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AB-1099 Insurance: California Organized Investment Network. (2019-2020)

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Assembly Bill No. 1099

CHAPTER 186

An act to amend Sections 926.1, 926.2, and 12939.2 of, and to add Section 926 to, the Insurance Code, relating to insurance.

[Approved by Governor August 30, 2019. Filed with Secretary of State August 30, 2019.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1099, Calderon. Insurance: California Organized Investment Network.

Until January 1, 2020, existing law requires an admitted insurer with annual premiums written in California equal to or in excess of \$100,000,000 to provide information to the Insurance Commissioner by July 1, 2016, on all of its community development investments, including investments through California Organized Investment Network (COIN)-certified community development financial institutions, community development infrastructure investments, and green investments, in California for the 2013, 2014, and 2015 calendar years. Existing law requires the commissioner, by December 31, 2016, to provide specified information on the Department of Insurance's internet website.

This bill would extend the operation of those provisions until January 1, 2024, and would require an admitted insurer with annual premiums written in California equal to or in excess of \$100,000,000 to provide investment information for the 2016, 2017, 2018, 2019, and 2020 calendar years to the commissioner by July 1, 2021. The bill would require the commissioner to provide specified information on the department's internet website by December 31, 2021, for the 2016, 2017, 2018, 2019, and 2020 calendar years.

Existing law, until January 1, 2020, authorizes the commissioner to establish and appoint a 12-member California Organized Investment Network Advisory Board to advise COIN on the best methods to increase the level of insurance industry investments, while providing fair returns to investors and social benefits to underserved communities.

This bill would extend the operation of that provision until January 1, 2029, expand the board's duties to include advising COIN regarding social and economic benefits to underserved and low-to-moderate-income communities, as well as environmental benefits, add a representative with experience seeking investments that provide environmental benefits to the board, and require the board to elect a vice chair.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 926 is added to the Insurance Code, immediately preceding Section 926.1, to read:

926. The Legislature finds and declares all of the following:

(a) It is in the interest of all Californians that there is a strong and viable insurance market.

(b) It is the policy of this state that insurers should be supportive of investments that promote social, economic, and environmental benefits.

(c) This article shall establish the California Organized Investment Network (COIN) within the department.

(d) COIN has the responsibility to pursue active measures to encourage insurers to make investments that promote social, economic, and environmental benefits.

(e) COIN shall pursue active measures to encourage insurers to make investments, as defined in this article, including, but not limited to, creating and identifying potential investment opportunities, including the development of investment opportunity bulletins and marketing and outreach efforts. This information shall be published on the department's internet website in investment opportunity bulletins. These opportunity bulletins help finance projects that address the state's critical needs, particularly in underserved, low-to-moderate-income, and rural communities, as well as environmental needs.

SEC. 2. Section 926.1 of the Insurance Code is amended to read:

926.1. As used in this article, the following terms shall have the following meanings:

(a) "Area median income" (AMI) means either of the following:

(1) The median family income for the metropolitan statistical area (MSA), if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions.

(2) The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

(b) "Community development investment" means an investment where all or a portion of the investment has as its primary purpose community development for, or that directly benefits, California underserved or low-to-moderate-income individuals, families, or communities. "Community development investment" includes, but is not limited to, investments in California in the following:

(1) Affordable housing, including multifamily rental and ownership housing, for underserved or low-to-moderate-income individuals or families.

(2) Community facilities or community services providers (including providers of education, health, or social services) directly benefiting underserved or low-to-moderate-income individuals, families, or communities.

(3) 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 that serve these communities.

(4) Activities that revitalize or stabilize underserved or low-to-moderate-income communities.

(5) Investments in or through California Organized Investment Network (COIN)-certified community development financial institutions (CDFIs) and investments made pursuant to the requirements of federal, state, or local community development investment programs or community development investment tax incentive programs, if these investments directly benefit underserved or low-to-moderate-income individuals, families, and communities and are consistent with this article.

(6) Community development infrastructure investments.

(7) Investments in a commercial property or properties located in underserved or low-to-moderate-income geographical areas and are consistent with this article.

(8) Investments in reservation-based communities. "Reservation-based" means an area of land managed by a Native American tribe under the jurisdiction of the federal Bureau of Indian Affairs, provided that the tribe is named on the most current list of "Indian Entities Recognized and Eligible to Receive Services From the Bureau of Indian Affairs," or successor document, as published in the Federal Register by the Bureau of Indian Affairs.

(9) Investments in rural areas. "Rural area" means any open country or any place, town, village, or city that, by itself and taken together with any other places, towns, villages, or cities that it is part of or associated with, has either a population not exceeding 10,000 persons or has a population not exceeding 50,000 persons and is contained within a nonmetropolitan area. "Rural area" also means any open country, place, town, village, or city located within a standard MSA if the population of that area does not exceed 50,000 persons, the area is not part of, or associated with, an urban area, and the area is rural in character.

(c) "Community development infrastructure" means California debt, 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 and is consistent with subdivision (b).

(d) "Geography" means a census tract delineated by the United States Bureau of the Census in the most recent decennial census.

(e) "Green investments" means 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.

(f) "Impact investments" means investments that provide a social or environmental benefit to underserved or low-to-moderate-income individuals, families, or communities in California.

(g) "High-impact investments" means investments that are innovative, responsive to community needs, not routinely provided by insurers, and provide a minimum of 50 percent social or environmental benefits to underserved or low-to-moderate-income individuals, families, or communities in California.

(h) "Insurer" means an admitted insurer as defined in Section 24, including the State Compensation Insurance Fund, or a domestic fraternal benefit society as defined in Section 10990.

(i) "Investment" means a lawful equity or debt investment, or loan, or deposit obligation, or other investment or investment transaction allowed by the Insurance Code.

(j) "Low-income" means an individual income that is less than 50 percent of the AMI, or a median family income that is less than 50 percent of the AMI in the case of a geographical area.

(k) "MSA" means a metropolitan statistical area as defined by the Director of the Office of Management and Budget.

(l) "Moderate-income" means an individual income that is at least 50 percent but less than 80 percent of the AMI, or a median family income that is at least 50 percent but less than 80 percent of the AMI in the case of a geographical area.

(m) "Nonmetropolitan area" means any area that is not located in an MSA.

SEC. 3. Section 926.2 of the Insurance Code is amended to read:

926.2. (a) (1) An admitted insurer with annual premiums written in California equal to or in excess of one hundred million dollars (\$100,000,000) for any reporting year shall provide information to the commissioner on all of its community development investments, community development infrastructure investments, and green investments in California. This information shall be reported by July 1, 2021, on investments made or held during the 2016, 2017, 2018, 2019, and 2020 calendar years, and list, if applicable, investments that are high-impact, green, or rural. The information reported by insurers may include investments both held and originated, the percentage of any investment that qualifies, and why an investment qualifies. This information shall be provided as part of the required filing pursuant to Section 900 or 11131, or through a data call, or by other means as determined by the commissioner. The California Organized Investment Network (COIN) shall provide insurers with information on why investments, if any, were found not to be qualified by the commissioner.

(2) This subdivision does not 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) This subdivision does not 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 December 31, 2021, provide all of the following:

(1) Information on the department's internet website on the aggregate insurer community development investments and community development infrastructure investments. Insurers that make high-impact investments that are defined as innovative, responsive to community needs, not routinely provided by insurers, or have a high degree of positive impact on the economic welfare of underserved or low-to-moderate-income individuals, families, or communities in urban or rural areas of California shall be identified.

(2) Information on the department's internet website on the actions taken by COIN to analyze the data by insurers for the purpose of creating and identifying potential investment opportunities, including the development of investment opportunity bulletins. This information shall state the efforts made by COIN to market and expand outreach to communities.

(3) Information on the department's internet website on whether the elimination of the COIN tax credit materially affected the level of community development investments, community development infrastructure investments, and green investments made by insurers in California.

(c) The department shall also, by December 31, 2021, provide information on the department's internet website regarding the aggregate amount of California 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 11131.

(d) The department shall also, by December 31, 2021, provide on its internet website the aggregate amount of identified California investments, as reported to the NAIC in the annual statement filed pursuant to Section 900 or 11131.

(e) The department shall also, by December 31, 2021, provide information on its internet website regarding the aggregate amount of identified California insurer investments in green investments.

(f) This section shall remain in effect only until January 1, 2024, and as of that date is repealed.

SEC. 4. Section 12939.2 of the Insurance Code is amended to read:

12939.2. (a) The commissioner may establish and appoint a California Organized Investment Network Advisory Board.

(b) For purposes of this section, all of the following shall apply:

(1) "Commissioner" means the Insurance Commissioner of this state.

(2) "Board" means the California Organized Investment Network Advisory Board.

(3) "Licensed attorney" means an attorney who resides in this state who has successfully passed the California bar examination and has been admitted to practice in this state or has otherwise been licensed to practice law in this state by the State Bar of California.

(c) The board shall include the commissioner, or the commissioner's designee, three executives in the insurance investment industry, and one volunteer from each of the following categories:

(1) A licensed attorney practicing insurance law.

(2) A member of the public, appointed by the Speaker of the Assembly.

(3) A member of the public, appointed by the Senate Committee on Rules.

(4) A member of a consumer advocacy group.

(5) An affordable housing practitioner.

(6) A local economic development practitioner.

(7) A member of a financial institution or a community development financial institution.

(8) A representative with experience seeking investments for underserved or low-to-moderate-income or rural communities.

(9) A representative with experience seeking investments that provide environmental benefits.

(d) The board shall elect, from among its members, a chair and vice chair.

(e) The term of each member shall be for two years.

(f) The board shall have all of the following powers and duties:

(1) To advise the California Organized Investment Network, or its successor, on the best methods to increase the level of insurance industry capital in safe and sound investments while providing fair returns to investors and social or economic benefits to underserved and low-to-moderate-income communities, as well as environmental benefits.

(2) To meet a minimum of three or more times per year, or as deemed necessary by the commissioner.

(3) To facilitate contacts among executives at insurance companies, community-based organizations, and community development financial institutions.

(4) To recommend programmatic guidelines, but not specific allocations of the tax credit amount, to the California Organized Investment Network program.

(g) The members of the board shall not receive compensation from the state for their services under this section, but, when called to attend a meeting of the board, may be reimbursed for their actual and necessary expenses incurred in connection with the meeting.

(h) This section shall remain in effect only until January 1, 2029, and as of that date is repealed.