among insurance companies, the California Department of Insurance, and other stakeholders involved with community development investments in traditionally underserved communities. The mission of COIN is to provide leadership in increasing the level of insurance industry capital in safe and sound investments providing fair returns to investors and social benefits to underserved communities.

(c) In 2006, the Legislature and the Governor approved Assembly Bill 925 (Ridley-Thomas) which requires insurers to biennially report their California community development investments to the Department of Insurance (DOI). That legislation also requires COIN to provide insurers with information on why any investments were found not to be qualified by the Insurance Commissioner (commissioner).

(d) The commissioner is required to biennially provide information on the DOI's Internet Web site on the aggregate community development investments made by insurers. The commissioner is required to identify the insurers that make 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 low- or moderate-income individuals, families, or communities in urban or rural California.

(e) California admitted insurers invest an estimated three trillion dollars in various investments. Of this sum, an estimated eight billion dollars have been invested in community development efforts during the period 1997 to 2004, inclusive.

(f) In the business sector, as in government, the adoption of a policy by the governing board generates momentum in the organization to strive to achieve the policy. This is especially true when the policy is combined with a goal and identifies the persons responsible for achieving the goal.

(g) A 2007 survey by the DOI found that 54 of 485 responding insurers have adopted a policy regarding community development investments. Of these insurers, three reported that they have adopted comprehensive community development investment policies and eight insurers have set specific goals for community development investments. These insurers have significantly increased their community development investments.

(h) In light of the minor progress made to date without the adoption of a company policy, and in recognition that insurers that adopted a policy

have made significant progress in increasing the amount of community development investments, it is the purpose of this act to encourage insurers to significantly increase the number and amount of their community development investments by requiring the adoption of a company policy.

SEC. 2. Section 926.2 of the Insurance Code is amended to read:

926.2. (a) (1) Each insurer admitted in California shall provide information, by January 1, 2014, to the commissioner on all of its community development investments and community development infrastructure investments in California. This information shall be provided as part of the required filing pursuant to Section 900 or Section 11131, or through a data call, or by other means as determined by the commissioner. COIN shall provide insurers with information on why investments, if any, were found not to be qualified by the commissioner.

(2) Nothing in this subdivision shall preclude an insurer that is a member of an insurance holding company system as defined in Article 4.7 (commencing with Section 1215) of Chapter 2, from complying with paragraph (1) through a single filing on behalf of the entire group of affiliated companies, provided that the data so filed accurately reflects the investments made by each of the affiliates, and accurately attributes, by National Association of Insurance Commissioners (NAIC) number or other identifier required by the commissioner, which of the investments were made by each affiliated company.

(3) Nothing in this subdivision shall preclude an insurer from satisfying the requirements of paragraph (1) through a filing made by a community development financial institution, provided all of the following conditions are met:

(A) The insurer has no less than a 10-percent ownership interest in a COIN-certified community development financial institution.

(B) The insurer makes community development investments and community development infrastructure investments in and through the community development financial institution.

(C) The community development financial institution accurately files the information required by paragraph (1) with the commissioner on behalf of the insurer and accurately attributes, by NAIC number or other identifier required by the commissioner, which investments, including the dollar amounts of the investments, were made by each insurer on whose behalf the community development financial institution is reporting.

(b) The commissioner shall, by May 31, 2014, provide information on the department's Internet Web site on the aggregate insurer community development investments and community development infrastructure investments. Insurers that make 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 low- or moderate-income individuals, families, or communities in urban or rural California shall be identified.

(c) The department shall also, by May 31, 2014, provide information on the department's Internet Web site regarding the aggregate amount of

California public debt (including all debt issued by the State of California or a California state or local government agency) purchased by insurers as reported to the department in their NAIC annual statement filing pursuant to Section 900 or Section 11131.

(d) The department shall also, by May 31, 2014, provide on its Internet Web site the aggregate amount of identified California investments, as reported to the NAIC in the annual statement filed pursuant to Section 900 or Section 11131.

(e) This article shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 2.5. Section 926.2 of the Insurance Code is amended to read:

926.2. (a) (1) Each insurer admitted in California shall provide information, by January 1, 2014, to the commissioner on all of its community development investments and community development infrastructure investments in California. This information shall be provided as part of the required filing pursuant to Section 900 or Section 11131, or through a data call, or by other means as determined by the commissioner. COIN shall provide insurers with information on why investments, if any, were found not to be qualified by the commissioner.

(2) Nothing in this subdivision shall preclude an insurer that is a member of an insurance holding company system as defined in Article 4.7 (commencing with Section 1215) of Chapter 2, from complying with paragraph (1) through a single filing on behalf of the entire group of affiliated companies, provided that the data so filed accurately reflects the investments made by each of the affiliates, and accurately attributes, by National Association of Insurance Commissioners (NAIC) number or other identifier required by the commissioner, which of the investments were made by each affiliated company.

(3) Nothing in this subdivision shall preclude an insurer from satisfying the requirements of paragraph (1) through a filing made by a community development financial institution, provided all of the following conditions are met:

(A) The insurer has no less than a 10 percent ownership interest in a COIN-certified community development financial institution.

(B) The insurer makes community development investments and community development infrastructure investments in and through the community development financial institution.

(C) The community development financial institution accurately files the information required by paragraph (1) with the commissioner on behalf of the insurer and accurately attributes, by NAIC number or other identifier required by the commissioner, which investments, including the dollar amounts of the investments, were made by each insurer on whose behalf the community development financial institution is reporting.

(b) The commissioner shall, by May 31, 2014, provide information on the department's Internet Web site on the aggregate insurer community development investments and community development infrastructure

investments. Insurers that make investments that are innovative, responsive to community needs, not routinely provided by insurers, qualify as green investments, or have a high degree of positive impact on the economic welfare of low- or moderate-income individuals, families, or communities in urban or rural California shall be identified.

(c) The department shall also, by May 31, 2014, provide information on the department's Internet Web site regarding the aggregate amount of California public debt (including all debt issued by the State of California or a California state or local government agency) purchased by insurers as reported to the department in their NAIC annual statement filing pursuant to Section 900 or Section 11131.

(d) The department shall also, by May 31, 2014, provide on its Internet Web site the aggregate amount of identified California investments, as reported to the NAIC in the annual statement filed pursuant to Section 900 or Section 11131.

(e) The department shall also biennially provide information on its Internet Web site regarding the aggregate amount of identified California insurer investments in green investments.

(f) This article shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 3. Section 926.3 is added to the Insurance Code, to read:

926.3. (a) It is the policy of the State of California that (1) insurers should, where practicable, be supportive of community development investments and community development infrastructure investments, and insurers should be encouraged to invest in prudent community development investments and community development infrastructure investments that benefit California and California's low- and moderate-income communities; (2) every admitted insurer that writes a substantial amount of insurance in the state should consider community development investments and community development infrastructure investments; and (3) the California Organized Investment Network is a part of the department, and has the responsibility to pursue active measures to encourage community development investing by admitted insurers.

(b) Each insurer admitted in California that writes premium in California equal to or in excess of one hundred million dollars (\$100,000,000) annually shall develop, and file with the commissioner no later than July 1, 2011, a policy statement on community development investments and community development infrastructure investments that expresses the insurer's goals for these investments during the current and following calendar year. Thereafter, each insurer subject to this subdivision shall biennially review its policy statement on community development investments and community development infrastructure investments and, if the insurer revises or changes its policy statement, submit the new policy statement to the commissioner no later than July 1 of each odd-numbered year. The initial policy statement filed with the commissioner shall satisfy the requirement of this subdivision if the insurer's policy statement has not changed. These filings shall be

public information. For purposes of this subdivision, “policy statement” means a statement of principle intended to influence a decision or action. The policy statement may include general goals or specific investment goals, but is not required to contain specific investment goals or thresholds.

(c) The commissioner shall establish a link on the department’s Internet Web site that provides public access to the contents of each insurer’s policy statement and the data on community development investments and community development infrastructure investments provided by each insurer pursuant to subdivision (b).

SEC. 4. Nothing in Article 10.1 (commencing with Section 926.1) of Chapter 1 of Part 2 of Division 1 of the Insurance Code shall limit the authority of the Insurance Commissioner to ask for data concerning community development investments and community development infrastructure investments on a voluntary basis on or after January 1, 2015, if that article is not extended beyond that date.

SEC. 5. Section 2.5 of this bill incorporates amendments to Section 926.2 of the Insurance Code proposed by both this bill and AB 1011. It shall only become operative if (1) both bills are enacted and become effective on or before January 1, 2011, (2) each bill amends Section 926.2 of the Insurance Code, and (3) this bill is enacted after AB 1011, in which case Section 2 of this bill shall not become operative.