



COIN's Impact 2011-2018

California Organized Investment Network
California Department of Insurance

Dave Jones, Insurance Commissioner

DECEMBER 2018

CALIFORNIA ORGANIZED
INVESTMENT NETWORK



DEAR COIN STAKEHOLDERS:

I am pleased to provide you with this report on the impact of the California Organized Investment Network during my tenure as Insurance Commissioner from 2011 through 2018. The California Organized Investment Network (COIN) is a program within the Department of Insurance that sources and structures investments for insurers that are financially sound and yield positive social and/or environmental impact in California.

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 end of 2010 to \$22 billion at the end of 2015. Based on prior data call findings and COIN's tracking of insurers' investments, COIN investments are estimated to reach \$29 billion by the end of 2018.

Yet, estimates of COIN investments during 2016 through 2018 underscore the importance of the Community Investment Survey (CIS) Data Call and monitoring insurer reinvestment into California. After the sunset of the CIS Data Call in 2017, information about the amount of capital insurers hold in California community development and green investments is no longer available to the public. Insurer investments into California's underserved communities remain crucial to the economic development of the State. I encourage policymakers to authorize the Department of Insurance to obtain annual reporting from insurers on their community and green investments in California and to reinstate the COIN CDFI Tax Credit.

Sincerely,

DAVE JONES
Insurance Commissioner

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COIN's History

COIN LEGISLATION

COIN began in 1996

AB 1520 (Vincent, 1997)
Established the COIN
CDFI Tax Credit

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

AB 1011 (Jones, 2010)
Qualified green investments
for COIN

AB 41 (Solorio, 2010)
Extended the CIS Data Call to 2015

AB 624 (Perez, 2011)
Reauthorized the COIN Advisory
Board through December 1, 2015
and the COIN CDFI Tax Credit
through 2016

AB 32 (Pérez, 2013)
Quintupled the COIN CDFI Tax
Credit to \$10 million

AB 2128 (Gordon, 2014)
Extended the CIS Data Call
through 2016 and limited reporting
to insurers with \$100 million or
more in annual premiums

AB 2728 (Atkins, 2016)
Vetoed - Extended the CIS Data
Call and COIN CDFI Tax Credit

AB 778 (Caballero, 2017)
Vetoed - Extended the COIN CDFI
Tax Credit

The California Organized Investment Network (COIN) was formed in 1996 as an alternative to State legislation that would have required insurance companies to invest in underserved communities, similar to the federal Community Reinvestment Act that applies to the banking industry. Prior to the formation of COIN, there was no established insurer policy or practice of reinvesting the premiums paid by policyholders for community development.

In 1997, established by AB 1520 (Vincent), the COIN Community Development Financial Institution (CDFI) Tax Credit Program was created to attract and leverage private capital to fund investments into CDFIs that yield economic and social benefits for California's underserved markets, as well as investments that yield environmental benefits.

Nearly a decade later, AB 925 (Ridley-Thomas, 2006) established California Insurance Code (CIC) Sections 926.1 and 926.2 that mandated insurers' community investment reporting and defined high impact investments. A decade after the first voluntary report of insurers' community investments, the first Community Investment Survey (CIS) launched in 2007. COIN's operations were soon expanded and extended by AB 1011 (Jones, 2010), which added green investments to the definition of COIN qualified investments, and AB 41 (Solorio, 2010), which extended the CIS Data Call to 2015.

Then newly-elected Insurance Commissioner Dave Jones re-launched COIN in 2011, starting with a letter campaign to insurance company CEOs.

Recognizing the benefits of this program and the need for more community investment by insurers, he strongly encouraged insurance companies to invest in underserved communities through COIN's CDFI Tax Credit Program. COIN received a record amount of CDFI Tax Credit applications in 2011 in response to the Commissioner's request to insurers. By July 2011, COIN had allocated \$6.75 million in COIN CDFI Tax Credits (\$2 million from 2011 and \$4.75 million from previous years) from insurance companies and other private investors on \$33.75 million of their qualified community investments.

COIN qualified investments grew at a record pace under the leadership of Commissioner Jones, as CIS Data calls in 2014 (for 2009-2012) and 2016 (for 2013-2015) show insurers' COIN investment holdings grew from \$6.6 billion at the end of 2010 to \$21.9 billion in 2015.

That same year, California Assembly Speaker John A. Pérez introduced AB 624, which sought to extend the operation of the COIN CDFI Tax Credit Program from its original sunset date of January 1, 2012 until January 1, 2017, and to authorize the Insurance Commissioner to re-establish the COIN Advisory Board.

Commissioner Jones sponsored this bill, working in partnership with Speaker Pérez to garner support for the continuation of these tax credits. AB 624 was enacted into law, thus extending the tax credit program for five more years, and also relaunching the COIN Advisory Board.

AB 32 (Pérez, 2013) expanded upon the success of COIN's CDFI Tax Credit program by increasing the annual available amount of tax credit from \$2 million to \$10 million and the cap on the annual aggregate amount of qualified investments made into CDFIs from \$10 million to \$50 million.

Despite Commissioner Jones's efforts to extend COIN through sponsorship of AB 2728 (Atkins, 2016), the bill was vetoed and the COIN CDFI Tax Credit expired in 2017 along with funding for key COIN staff positions, including its leadership. This report highlights COIN's significance and recommends a path forward for insurers' impact investments as COIN winds up operations.

COIN Qualified Investments

OVERVIEW

COIN qualified investments are verified by COIN for their financial soundness, positive environmental or social impact for low-to-moderate income (LMI) households and rural areas. As such, COIN investments are segmented into three non-exclusive impact categories: High Impact, Green, and Rural.

Total COIN qualified investment holdings will have more than quadrupled from \$6.6 billion at the end of 2010 to an estimated \$29 billion at the end of 2018.

A 10% year-over-year increase in the value of COIN investment holdings is estimated for 2016, 2017, and 2018 based on the growth of COIN investments in 2014 and 2015. Direct insurer investment holding data for those years is unavailable due to the sunset of the Community Investment Survey (CIS) Data Call.

From year-end 2010 to year-end 2018:

- **Total COIN holdings more than quadrupled** from \$6.6 billion to an estimated \$29 billion
- **High Impact Investments increased** from \$1.09 billion to an estimated \$6.61 billion
- **Green investments increased** from \$1.11 billion to an estimated \$9.24 billion
- **Rural investment increased** from \$162 million to an estimated \$3.05 billion

TOTAL COIN INVESTMENTS

| | |
|-------|-----------------|
| 2010: | \$6.58 billion |
| 2011: | \$7.77 billion |
| 2012: | \$9.07 billion |
| 2013: | \$18.39 billion |
| 2014: | \$19.43 billion |
| 2015: | \$21.85 billion |
| 2016: | \$24.03 billion |
| 2017: | \$26.43 billion |
| 2018: | \$29.07 billion |

HIGH IMPACT 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 low- to moderate income (LMI) households or areas, and include COIN CDFI Tax Credit investments and High Impact Investment Bulletins.

HIGH IMPACT HOLDINGS

| Year | Count | COIN Qualified Holdings | Percent Change, Year-Over-Year |
|--------------|-------|-------------------------|--------------------------------|
| 2018* | N/A | \$6,614,610,923 | 4%* |
| 2017* | N/A | \$6,360,202,811 | 4%* |
| 2016* | N/A | \$6,115,579,626 | 4%* |
| 2015 | 1019 | \$5,880,365,025 | 7% |
| 2014 | 1008 | \$5,506,302,986 | 2% |
| 2013 | 978 | \$5,412,982,683 | 125% |
| 2012 | 436 | \$2,405,714,963 | 56% |
| 2011 | 364 | \$1,544,057,829 | 42% |
| 2010 | 321 | \$1,090,800,650 | - |

* estimated

BULLETINS AND GUIDED INVESTMENTS

Bulletins and guided investments are Insurer Investments verified by COIN to provide a positive environmental or social impact for low-to-moderate income households or areas, as well as rural and reservation based communities in California. **Insurers invested more than \$1.4 billion in COIN bulletins and guided investments between 2012 and 2016.**

A COIN Investment Bulletin has 50% or more of its investment allocated to COIN qualified benefits and is 100% COIN qualified investment for insurer reporting purposes. Between 2011 and 2018, COIN approved and marketed 33 High Impact Investment Bulletins and five Guided Investments to insurers.

2012-2016 COIN Bulletin and Guided Investment Returns

5.8% fixed income
7.5% private debt
24.4% private equity
20.1% real estate

*Returns noted above based on Topaz Solar Series A Senior Secured notes, HCAP Partners II, Bay Area Equity Fund, and Avanath Affordable Housing I, respectively.

Guided investments are 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 Guided Investment Program has proven very effective at securing insurer investment for critical community development and green investments. A COIN Guided Investment has less than 50% of its investment allocated to COIN qualified benefits, and is a prorated COIN qualified investment for insurer reporting purposes.

CDFI TAX CREDIT INVESTMENTS

In 1997, the COIN CDFI Tax Credit program launched to attract and leverage private capital to fund investments into CDFIs that yield positive social and environmental impact benefits in California.

CDFI Tax Credit Investments are equity, equity-like debt instruments, and 0% interest deposits invested into a COIN Certified CDFI. Prior to the program's expiration at the end of 2016, COIN awarded a state tax credit of 20% on qualified investments with a minimum value of \$50,000 and duration of 60 months.

Annualized Returns on COIN CDFI Tax Credit Investments were 4.5% on zero interest loans or deposits and up to 10.5% on equity investments.

COIN developed a robust CDFI certification process that became the industry standard for CDFI due diligence and underwriting. Through rigorous evaluation of audited financial statements and annual free cash flow analyses, COIN determines the suitability of a CDFI for insurer investment. Then, COIN evaluates and measures the impact of a CDFI's social and environmental impact relative to its peer group.

Beyond their financial performance, COIN Certified CDFIs leveraged tax credit investments to secure additional sources of matching funds and other capital, sometimes several times over, to finance programs and projects that create jobs in areas of high unemployment, to construct affordable housing, and to extend health clinic services to the uninsured.

CDFI TAX CREDIT INVESTMENTS (Continued)

Since the inception of the COIN CDFI Tax Credit program in 1997, \$67 million in State tax credits have generated more than \$335 million of private investments into COIN Certified CDFIs.

AB 32 (Pérez, 2013) increased the cap on the annual aggregate amount of qualified investments made into COIN certified CDFIs from \$10 million to \$50 million, yielding an estimated 3,128 jobs and an economic impact of \$460.4 million for California between 2013 and 2016.

| | |
|----------------------|---|
| \$10 million | = COIN CDFI Tax Credits available annually under AB 32 |
| \$50 million | = Investment in COIN Certified CDFIs |
| \$460 million | = Total Projected Economic Impact |
| 3,128 | = Jobs Created by AB 32 |

| | |
|--------------------|--|
| One Job | = \$12,787 in COIN CDFI Tax Credits, with leveraged capital |
| | = \$63,935 of community development investment |

Across industries, one job was created for every \$12,787 in COIN CDFI Tax Credits with leveraged capital. Each job created supports local businesses, creating an economic multiplier effect of nearly \$64,000 per job created by the CDFI Tax Credit.

Investor demand for CDFI community investments through COIN far exceeded the program investment maximum of \$50 million and the annual tax credit allocation of \$10 million. COIN's 2013 survey of insurers and CDFIs indicated a minimum COIN CDFI Tax Credit investment capacity of \$490 million on \$98 million of tax credits.

GREEN INVESTMENTS

Green investments (AB 1011, Jones, 2010) were added to the CIS Data Call to include new capital investment in the maintenance and rehabilitation of existing infrastructure. The table below shows a surge in green investments between 2012 and 2013 that reflects a shift in insurers' investment policies to include more green investments in their portfolios due to several factors: the passage of AB 1011 (Jones), launch of guided investments by COIN, 2014 CIS Data Call, and a limited time offering of green bonds that featured 80% U.S. Department of Energy guarantees.

GREEN INVESTMENT HOLDINGS AT YEAR-END

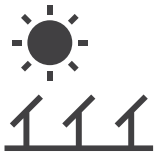
| Year | Count | COIN Qualified Holdings <small>at Year-End</small> | Percent Change, Year-Over-Year |
|--------------|-------|--|--------------------------------|
| 2018* | N/A | \$ 9,239,625,793 | 5%* |
| 2017* | N/A | \$ 8,799,643,612 | 5%* |
| 2016* | N/A | \$ 8,380,612,963 | 5%* |
| 2015 | 703 | \$ 7,981,536,156 | 3% |
| 2014 | 620 | \$ 7,739,067,628 | 8% |
| 2013 | 557 | \$ 7,183,736,046 | 211% |
| 2012 | 195 | \$ 2,310,556,874 | 53% |
| 2011 | 169 | \$ 1,512,904,735 | 36% |
| 2010 | 143 | \$ 1,110,546,362 | BASELINE |

* Percent change year-over-year is an estimated 5%

Green investments emphasize renewable energy projects, transit oriented development, and infill sites that 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. Projects include energy efficiency improvements, renewable energy generation, mixed-use development, affordable housing opportunities, multimodal transportation systems, and transit-oriented development that advances economic development, jobs, and housing.

CATALINA SOLAR

In 2014, TIAA-CREF invested \$96 million into Catalina Solar.



43-megawatt solar project in the Mojave Desert



Then the 8th largest photovoltaic plant in the world



Produces enough to energy to power 35,000 homes



Estimated to offset 74,000 metric tons of greenhouse gas emissions annually



Employed more than 500 workers during construction

GENESIS SOLAR

In 2012, 27 insurers invested a total of \$659.6 million in the Genesis Solar Energy Project.



Low-income
area of Riverside
County



250 MW solar
energy generation



Created 800 jobs
during construction



40 to 70
permanent jobs



Annually prevents
330,000 tons of
carbon dioxide

RURAL INVESTMENTS

The amount of COIN qualified investments held in rural areas increased from \$162 million at the end of 2010 to an estimated \$3 billion at the end of 2018 as a result of COIN's efforts to prioritize rural investments.

RURAL INVESTMENT HOLDINGS

| Year | Count | COIN Qualified Holdings | Percent Change, Year-Over-Year |
|---------------|-------|-------------------------|--------------------------------|
| 2018** | N/A | \$ 3,056,153,837 | 5%** |
| 2017** | N/A | \$ 2,910,622,702 | 5%** |
| 2016** | N/A | \$ 2,772,021,621 | 5%** |
| 2015 | 704 | \$ 2,640,020,591 | 12% |
| 2014 | 557 | \$ 2,360,969,306 | 3% |
| 2013 | 382 | \$ 2,285,909,936 | 659% |
| 2012 | 41 | \$ 301,206,937 | 139% |
| 2011 | 31 | \$ 125,840,499 | -22% |
| 2010 | 27 | \$ 161,979,789 | BASELINE |

* Rural areas have 50,000 or fewer people and are not contiguous to an urban area (USDA)

**estimated



OPEN DOOR FORTUNA COMMUNITY HEALTH CENTER

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 for 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 serve approximately 39,000 patients in highly distressed rural communities.



Insurers' Performance

Auto insurance. Health insurance. Renters insurance. Most of the 40 million people that live in California pay some form of insurance premium. Insurers invest the premiums paid by policyholders to cover claims and earn profit. Both the National Association of Insurance Commissioners and the California Department of Insurance provide investment guidelines and regulations to uphold the solvency of insurance companies and protect their policyholders.

Insurance companies compete based on financial performance, policy prices and features, and rate of market growth. Social and environmental impact is a growing area of consideration for the consumer and should be added to the industry's competitive landscape. A decade of impact investment data, including investments held by insurers, demonstrates that investments with environmental and social benefits have market rate returns and comparable risk.

In 2018, insurers held an estimated \$9 trillion in assets, funds received from policyholders nationwide.

Impact investments, also known as ESG (environmental, social, and governance) or sustainable investments can be made in accordance to industry best practices for investment compliance and performance. If the investment holdings of insurance companies were re-invested primarily for financial return in accordance with all financial guidelines and regulations, and secondarily for social and environmental impact, under-resourced areas could transform into thriving communities. COIN makes it easy for insurers to make impact investments that have measurable benefit in California by sourcing and structuring financially competitive investments for insurers.

COIN INVESTMENT HOLDINGS

In general, COIN qualified investment holdings do not constitute a significant portion of an insurer's total assets. Insurers invest policyholder 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.

On average, insurers hold less than 1% of their assets as COIN qualified investments.

TOP 5 INSURERS BY 2015 COIN QUALIFIED INVESTMENTS

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

TOP 5 INSURERS BY 2015 COIN QUALIFIED INVESTMENTS

| Line 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% |

COIN HOLDINGS BY INVESTMENT SCHEDULE

Insurers annually report their investment holdings to the National Association of Insurance Commissioners on investment schedules that loosely correspond with asset classes. From 2010 through 2015, insurers reported 98% of their COIN qualified investment holdings on Schedule D (bonds and long term equities), Schedule B (long term mortgage loans), and Schedule BA (other unrated long term investments).

COIN HOLDINGS BY INVESTMENT SCHEDULE

| Year | Schedule A | Schedule B | Schedule BA | Schedule D | Schedule E |
|------|---------------|------------------|-----------------|-----------------|--------------|
| 2015 | \$507,122,692 | \$9,468,017,147 | \$2,038,519,064 | \$9,820,297,118 | \$11,598,962 |
| 2014 | \$349,430,720 | \$8,052,687,562 | \$1,934,502,810 | \$9,083,337,629 | \$11,569,000 |
| 2013 | \$334,339,989 | \$7,559,955,740 | \$1,818,044,732 | \$8,685,666,039 | \$1,569,000 |
| 2012 | \$90,134,825 | \$25,170,609,116 | \$1,480,887,224 | \$4,716,473,391 | \$2,966,472 |
| 2011 | \$88,484,560 | \$2,025,601,399 | \$1,341,691,473 | \$4,029,025,288 | \$1,115,716 |
| 2010 | \$32,620,600 | \$1,614,993,490 | \$1,134,630,003 | \$3,546,361,317 | \$101,390 |

*Sum of schedules does not equal total due to exclusion of Schedules DA and O

Schedules

A: Directly owned real estate

B: Long-term mortgage loans

BA: All other unrated long-term investments

D: Long-term stocks and bonds

E: Short-term cash and cash equivalents

SOCIAL AND ENVIRONMENTAL IMPACTS

COIN leverages the strength and size of the \$310 billion California insurance market, the fourth largest in the world, to facilitate investments from insurers into underserved communities and environmental projects in California. The tax credit, bulletins, and guided investment programs help to bridge the capital gap left by traditional banks and investment funds in low income communities. Insurers have little to no incentive to make investments that benefit California's environment and underserved communities in the absence of COIN. Below are select COIN investments made by insurers in CDFIs and COIN bulletins, and their corresponding social and environmental impact.

CDFI TAX CREDIT INVESTMENTS



Enterprise Community Investment received a combined \$2.8 million of CDFI Tax Credit Investment in 2016 from six insurers (American Bankers Insurance, American Security Insurance, Mutual of Omaha, United of Omaha, MetLife, and CSAA) to finance the construction of Gabilan Plaza Apartments in Monterey County, which provides affordable and rural housing and created more than 300 construction jobs. Enterprise reported in 2018 that 2,650 permanent jobs and 3,024 temporary jobs will be created over the duration of all their COIN investments. In addition, 27 housing developments will include environmentally sustainable features and 43 developments will house seniors, families, veterans, and those aging out of foster care, or those with mental or physical disabilities.



Self Help Credit Union received a combined \$11.75 million of CDFI Tax Credit Investment in 2016 from six insurers (C.M. Life Insurance, Mass Mutual, MML Bay Life Insurance, General American Life Insurance, MetLife, and Metropolitan Tower Life Insurance) to provide financial services in low income communities of California. Self Help Credit Union reported financing 145 mortgages, 78% of which were for first time home buyers of affordable housing.

SOCIAL AND ENVIRONMENTAL IMPACTS

Insurers invested a combined \$25 million across three High Impact investment bulletins and Guided Investments in 2016: Solomon Hess SBA Loan Fund, GCM Grosvenor California Impact Fund, and Core Innovation Capital II.

BULLETIN INVESTMENTS



Solomon Hess purchases Small Business Administration 7(a) loans in low and moderate income communities to invest in small businesses and increase employment in underserved communities. A reported 3000 full time jobs and 964 part time jobs will be created across all COIN investments by Solomon Hess, in addition to 85 women and/or minority owned and 20 veteran owned businesses. will be funded through COIN investments in Solomon Hess.



GCM Grosvenor is a debt fund structured as a leveraged Small Business Investment Company (SBIC) that invests in California-based companies with revenues of \$10 million to \$150 million that provide a positive social, environmental and/or economic impact.



Core Innovation Capital II is a venture capital firm that invests in financial technology and services that improve upward mobility, with a focus on low and moderate income consumers. Their select portfolio companies include Oportún (inclusive and affordable financial services), PayJoy (smartphone technology for customers who otherwise could not afford it), and Trim (artificial intelligence assistant for personal savings and subscription cancellation).

SOCIAL AND ENVIRONMENTAL IMPACTS

The CIS Data Call is critical to understanding the amount and type of insurer capital in green, LMI, or rural community investments in California. Mandatory reporting of insurers' community development investments provides current investment holding information and benchmarks for the California Department of Insurance that would not otherwise be available. The five CIS Data Calls (2005, 2007, 2009, 2014 and 2016) made transparent the amount of capital insurers held in California community development and green investments as required by California Insurance Code (CIC) Sections 926.1 and 926.2 until 2017.

2007

Assembly Bill 925 (Ridley-Thomas, 2006) authorized the first mandatory CIS Data Call, which required insurers to report their qualified and high impact investments held in 2005 and 2006.

2009

CIS Data Call 2009 required insurers to report their qualified investments held in 2007 and 2008.

2014

AB 1011 (Jones, 2010) established green investments as qualified investments in the CIS Data Call.

2016

AB 2128 (Gordon, 2014) extended the CIS Data Call and limited reporting to those insurance companies or groups that wrote \$100 million or more in annual California premiums.

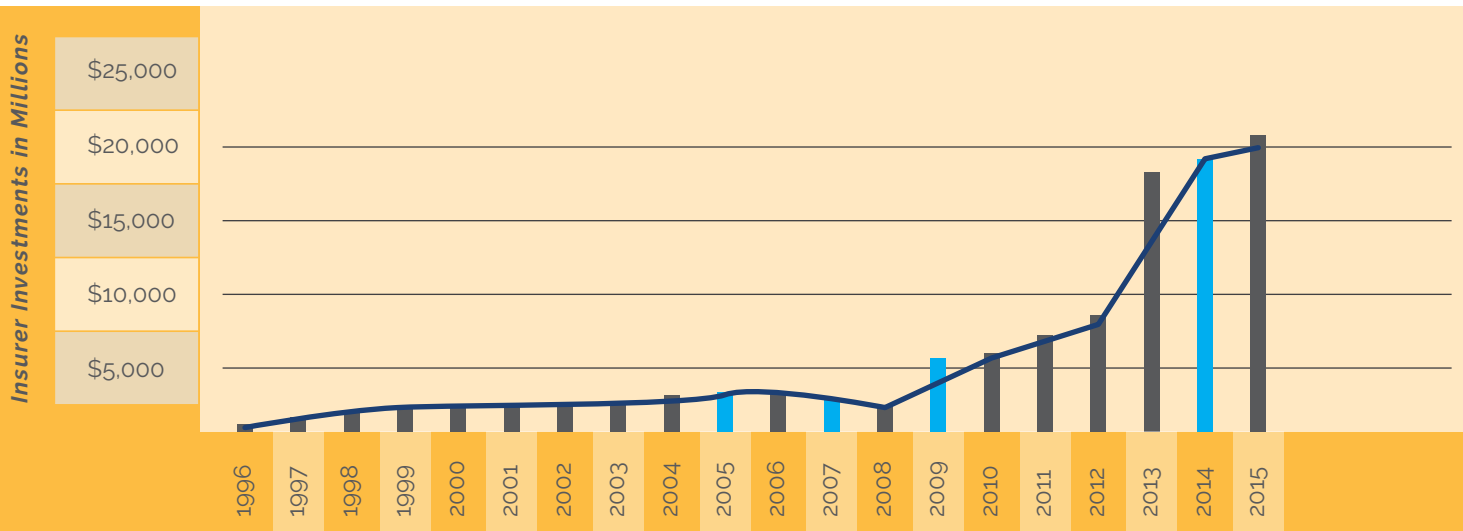
All insurance companies or groups that wrote more than \$100 million in California premiums submitted their investment holdings through the CIS 2016 Data Call. COIN analyzed and qualified 99% of the 21,520 holdings submitted by insurers in the CIS 2016 Data Call, a marked increase from the 49% of insurers' holdings that qualified in the CIS 2014 Data Call that required all insurers with California premiums to report COIN investment holdings.

COMMUNITY INVESTMENT SURVEY (CIS) DATA CALL

At year-end 2015, insurers held \$21.8 billion in COIN qualified investments. With a projected 10% year-over-year increase for years 2016 through 2018, COIN holdings are estimated to have more than quadrupled from \$6.6 billion at year-end 2010 to \$29 billion at year-end 2018.

In 2018, insurers held an estimated \$9 trillion in assets, funds received from policyholders nationwide.

COIN QUALIFIED INVESTMENT HOLDINGS AT YEAR-END



Data Call Years Are BLUE

2005 - Voluntary data call

2007- CIS Data Call, investments held in 2005 and 2006

2009- CIS Data Call, investments held in 2007 and 2008

2014- CIS Data Call, investments held between 2009 and 2012

2016- CIS Data Call, investments held between 2013 and 2015

2017- CIS Data Call authorization expired

COMMUNITY INVESTMENT SURVEY (CIS) DATA CALL

| Year | Dollar Amount | Percent Change, Year-Over-Year | <i>CIS Data Call Years are in BOLD</i> |
|--------------|--------------------------|--------------------------------|--|
| 1996 | \$ 190,680 | BASELINE | 2005 - Voluntary data call |
| 1997 | \$ 641,279,754 | BASELINE | 2007 - CIS Data Call for 2005 and 2006 investments |
| 1998 | \$ 744,289,796 | 16.06% | 2009 - CIS Data Call for 2007 and 2008 investments |
| 1999 | \$ 936,829,205 | 25.87% | 2014 - CIS Data Call for 2009 through 2012 investments, including green investments (AB 1011, Jones) |
| 2000 | \$ 1,016,048,620 | 8.46% | |
| 2001 | \$ 1,062,249,230 | 4.55% | 2016 - CIS Data Call for 2013 through 2015 investments by insurers with annual California premiums of \$100 million or more |
| 2002 | \$ 1,053,349,084 | -0.84% | |
| 2003 | \$ 1,234,971,113 | 17.24% | 2016-2018 Estimated 10% annual increase |
| 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% | |
| 2016* | \$ 24,030,110,481 | 10%* | |
| 2017* | \$ 26,433,121,529 | 10%* | |
| 2018* | \$ 29,076,433,682 | 10%* | |

VERIFICATION OF REPORTED DATA CALL INVESTMENTS

Data call investments were evaluated for their compliance with the requirements set forth in California Insurance Code section 926.1.

COIN used the following sources to verify insurer investments:

1. Investment databases: Bloomberg, Preqin, LoopNet, ERISA, and Pitchbook
2. National Association of Insurance Commissioners: NAIC iSite database
3. Insurer investors: Insurers' annual reports and insurer investment executives
4. External fund managers and investment advisors
5. Satellite maps: Google and Bing
6. CDFIs and community organizations
7. Federal government: Federal Financial Institutions Examination Council Geocoding System and 2010 Census
8. State of California: Department of Housing and Community Development, Department of Insurance, and CalTrans
9. City and county community development departments
10. Utility companies

COIN HOLDINGS BY LINE OF BUSINESS

Life insurance companies held more COIN qualified investments than any other line of insurance due to their long term investment horizon. Between the end of 2010 and end of 2015, life insurers increased their COIN holdings from \$4.6 billion to nearly \$19 billion.

All lines of insurance more than doubled their COIN holdings between the end of 2010 and the end of 2015.

Property and casualty insurers held the second most COIN holdings, which increased from \$1.7 billion at the end of 2010 to \$2.9 billion at the end of 2015. Health insurance companies increased their qualified investment holdings from \$9.9 million at the end of 2010 to \$31.9 million at the end of 2015. Though title insurers tend to hold a low amount of COIN qualified investment due to their short term investment horizon, their COIN qualified holdings grew from zero at the end of 2010 to \$1.3 million at the end of 2015.

COIN QUALIFIED INVESTMENT HOLDINGS AT YEAR-END

| Year | Health | Life | P&C | Title |
|------|--------------|------------------|-----------------|-------------|
| 2015 | \$31,968,444 | \$18,885,085,676 | \$2,927,159,159 | \$1,341,704 |
| 2014 | \$34,958,218 | \$16,478,498,811 | \$2,916,728,988 | \$1,341,704 |
| 2013 | \$37,956,027 | \$15,353,941,980 | \$3,006,335,788 | \$1,341,704 |
| 2012 | \$9,858,710 | \$7,087,087,178 | \$1,681,848,924 | \$400,000 |
| 2011 | \$9,718,467 | \$5,758,449,872 | \$1,695,422,357 | \$100,000 |
| 2010 | \$9,950,601 | \$4,566,925,325 | \$1,738,552,264 | - |

Recommendations

COMMUNITY INVESTMENT SURVEY (CIS) DATA CALL

Reinvesting a portion of the insurance premiums written in California through COIN is financially sound and vital to the state's social and environmental resilience. Californians paid a collective total of \$310 billion in premiums to insurance companies in 2017. Unlike the Community Reinvestment Act that requires banks to reinvest in the communities where they receive deposits, there is no requirement for insurers to reinvest any portion of premiums for social or environmental impact.

If insurers reinvested one percent of their 2017 California premiums, it would yield \$3.1 billion of financially sound COIN investments.

TRANSPARENCY IN REPORTING

Policymakers can encourage vital long term capital investment that benefits the environment and low income and rural communities, by authorizing the Department of Insurance to obtain annual reporting from insurers on their COIN Qualified investments. A recommendation to streamline reporting consists of annual reporting by insurers to include their investments in Schedules B (long-term mortgage loans), BA (other unrated long-term investments), and D (long-term stocks and bonds), which account for 98% of COIN Qualified Investments, and exclude Schedules A (directly owned real estate) and E (short-term cash and cash equivalents). To minimize insurers' reporting time by more than 95% for Schedule B, COIN would identify and distribute to insurers a list of zip codes comprised of 50% or greater low-to-moderate income census tracts.

COIN CDFI TAX CREDIT

Since the inception of the COIN CDFI Tax Credit in 1997 until its sunset in 2017, the program generated more than \$335 million of investment in low income and rural communities in California. The COIN CDFI Tax Credit program was created to attract and leverage private capital for investment in CDFIs that was not available through traditional lend or capital markets. Insufficient investment in California's low income communities impairs economic vitality, and has led to the loss of jobs, underperforming schools, and substandard housing. On an annual basis, COIN estimates that the Tax Credit Program creates more than 1,000 jobs and \$150 million of economic impact that would not otherwise be available in the absence of the tax credit program. Policymakers should consider reauthorization of an annual \$10 million COIN CDFI Tax Credit for investment in COIN Certified Community Development Financial Institutions.



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