KEY FINDINGS - 2009 COIN DATA CALL

Insurer Community Development Investments
Benefiting California's Low-to-Moderate Income (LMI) Communities

Pursuant to AB 925 (Chapter 456/2006, Ridley-Thomas), insurers admitted to do business in California were required to report the community development investments they made in California during the 2007 and 2008 calendar years to the Department of Insurance by May 31, 2009. In 2005, a voluntary, first-ever data call for California community development investments requested insurers to report qualifying investments outstanding on December 31, 2004, and invited them to report such investments made in prior years that were no longer outstanding.

The results of the 2005, 2007 and 2009 data calls together now provide us with a good record of the community development investments insurers made in California for the last 12 calendar years (CY).

The Response from the Insurance Industry

The Data Call was sent to 1336 companies: 1281 responded; 55 did not. Those responding represent 96% of all companies and write 99% of the insurance business in California. However, only 164 companies (12% of all companies doing business in California) reported qualifying investments. These companies write 56% of the California insurance business. The remaining 1,117 respondents reported no qualifying investments. Added to the 55 companies that did not respond, there are 1,172 companies with 44% of the California business reporting no qualifying investments in CY 2007 and 2008.

All together, insurers reported over 2,747 investments during 2007 and 2008 totaling close to $6.4 billion that insurers thought might qualify. After careful review, COIN determined that 1587 investments totaling $4.6 billion meet the definitions in the Data Call for California community development investments. This is a decrease of $1.3 billion from the previous data call.

$4.6 Billion Qualifying Investments by Type of Investment

Commercial mortgages …………...….. $2.2 billion (47% of the total amount)
Bonds ………………………………… $1.6 billion (34% of the total amount)
Limited Partnerships (LPs)
and Liability Companies (LLCs) … $789 million (17% of the total amount)
Certificates of Deposit ……….……....... $7 million (2% of the total amount)

Life Companies

2008 California Premiums …………………………......$67.9 billion
2008 Total Investments…………………..……………..$2.9 trillion

78 companies out of 462 (with 66% of the market share for Life companies) reported making 706 qualifying investments totaling $2.8 billion.

Given the differences in the nature of their business, some forms of investments are better suited to the asset/liability needs, and thus are more typical of Life companies than Property and Casualty companies. Thus, Life companies made virtually all of the $2 billion in qualifying commercial mortgages, which comprised 71% of the Life company total qualifying investments. These represent commercial mortgages made in Low-to-Moderate Income (LMI) census tracts in California.

Property and Casualty (P&C) Companies

2008 California Premiums ………………………….	$ 53.4 billion
2008 Total Investments…………………………...…….	$1 trillion

83 companies out of 806 (with 44% of the market share for P&C companies) made 600 qualifying investments totaling $1.3 billion.

$1 billion of their total qualifying investments were in the form of bonds, which comprised 78% of the P&C company total qualifying investments.

Title Companies

2008 California Premiums ………………………..…….…	$1.4 billion
2008 Total Investments…………………….....………..…	$6.4 billion

Only one out of 22 Title companies doing business in California (with just a 1% market share for Title companies) reported qualifying investments – two investments totaling $115.

Fraternal Companies

These 46 mostly small companies serving fraternal organizations have $458 million in total California premiums. Generally, their small size and exclusive focus on service to their membership make it more difficult for them to participate in California community development investing. Two companies collectively made $3.5 million in qualifying investments.

Focus on High Impact Investments – They can Make a Significant Difference

Within the arena of community development investing, there are some investments that merit additional recognition. These community development investments typically involve a non-profit or community development organization and/or meet a special or unmet capital need for low-to-moderate income families and communities. With the enactment of AB 925 in September of 2006, Insurance Code Section 926.2 (b) now provides:

> "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-income or moderate-income individuals, families, or communities in urban or rural California shall be identified."

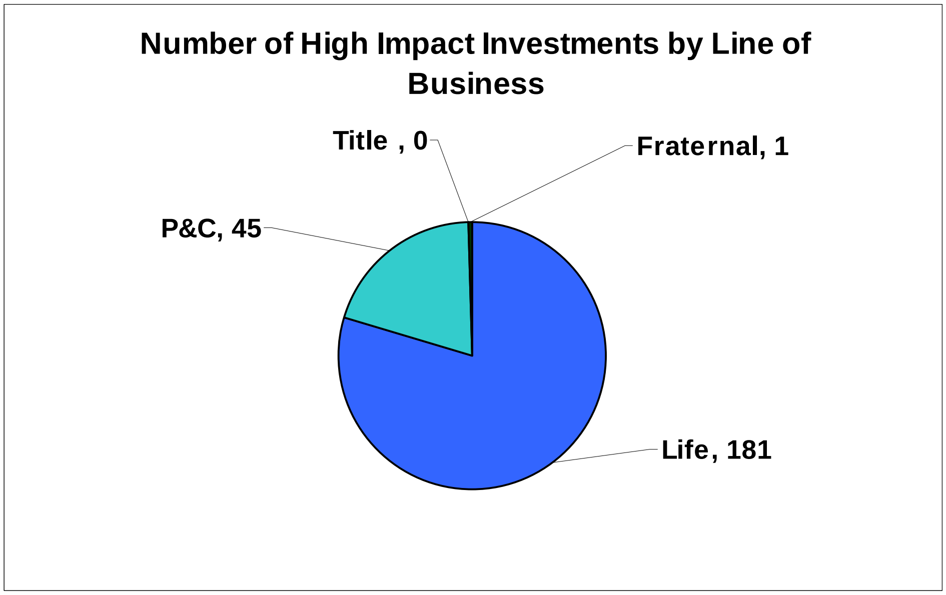
Insurers made 227 high impact investments totaling $669 million during CY 2007 and 2008. These comprised 17% of the total number of investments, and 16% of the qualifying dollars reported. Many companies learned about the concept of high impact investing for the first time in spring 2007 when the instructions were issued for the 2007 Data Call.

High Impact Investments by Line of Business

Life Companies ……………………….181 investments totaling $536 million
Property and Casualty Companies……...45 investments totaling $130 million
Title Companies……………………………0 investments
Fraternal Companies……………………….1 investment totaling $2.6 million

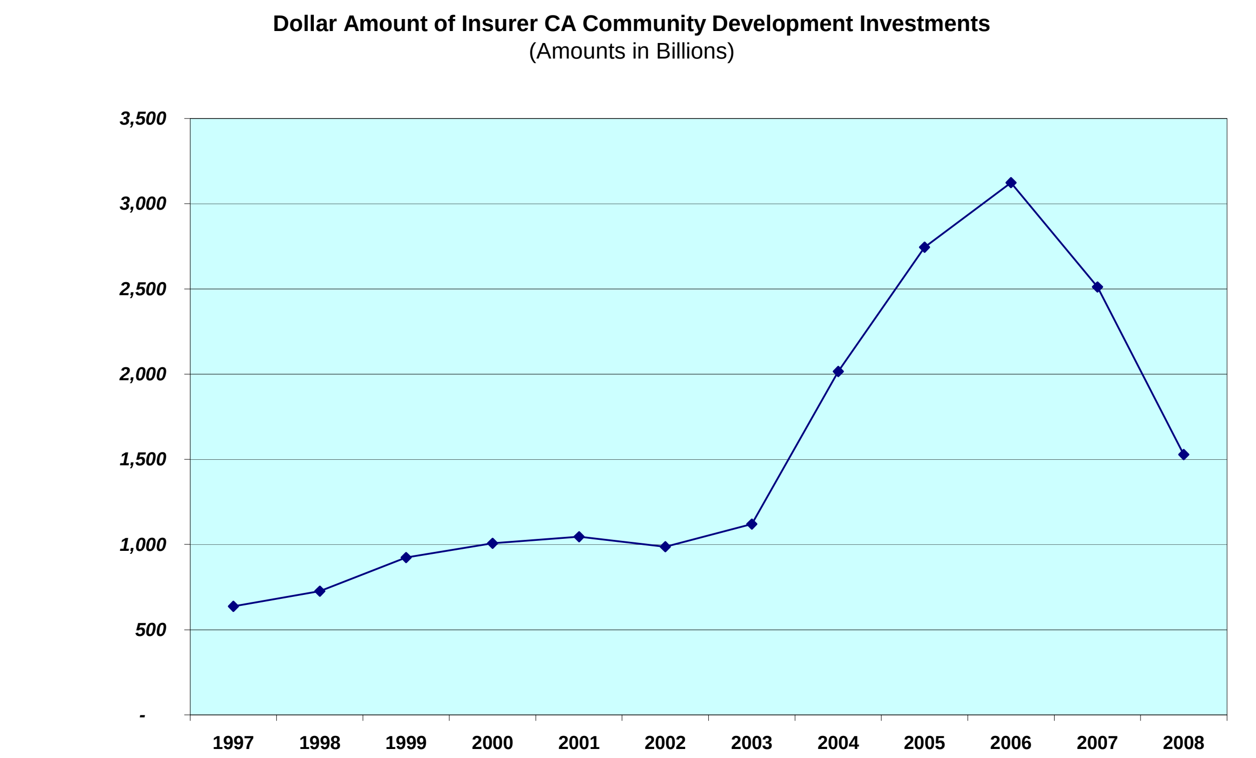
Types of high impact investments made (see Attachment A) included Low Income Housing Tax Credit (LIHTC) partnerships, which are critical to making rental housing affordable to low-income families. LIHTCs are complex long-term investments and were mostly made by Life companies. Other types of high impact investments were partnerships in special community development funds with "double bottom line" goals of financial and social benefit returns. Both Life and P&C companies made these investments. And primarily P&C companies invested in certificates of deposit in special community development banks and credit unions with a primary mission of serving the needs of low-income families and communities.

When assessing the extent of the impact on communities served, use of the funds and the number of investments can be as important as the dollar amount. Relatively small dollar size investments can have high impact because they are often leveraged by being relent multiple times (revolving funds), or used as seed money filling unmet capital needs that get projects started and later attract significantly larger investments. Other small size investments can provide significant benefit by funding alternatives to high-cost check-cashing services and payday lenders that have moved into low-income neighborhoods.

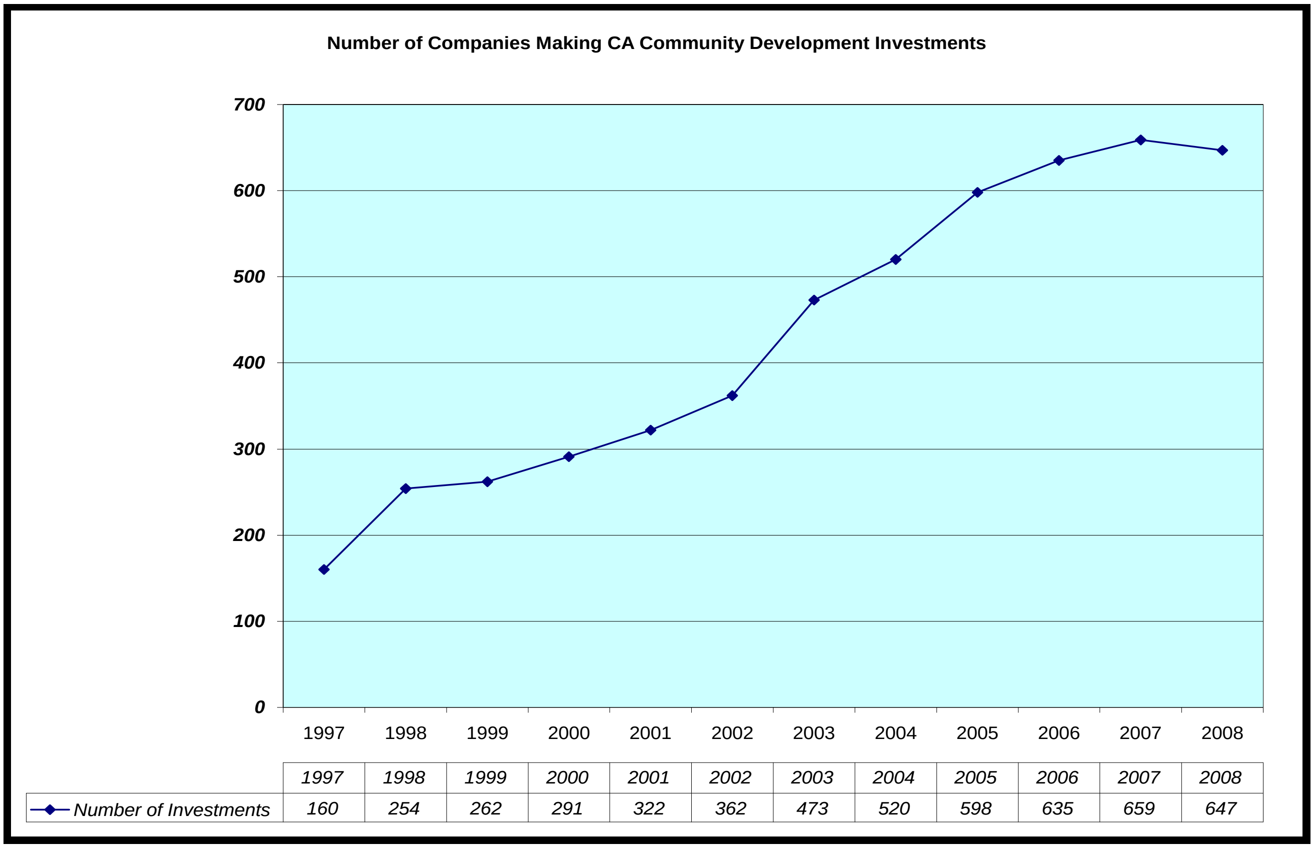


The Value of Periodic Data Calls

From 1997 through 2004, reporting was on an ad hoc basis. The 2005 data call was the first comprehensive request for information from all insurers. It was followed in 2007 by the first report mandated by California law. The value of a consistent, periodic reporting mechanism has now been demonstrated.



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Dollar Amount	638	726	924	1,007	1,045	987	1,120	2,016	2,745	3,123	2,512	1,528



Changes between the 2007 and 2009 Data Calls:

- The response rate increased from 78% to 96%
- Correctly identifying community development investments decreased as shown by the percent of reported investments qualifying going from 76% to 72%.

Our experience has shown that with periodic data calls, the number of companies investing, the amount of the investments, and understanding of and focus on the program all increase. The information provided to insurers throughout the data call process helps educate them, and publicizing the results helps recognize the industry's good work while encouraging non-participants to join them in bringing much needed capital to economically disadvantaged California families and communities.

To date, $18.8 billion in California community development investments have been made and reported, with $4.6 billion being reported just for CYs 2007 and 2008. Given the fact that insurers admitted to do business in California made close to $4 trillion in new investments during the 2008 CYs, there is clearly capacity for even larger growth in total California community development investing in the future.

Community development investing is good business. It offers tremendous opportunities for less prosperous families while creating positive business relationships with the fastest growing demographic markets in the nation. It is an integral part of a smart business strategy for insurers to succeed in California's diverse marketplace.