

Community Investment Report,
A Summary of Some Texas Investments
of Mutual and Stock Life and Health Insurance
Companies in 1999

Compiled by the Texas
Department of Insurance
January, 2001

Community Investment Report

Texas Insurance Code 3.33, Section 3A, requires the Department of Insurance to report on Texas community investments by life, health and accident companies doing business in the state of Texas¹. This report, which is prepared after consultation with the Office of Public Insurance Counsel and the industry, is made available to the Texas Legislature and the public in even-numbered years. The methodology used to gather and analyze the investment information as well as more detailed data summaries are included in the sections following the Executive Summary.

Executive Summary

Texas life and health insurance companies reported Texas investments of almost \$36.7 billion in 1999. More than 90 percent of these investments were in commercial mortgages, political subdivision/public utility bonds and corporate investments.² The 257 domestic and foreign life and health insurers responding to the Texas Department of Insurance's (TDI) survey on community investments collected a total of \$19.3 billion of Texas premium in 1999. Companies reporting investments in Texas account for almost 95 percent of this premium. Half of the 36 companies reporting no Texas investments had Texas annual premium of less than \$20 million.

The \$13.2 billion of commercial mortgages reported by 139 of the companies represented the largest category of investments. Although companies were not required to report Texas corporate investments, this was the second largest category of reported investments with 81 companies opting to report corporate bond investments of \$10.7 billion and 35 companies opting to report \$735 million of stock in Texas companies.³ Political subdivisions/public utility investments made by 153 insurers followed with an \$8.9 billion investment total.

Companies were able to link \$14.4 billion of the \$36.7 billion total to specific locations. They also identified \$1.4 billion of the investment total that went to economically disadvantaged ZIP codes in Texas. It should be noted that there may be additional investments in disadvantaged areas in the \$22.3 billion that could not be linked to location.

As with total investments, the largest volume of investments in economically disadvantaged areas consisted of commercial mortgages and political subdivision/public utility

¹ Community Investment Report statute, see Attachment 1.

² The Community Investment Report survey had mandatory and optional reporting sections. Real estate, commercial and residential mortgages, and political subdivision/public utility investments were mandatory. As not all insurers elected to report optional categories (investments via federal agencies such as FHA, Texas corporate bonds, Texas stocks, deposits in financial institutions, and other investments/ contributions), this investment amount does not include all Texas investments.

³ As 115 insurers did not elect to report corporate bond investments and 147 did not report Texas stock investments, these figures are not comprehensive.

bonds. Commercial mortgages in economically disadvantaged areas totaled \$794 million, while political subdivision/public utility bonds benefiting such areas totaled almost \$396 million. Although over 72 percent of commercial mortgages were linked to locations, it should be noted that pooled investments such as commercial mortgage obligations are usually based on shared investment characteristics rather than geographic area. Consequently, funds going to some Texas commercial mortgages may not have been identifiable and are not included in either the Texas investment totals or investment totals for economically disadvantaged areas. This same caveat would apply to residential mortgage pools such as Fannie Mae.

Companies That Were Required to Report

Life and health insurers with an annual premium of \$10 million or more accounted for more than 96 percent of the 1999 Texas life and health insurers doing business in Texas, and all licensed life and health insurers with this premium volume were required to report. As Texas statutes limit investment flexibility for certain types of insurers that typically have relatively small premium volume, inclusion of smaller insurers would have significantly increased the reporting burden for companies without significantly affecting the comprehensiveness of the reported investments. Consequently, insurers with less than \$10 million were not required to report.

The survey was sent to 238 companies on July 28, 2000 with an October 1 reporting deadline. The higher response rate (257 companies) was due to a number of groups opting to include affiliated companies with less than \$10 million in Texas premium in their reports.

Investments Included

While the statute does not require insurers to identify investments targeting economically disadvantaged areas or populations, there is legislative interest in this topic. Consequently, the survey gave insurers the opportunity to identify investments targeting disadvantaged areas or populations when possible. It should be noted that disadvantaged areas are usually identified at the ZIP code level, while investments are frequently identified at a larger geographic base such as a city or county. For that reason, not all investments can be linked to specific ZIP codes and, consequently, investments identified as benefiting economically disadvantaged areas are not comprehensive⁴.

The survey consisted of two sections - a mandatory reporting section and optional reporting section. Investments that may be more readily linked to geographic locations -- real estate, residential mortgages, commercial mortgages, and political subdivision/public utility

⁴ See Limitations on Investments section for additional information on the selection of disadvantaged ZIP codes. A list of the disadvantaged ZIP codes included in the data call is attached.

bonds -- were in the mandatory section. Companies also were given the option of reporting other Texas-specific investments. The optional section included corporate stocks and bonds, deposits in financial institutions, and a general category for other types of investments, including donations to Texas charities or non-profit organizations. Texas investments were defined as:

- Property located in Texas (real estate and mortgages);⁵
- Bonds for Texas political subdivisions (state and local governments and school districts) and public utility projects in Texas;
- Investments in businesses with a Texas incorporation or principal place of business (stocks and bonds);
- Deposits in Texas financial institutions;
- Other investments and contributions to Texas organizations.

Limitations on Investment Information

Because an individual insurer's record-keeping system and/or investment types can limit its ability to link an individual investment to economically disadvantaged areas or populations, supplemental reports used to report investments in economically disadvantaged areas included a check-off box to indicate "unable to identify" investments in economically disadvantaged areas. While this gave insurers the opportunity to report investments in economically disadvantaged areas, limitations on companies' ability to identify investment areas means the total investments in economically disadvantaged areas should not be considered comprehensive. Criteria used for identifying an area as economically disadvantaged were:

- Any ZIP code with a 1990 median household income of less than 75 percent of the county median income but not more than 75 percent of the state median income or
- Any ZIP code with a median income of less than 50 percent of the state median income.⁶

Other types of investments that qualified as benefiting economically disadvantaged areas were:

- Investments in areas targeted by geo-political entities for development or economic enhancement,⁷ or
- Other investments if specific information provided on how the investment benefited an economically disadvantaged area or population.⁸

⁵ Companies were also given the opportunity to report investment pools such as Commercial Mortgage Obligations and residential mortgage programs such as Fannie Mae. Since investors generally have no information on the individual investments within these pools, it can be assumed that investments reaching Texas via investment pools are under-reported.

⁶ A list of the ZIP codes meeting the economically disadvantaged criteria was provided with the data call and is attached to this report.

⁷ Examples of these investments include a variety of federal, state and local housing bonds as well as local development programs such as the Rio Grande Valley Empowerment Zone and the Union Plaza Redevelopment Program.

⁸ An example of an investment meeting these criteria would be housing development bonds targeting moderate and low-income homebuyers.

Reported Investments

Table 1 shows the total reported investments and reported investments in economically disadvantaged areas for the four mandatory investment categories and five optional investment categories. It should be noted that the comprehensiveness of this data varies by investment type.

For the mandatory reporting categories, more than 75 percent of the companies reporting residential mortgages and almost 82 percent of the companies reporting public utility bond investments were unable to link these investments to specific ZIP codes. Conversely, the bulk of real estate and commercial mortgage investments could be identified at the ZIP code level with almost 85 percent of real estate investments and almost 72 percent of commercial mortgage investments identified by ZIP code. Consequently, it should be assumed that, even for the mandatory reporting categories, the total investments shown for economically disadvantaged areas may not be comprehensive. Optional investment amounts also are not comprehensive, as companies were not required to report for these investment categories and even those companies that elected to report at the state level, frequently could not identify specific ZIP codes benefiting from the investments.

**Table 1
Texas Investments**

Mandatory Reporting Categories	Texas Investments	Investments In Identified Economically Disadvantaged Areas
Real Estate	\$2,346,246,811	\$204,208,429
Commercial Mortgages	\$13,229,600,725	\$794,285,110
Residential Mortgages	\$495,020,558	\$3,229,550
Political Subdivision/Public Utility Bonds	\$8,917,591,683	\$395,891,165
Sub-total	\$24,988,459,777	\$1,397,614,254
Optional Reporting Categories		
Investments via U.S. Agencies	\$195,150,537	\$0
Texas Corporate Bonds	\$10,691,961,603	\$6,117,938
Stocks In Texas Companies	\$735,048,184	\$0
Deposits in Texas Financial Institutions	\$37,052,333	\$719,986
Other Texas Investments and Contributions	\$13,230,429	\$4,850
Sub-total	\$11,672,443,086	\$6,842,774
Total - All Categories	\$36,660,902,863	\$1,404,457,028

Table 2 summarizes investments in economically disadvantaged areas by county rather than investment type. Some investments that targeted economically disadvantaged populations crossed county boundaries and, in some cases, benefited economically disadvantaged population throughout the state. These benefits are shown as "regional/statewide" investments.

Table 2
Investments Identified in Economically Disadvantaged Areas*

County	Reported Investments
Bexar	\$175,492,722
Brazos	\$26,597,568
Brewster	\$46,887
Burnet	\$119,566
Cameron	\$737,096
Cherokee	\$94,193
Collin	\$19,509,993
Dallas	\$215,176,687
Denton	\$15,235
Ector	\$403,482
El Paso	\$45,317,508
Galveston	\$1,068,381
Gregg	\$469,661
Harris	\$281,407,503
Hays	\$15,964,328
Hidalgo	\$12,409,116
Jefferson	\$7,185,449
Johnson	\$1,284,114
Kaufman	\$719,857
Lubbock	\$32,874
McLennan	\$8,628,817
Midland	\$6,561,719
Montgomery	\$1,743,296
Newton	\$7,211
Nueces	\$37,001,484
Potter	\$2,379,529
San Augustine	\$90,360
San Patricio	\$160,011
Smith	\$8,925,000
Tarrant	\$44,026,143
Taylor	\$5,687,145
Tom Green	\$2,474,838
Travis	\$454,695,616
Uvalde	\$771,138
Victoria	\$745,408
Wheeler	\$36,515
Wichita	\$9,120,000
Williamson	\$3,049,455
Wise	\$400,000
Regional/Statewide	\$13,901,123
Total	\$1,404,457,028

The following section summarizes investments by investment category and shows the number of companies reporting investments in that category.

*As only 39 percent of total investments could be linked to geographic location, investment totals in disadvantaged areas should not be considered comprehensive.

Texas Insurance Code

Art. 3.33 Authorized Investments and Loans for Capital Stock Domestic Life, Health and Accident Companies

Community Investment Report

Sec. 3A. (a) The Texas Department of Insurance shall, after consultation with the insurance industry of this state and the Office of Public Insurance Counsel, develop a report of insurance industry community investments in Texas.

(b) The commissioner may request and insurance companies shall provide information necessary to complete the requirements of Subsection (a).

(c) The report established under Subsection (a) shall be provided to the Texas Legislature no later than December 1 of each even-numbered year.