

COMMUNITY INVESTMENT REPORT

A Summary of Select Texas Investments

by Mutual and Stock Life and Health

Insurance Companies in 2013

**Compiled by
Texas Department of Insurance
November 2014**

Community Investment Report

Texas Insurance Code §425.107,¹ requires the Department of Insurance to report on Texas community investments by life, health, and accident companies doing business in Texas. The criteria for investments and data submission were determined after consultation with the Office of Public Insurance Counsel and the industry. The resulting report 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 with Texas premiums of \$10 million or more reported Texas investments over \$68 billion in 2013. Premium for the 238 companies required to provide investment data accounted for more than 97 percent of the total \$61.5 billion of Texas life and annuity premiums collected in calendar year 2013. Because some groups included companies with premium below \$10 million, investment totals include reported figures from 246 companies.

Ninety-four percent of reported investments were in political subdivision/public utility bonds, commercial and farm mortgages, real estate and corporate bonds.² The \$27.4 billion of commercial and farm mortgage investments reported by 141 of the companies represented the largest category of investments. Although companies were not required to report corporate bond investments, this was the second largest category with 63 companies reporting investments totaling more than \$20.9 billion. Political subdivision/public utility bonds investments was the next largest category of reported investments with 184 companies reporting investments of \$14.8 billion.

The statute does not require insurers to identify investments by geographic location (other than at the state level) or those targeting disadvantaged areas or populations. Because of Legislative interest in investments in disadvantaged areas, however, insurers were given the option of providing that information if available. 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 city, county, state, or national level. For that reason, not all investments can be linked to specific ZIP codes. Consequently, investments identified as benefiting economically

¹ 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), the investment totals do not include all Texas investments.

disadvantaged areas are not comprehensive. Companies did link over \$1.5 billion of the \$68 billion investment total to economically disadvantaged areas.

Commercial and farm mortgages dominated the identified investments in economically disadvantaged regions with more than \$1.1 billion, accounting for 74 percent of all investments identified as being in disadvantaged regions. The second highest category of identified investments in disadvantaged regions was \$188 million in real estate investments.

Pooled investments, such as commercial and farm mortgage obligations, are usually based on shared investment characteristics rather than geographic area. Consequently, funds going to some Texas commercial and farm mortgages may not have been identifiable and are not included in either the Texas investment totals or investment totals for economically disadvantaged areas. The same caveat would apply to residential mortgage pools such as Fannie Mae.

Companies Required to Report

All foreign and domestic life and health insurers with \$10 million or more premium volume were required to report. In 2013, Texas life and health insurers with an annual premium of \$10 million or more accounted for more than 97 percent of the total Texas life and health premium volume in Texas. As Texas statutes limit investment flexibility for certain types of insurers that typically have relatively small premium volume, inclusion of smaller insurers would have increased the reporting burden for smaller companies without significantly affecting the comprehensiveness of the investment data included in this report. Consequently, insurers with less than \$10 million were not required to report.

The investment survey was sent to 238 companies on July 21, 2014. A higher response rate (246 companies) resulted because some groups included affiliated companies with less than \$10 million in Texas premium in their submissions.

Investments Included

The survey consisted of two sections: a mandatory reporting section and an optional reporting section. Investments more readily linked to geographic locations -- real estate, residential mortgages, commercial and farm mortgages, and political subdivision/public utility bonds -- were in the mandatory section. Companies were also given the option of reporting other Texas-specific investments. The optional section included corporate stocks and bonds, deposits in financial institutions, Texas investments via U.S. agencies 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);³
- 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.

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 provided 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 city,

³ 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.

county, state, or national level. For that reason, not all investments can be linked to specific ZIP codes. Consequently, total reported investments identified as benefiting economically disadvantaged areas are not comprehensive.

Limitations on Investment Information

An individual insurer's record-keeping system and investment types can limit its ability to link an individual investment to economically disadvantaged areas or populations. Therefore, insurers were given space to include ZIP codes on each investment listed, but were not required to do so. 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 Texas ZIP code with a 2010 Census median household income of less than 75 percent of the county median income but not more than 75 percent of the state median income ($\$39,927 \times 75\% = \$29,945$), or
- Any ZIP code with a median income of less than 50 percent of the state median income ($\$39,927 \times 50\% = \$19,964$)⁴.

⁴ See Attachment II for a list of the ZIP codes meeting the economically disadvantaged criteria.

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. The comprehensiveness of this data varies by investment type since some investments, such as mortgages, are more readily linked to geographic locations than others.

**Table 1
Texas Investments**

Reporting Categories	Total Texas Investments	Economically Disadvantaged Areas	
		Investments	Percent of Total Investments
Mandatory			
Real Estate	\$2,084,893,088	\$79,252,771	3.80%
Commercial and Farm Mortgages	\$27,428,767,976	\$1,130,822,998	4.12%
Residential Mortgages	\$121,570,053	\$54,347	0.04%
Texas Bonds	\$14,892,821,274	\$188,501,865	1.27%
Sub-total	\$44,528,052,390	\$1,398,631,981	3.14%
Optional			
Investments via U.S. Agencies	\$1,600,741,693	\$3,097,834	0.19%
Texas Corporate Bonds	\$20,974,878,398	\$115,388,123	0.55%
Stocks in Texas Companies	\$567,491,660	\$0	0.00%
Deposits in Texas Financial Institutions	\$331,171,348	\$0	0.00%
Other Texas Investments and Contributions	\$28,365	\$0	0.00%
Sub-total	\$23,474,311,464	\$118,485,957	0.50%
Total - All Categories	\$68,002,363,854	\$1,517,117,938	2.23%

As not all companies were able to identify geographic area of investments, this table should not be considered comprehensive.

Table 2 summarizes investments in economically disadvantaged areas by county, where the investment is based on a ZIP code or county-level investment.

Table 2
Investments Identified in Economically Disadvantaged Areas⁵

County	All Investments
Bell	\$10,875,222
Bexar	\$302,541,401
Brazos	\$17,661,520
Dallas	\$243,394,333
Denton	\$15,529,721
El Paso	\$17,194,384
Galveston	\$4,290,345
Harris	\$563,056,061
Harrison	\$1,426,624
Hays	\$31,037,910
Hidalgo	\$11,408,359
Hunt	\$432,981
Jefferson	\$28,618,552
Lubbock	\$6,606,030
McLennan	\$4,384,927
Nueces	\$6,743,467
Robertson	\$3,097,834
Smith	\$403,307
Starr	\$118,020
Tarrant	\$115,489,900
Travis	\$112,726,137
Webb	\$3,207,732
Wichita	\$1,001,237
Willacy	\$15,396,184
Zavala	\$475,750
Total	\$1,517,117,938

⁵ Because many investments cannot be linked to geographic locations or the information is not readily available in insurance company databases, reporting defined regions investments was optional. Consequently, the identified disadvantaged region investments are not comprehensive.

Real Estate Investments

Total Investments		\$2,084,893,088
Investments in Economically Disadvantaged Areas		\$79,252,771
Total Companies Providing Investment Information		
Companies Reporting Investments Over \$1		59
Companies Reporting \$0 Investments		187
Number of Investors		
Number of Companies Investing in Disadvantaged Areas		20

Real Estate Investments in Economically Disadvantaged Areas

County	Reported Investments
Brazos	\$1,120,577
Dallas	\$1,414,350
El Paso	\$51,210
Galveston	\$4,219,205
Harris	\$27,053,363
Hays	\$297,745
Hidalgo	\$4,414,674
McLennan	\$4,374,985
Starr	\$118,020
Tarrant	\$9,972,402
Travis	\$25,538,684
Webb	\$677,556
Total	\$79,252,771

As not all companies were able to identify geographic area of investments, this table is not comprehensive.

Commercial and Farm Mortgage Investments

Total Investments		\$27,428,767,976
Investments in Economically Disadvantaged Areas		\$ 1,130,822,998
Total Companies Providing Investment Information		
Companies Reporting Investments Over \$1		141
Companies Reporting \$0 Investments		105
Number of Investors		
Number of Companies Investing in Disadvantaged Areas		61

Commercial and Farm Mortgage Investments in Economically Disadvantaged Areas

County	Reported Investments
Bell	\$3,738,997
Bexar	\$220,693,717
Brazos	\$16,540,943
Dallas	\$179,612,990
Denton	\$4,664,721
El Paso	\$14,162,726
Harris	\$431,621,360
Harrison	\$1,426,624
Hays	\$30,740,165
Hidalgo	\$4,243,685
Hunt	\$432,981
Jefferson	\$19,652,768
Lubbock	\$6,606,030
McLennan	\$9,942
Nueces	\$6,743,467
Smith	\$403,307
Tarrant	\$101,923,960
Travis	\$83,597,453
Webb	\$2,530,176
Wichita	\$1,001,237
Zavala	\$475,750
Total	\$1,130,822,998

As not all companies were able to identify geographic area of investments, this table is not comprehensive.

Residential Mortgage Investments

Total Investments		\$121,570,053
Investments in Economically Disadvantaged Areas		\$54,347
Total Companies Providing Investment Information		
Companies Reporting Investments Over \$1		30
Companies Reporting \$0 Investments		216
Number of Investors		
Number of Companies Investing in Disadvantaged Areas		4

Residential Mortgage Investments in Economically Disadvantaged Areas

County	Reported Investments
El Paso	\$11,337
Harris	\$43,010
Total	\$54,347

As not all companies were able to identify geographic area of investments, this table is not comprehensive.

Texas Bond Investments

Total Investments		\$14,892,821,274
Investments in Economically Disadvantaged Areas		\$188,501,865
Total Companies Providing Investment Information		
Companies Reporting Investments Over \$1		185
Companies Reporting \$0 Investments		61
Number of Investors		
Number of Companies Investing in Disadvantaged Areas		23

Texas Bond Investments in Economically Disadvantaged Areas

County	Reported Investments
Bell	\$7,136,225
Bexar	\$79,751,459
Dallas	\$42,383,747
Denton	\$10,865,000
El Paso	\$2,969,111
Galveston	\$71,140
Harris	\$11,029,676
Hidalgo	\$2,750,000
Jefferson	\$8,965,784
Tarrant	\$3,593,538
Travis	\$3,590,000
Willacy	\$15,396,184
Total	\$188,501,865

As not all companies were able to identify geographic area of investments, this table is not comprehensive.

Investments via U.S. Agencies

Total Investments		\$1,600,741,693
Investments in Economically Disadvantaged Areas		\$3,097,834
Total Companies Providing Investment Information		
Companies Reporting Investments Over \$1		22
Companies Reporting \$0 Investments		106
Companies Opting Not to Report		118
Number of Investors		
Number of Companies Investing in Disadvantaged Areas		1

Investments in Texas via U.S. Agencies in Economically Disadvantaged Areas

County	Reported Investments
Robertson	\$3,097,834
Total	\$3,097,834

As not all companies were able to identify geographic area of investments, this table is not comprehensive.

Corporate Bond Investments

Total Investments		\$20,974,878,398
Investments in Economically Disadvantaged Areas		\$115,388,123
Total Companies Providing Investment Information		
Companies Reporting Investments Over \$1		56
Companies Reporting \$0 Investments		83
Companies Opting Not to Report		107
Number of Investors		
Number of Companies Investing in Disadvantaged Areas		10

Corporate Bond Investments in Economically Disadvantaged Areas

County	Reported Investments
Bexar	\$2,096,225
El Paso	\$19,983,246
Harris	\$93,308,652
Total	\$115,388,123

As not all companies were able to identify geographic area of investments, this table is not comprehensive.

Investments in Texas Stocks

Total Investments		\$567,491,660
Investments in Economically Disadvantaged Areas		\$0
Total Companies Providing Investment Information		
Companies Reporting Investments Over \$1		26
Companies Reporting \$0 Investments		118
Companies Opting Not to Report		102
Number of Investors		
Number of Companies Investing in Disadvantaged Areas		0

Investments in Texas Stocks in Economically Disadvantaged Areas

County	Reported Investments
	None

As not all companies were able to identify geographic area of investments, this table is not comprehensive.

Deposits in Texas Financial Institutions

Total Investments		\$331,171,348
Investments in Economically Disadvantaged Areas		\$0
Total Companies Providing Investment Information		
Companies Reporting Investments Over \$1		14
Companies Reporting \$0 Investments		108
Companies Opting Not to Report		124
Number of Investors		
Number of Companies Investing in Disadvantaged Areas		0

Deposits in Texas Financial Institutions in Economically Disadvantaged Areas

County	Reported Investments
Bexar	\$0
Total	\$0

As not all companies were able to identify geographic area of investments, this table is not comprehensive.

Other Texas Investments and Contributions

Total Investments		\$28,365
Investments in Economically Disadvantaged Areas		\$0
Total Companies Providing Investment Information		
Companies Reporting Investments Over \$1		2
Companies Reporting \$0 Investments		129
Companies Opting Not to Report		115
Number of Investors		
Number of Companies Investing in Disadvantaged Areas		0

Other Contributions to Texas Business/Development in Economically Disadvantaged Areas

County	Reported Investments
	None

As not all companies were able to identify geographic area of investments, this table is not comprehensive.

Texas Insurance Code

§425.107 Authorized Investments and Loans for Capital Stock Domestic Life, Health and Accident Insurance Companies

Community Investment Report

- (a) The department shall, after consulting with the insurance industry of this state and the office of public insurance counsel, develop a report of insurance industry community investments in this state.
- (b) The commissioner may request, and an insurance company shall provide, information necessary to complete the report required by this section.
- (c) The department shall provide the report required by this section to the legislature not later than December 1 of each even-numbered year.

**Defined Regions ZIP Code List
(Sorted Numerically)**

ZIP Code	County						
73301	Travis	76005	Tarrant	77036	Harris	77703	Jefferson
75141	Dallas	76007	Tarrant	77048	Harris	77704	Jefferson
75156	Kaufman	76010	Tarrant	77051	Harris	77710	Jefferson
75172	Dallas	76011	Tarrant	77060	Harris	77801	Brazos
75203	Dallas	76019	Tarrant	77061	Harris	77837	Robertson
75207	Dallas	76104	Tarrant	77072	Harris	77840	Brazos
75210	Dallas	76105	Tarrant	77074	Harris	77841	Brazos
75212	Dallas	76106	Tarrant	77076	Harris	77844	Brazos
75215	Dallas	76115	Tarrant	77078	Harris	78011	Atascosa
75216	Dallas	76119	Tarrant	77081	Harris	78040	Webb
75217	Dallas	76122	Tarrant	77091	Harris	78042	Webb
75223	Dallas	76161	Tarrant	77093	Harris	78067	Zapata
75224	Dallas	76164	Tarrant	77204	Harris	78076	Zapata
75237	Dallas	76166	Tarrant	77205	Harris	78151	Karnes
75241	Dallas	76201	Denton	77220	Harris	78201	Bexar
75247	Dallas	76202	Denton	77221	Harris	78202	Bexar
75253	Dallas	76203	Denton	77222	Harris	78203	Bexar
75277	Dallas	76204	Denton	77223	Harris	78204	Bexar
75301	Dallas	76206	Denton	77226	Harris	78205	Bexar
75303	Dallas	76301	Wichita	77228	Harris	78206	Bexar
75315	Dallas	76307	Wichita	77233	Harris	78207	Bexar
75336	Dallas	76540	Bell	77236	Harris	78208	Bexar
75339	Dallas	76541	Bell	77237	Harris	78210	Bexar
75342	Dallas	76547	Bell	77251	Harris	78211	Bexar
75356	Dallas	76701	McLennan	77262	Harris	78214	Bexar
75376	Dallas	76704	McLennan	77272	Harris	78215	Bexar
75401	Hunt	76707	McLennan	77274	Harris	78218	Bexar
75403	Hunt	76715	McLennan	77288	Harris	78220	Bexar
75560	Cass	76834	Coleman	77291	Harris	78225	Bexar
75566	Cass	76908	Tom Green	77293	Harris	78226	Bexar
75602	Gregg	77004	Harris	77315	Harris	78228	Bexar
75606	Gregg	77011	Harris	77368	Liberty	78229	Bexar
75607	Gregg	77012	Harris	77369	Liberty	78235	Bexar
75615	Gregg	77016	Harris	77467	Wharton	78237	Bexar
75670	Harrison	77020	Harris	77501	Harris	78241	Bexar
75671	Harrison	77021	Harris	77506	Harris	78242	Bexar
75694	Harrison	77022	Harris	77547	Harris	78283	Bexar
75702	Smith	77023	Harris	77550	Galveston	78291	Bexar
75710	Smith	77026	Harris	77553	Galveston	78292	Bexar
75712	Smith	77028	Harris	77555	Galveston	78293	Bexar
75962	Nacogdoches	77029	Harris	77587	Harris	78294	Bexar
75966	Newton	77032	Harris	77701	Jefferson	78295	Bexar
76004	Tarrant	77033	Harris	77702	Jefferson	78296	Bexar

**Defined Regions ZIP Code List
(Sorted Numerically)**

ZIP Code	County	ZIP Code	County	ZIP Code	County
78297	Bexar	78742	Travis	79901	El Paso
78298	Bexar	78751	Travis	79905	El Paso
78299	Bexar	78752	Travis	79907	El Paso
78355	Brooks	78761	Travis	79910	El Paso
78359	San Patricio	78762	Travis	79915	El Paso
78368	San Patricio	78765	Travis	79917	El Paso
78401	Nueces	78772	Travis	79926	El Paso
78402	Nueces	78785	Travis	79940	El Paso
78403	Nueces	78799	Travis	79941	El Paso
78405	Nueces	78827	Dimmit	79943	El Paso
78406	Nueces	78829	Zavala	79944	El Paso
78407	Nueces	78830	Dimmit	79945	El Paso
78408	Nueces	78832	Kinney	79946	El Paso
78416	Nueces	78836	Dimmit	79947	El Paso
78465	Nueces	78839	Zavala	79948	El Paso
78469	Nueces	78860	Maverick	79949	El Paso
78538	Hidalgo	78872	Zavala	79950	El Paso
78543	Hidalgo	79016	Randall	79951	El Paso
78560	Hidalgo	79313	Hockley	79952	El Paso
78561	Willacy	79401	Lubbock	79953	El Paso
78562	Hidalgo	79402	Lubbock	79954	El Paso
78564	Zapata	79406	Lubbock	79955	El Paso
78565	Hidalgo	79408	Lubbock	79958	El Paso
78569	Willacy	79409	Lubbock	79960	El Paso
78570	Hidalgo	79411	Lubbock	79978	El Paso
78576	Hidalgo	79415	Lubbock	79980	El Paso
78579	Hidalgo	79430	Lubbock	79995	El Paso
78580	Willacy	79457	Lubbock	79997	El Paso
78584	Starr	79699	Taylor	79998	El Paso
78590	Willacy	79718	Reeves	79999	El Paso
78592	Cameron	79741	Ector	88595	El Paso
78594	Willacy	79759	Ector		
78595	Hidalgo	79776	Ector		
78598	Willacy	79780	Reeves		
78666	Hays	79786	Reeves		
78667	Hays	79835	El Paso		
78702	Travis	79837	Hudspeth		
78705	Travis	79838	El Paso		
78712	Travis	79839	Hudspeth		
78713	Travis	79849	El Paso		
78721	Travis	79851	Hudspeth		
78741	Travis	79853	El Paso		

Investments at a Glance

	Investment Year (Report Year)				
	2005 (2006)	2007 (2008)	2009 (2010)	2011 (2012)	2013 (2014)
Total Companies Reporting	262	304	286	253	246
Real Estate Investments					
Total Investments	\$2,458,841,612	\$1,401,698,473	\$2,821,339,617	\$2,742,684,158	\$2,084,893,088
Investments in Disadvantaged Areas	\$111,834,105	\$34,679,265	\$45,450,339	\$125,415,308	\$79,252,771
Commercial and Farm Mortgage Investments					
Total Investments	\$15,603,767,256	\$17,344,693,186	\$23,665,940,293	\$26,186,079,846	\$27,428,767,976
Investments in Disadvantaged Areas	\$608,386,523	\$673,537,867	\$957,596,132	\$980,330,799	\$1,130,822,998
Residential Mortgage Investments					
Total Investments	\$381,780,161	\$695,898,715	\$1,980,898,796	\$170,026,598	\$121,570,053
Investments in Disadvantaged Areas	\$384,252	\$273,207	\$427,789	\$428,034	\$54,347
Political Subdivision/Public Utility Bonds					
Total Investments	\$16,418,153,758	\$12,356,684,003	\$13,596,328,470	\$13,771,264,468	\$14,892,821,274
Investments in Disadvantaged Areas	\$33,327,846	\$40,388,335	\$27,991,801	\$112,569,110	\$188,501,865
Investments via U.S. Agencies (optional)					
Total Investments	\$32,013,432	\$157,638,859	\$1,318,994,427	\$1,444,215,929	\$1,600,741,693
Investments in Disadvantaged Areas	\$0	\$0	\$0	\$0	\$3,097,834
Texas Corporate Bonds (optional)					
Total Investments	\$10,378,699,019	\$10,287,772,633	\$12,938,570,129	\$21,588,088,634	\$20,974,878,398
Investments in Disadvantaged Areas	\$0	\$13,845,363	\$17,589,553	\$68,420,001	\$115,388,123
Stocks in Texas Companies (optional)					
Total Investments	\$226,284,653	\$490,527,963	\$539,963,059	\$1,652,320,135	\$567,491,660
Investments in Disadvantaged Areas	\$0	\$2,615,840	\$349,867	\$0	\$0
Deposits in Texas Financial Institutions (optional)					
Total Investments	\$34,129,456	\$19,545,324	\$130,305,999	\$437,647,231	\$331,171,348
Investments in Disadvantaged Areas	\$100,000	\$810,507	\$15,800,000	\$100,000	\$0
Other Texas Investments and Contributions					
Total Investments	\$63,164,988	\$304,021,832	\$68,839,668	\$23,553,995	\$28,365
Investments in Disadvantaged Areas	\$10,030,106	\$0	\$2,700	\$0	\$0
TOTAL INVESTMENTS	\$45,596,834,335	\$43,058,480,988	\$57,061,180,457	\$68,015,880,996	\$68,002,363,854
TOTAL INVESTMENTS IN ECON DISADV AREAS	\$764,062,832	\$766,150,384	\$1,065,208,180	\$1,287,273,252	\$1,517,117,938