



March 3, 2010

## **California Insurance Commissioner Poizner Issues Warning Regarding Iranian Investments**

All insurers who are licensed in California have undoubtedly become familiar with the California Department of Insurance's recent requests for information regarding investments in companies doing business with the "defense, nuclear, petroleum, natural gas or banking sectors of Iran." On February 10, 2010, as a result of their data call and further research by the state, Insurance Commissioner Steve Poizner of the California Department of Insurance ("the Department") sent a letter to all California licensed insurers outlining the results of their review and detailing action by the state. The letter included a list, compiled by the Department, of companies they deemed to be doing business with the Iranian oil and natural gas, nuclear and defense sectors. This list does not include financial entities at this point, but *the list is subject to change in the future* as the Department gathers more information. Currently, the Department has not determined how insurers will be notified about changes in the list, so it is recommended that insurers visit the Department's website periodically to find the most recent version of the document (<http://www.insurance.ca.gov>). It is important to note that the Department defines entities with ties to Iran to include those companies on their list and any companies that are 50% or more owned by companies on the list. The Department has stated in their letter that they believe companies on the list may be subject to greater risk due to their business dealings in Iran.

Insurers are requested to comply with a moratorium on making investments in companies on the list. There is a form included with the letter which insurers are asked to complete stating whether or not they plan to comply with the moratorium. That form must be returned to the Department by March 12, 2010. Also, in the body of the letter, the Department states that any investments in companies on the list, or in any companies that are 50% owned by companies on the list, that are held by insurers on or after March 31, 2010, will not be admitted as assets in the state of California and the names of insurers who hold the investments *may* be published on the Department's website. This includes any investments that were purchased before this inquiry began and are still held in portfolios. AAM talked to Bryant Henley, Senior Staff Counsel, at the Department about these requirements. Mr. Henley indicated that a final determination has not been made regarding publication of insurer's names. In our estimation, it is likely that this option will be used. Mr. Henley mentioned that if an insurer feels they have a compelling reason that their name should not be published, then

that information should be shared with the Department when supplemental quarterly reports are submitted.

The Department is still determining how to best monitor and account for investments in companies on the list. Of course, insurers must file their quarterly statements in accordance with the laws of their state of domicile, however it is not uncommon for other states to request extra information from licensed insurers. We have spoken to the Department, and while they have not finalized any report blanks, it is likely they will have a supplemental filing that is required of all licensed insurers to list Iranian investments and calculate assets net of those investments.

The NAIC has confirmed that this is not part of their policy currently, but California Insurance Commissioner, Steve Poizner, has been in communication with other state Commissioners to take similar measures. So while this is a topic that is isolated to California currently, other states may adopt the same or similar standards in the future. Further, the Federal government is considering the topic as well.

The February 10, 2010, press release and a copy of the letter sent by California Insurance Commissioner Poizner can be found on the Department's website (<http://www.insurance.ca.gov>) by clicking on the "More News" link on the left side of the page under the "Latest News" category. Links to the letter sent by Commissioner Poizner and to the list of prohibited investments can be found at the bottom of the press release.

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