THE GREENLINING INSTITUTE

November 2026
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# COIN+: A Proposal to Enhance California's COIN Program To Boost Community and Climate Resilience

## What is The California Organized Investment Network (COIN)?

The **California Organized Investment Network (COIN)** is a voluntary program within the California Department of Insurance (CDI) that encourages insurers to invest in underserved and low-to-moderate-income (LMI) communities.

- COIN was created in 1996 at the request of the insurance industry, as **an alternative to state legislation which would have *required* insurers to invest** in underserved communities. Similar requirements exist for the banking industry through the Community Reinvestment Act (CRA).[1]
- COIN operates through an online clearinghouse that presents pre-screened, mission-driven investment opportunities–called **Investment Bulletins**–to insurers for consideration.
- Investment Bulletins are generally structured as **investment vehicles (e.g., bonds, loan pools, private equity funds)**, rather than as standalone individual projects.
- Project outcomes supported by COIN investments include:
    - Development and preservation of affordable housing
    - Infrastructure projects (e.g., transportation, water systems, schools, and healthcare facilities)
    - Renewable energy projects such as wind, solar, and geothermal projects
    - Funding for CDFI (Community Development Financial Institution) projects (including small business loans)
- Since its founding, COIN has facilitated millions of dollars of investments from the insurance industry toward community development and environmental initiatives.

## Limitations of the COIN Program

Despite its established structure, COIN has several key constraints, which limits the program's ability to make deeper impacts in LMI communities throughout the state.

**Voluntary Participation & Limited Transparency**

- No targets and limited benchmarks to gauge impact
- Limited transparency on program outcomes from Investment Bulletins

**Lack of Incentives for Insurer Participation**

- Former tax credit for insurers to make investments in CDFI projects expired in 2017; eliminated financial incentives for insurers to invest in CDFIs with tangible local impacts

[1] https://www.insurance.ca.gov/0250-insurers/0700-coin/

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**Barriers for Smaller, Community-Scale Projects**

- Capital is not easily accessible by smaller, community projects, which often lack the scale, financial structures, and standardized returns favored by investors

**Gaps in Alignment with California Priorities, Particularly Climate Resilience**

- Little direct programmatic focus on climate risk reduction and resilience
- Investments are not required to be entirely California-specific

**Broader Insurance Market Challenges**

- Insurers are withdrawing from high-risk areas; vulnerable communities are facing reduced insurance access, coverage, and higher costs
- No requirement for insurers to reinvest in the communities where they operate, or to invest in risk reduction in vulnerable communities

## Opportunities for Improvement: The "COIN+ Framework"

In order to enhance the existing COIN program to create deeper impacts in disadvantaged communities– particularly to advance climate risk reduction– Greenlining proposes the following recommendations.

### North Star Goals for COIN+

- ➢ Turn COIN into a driver **for climate resilience investments and impactful community development investments** made by the **insurance sector**, that can produce benefits for all—communities, the state, as well as insurers, who would make reasonable rates returns on these investments, similar to other investments
- ➢ **Drive more resources** (total volume of dollars) to vulnerable communities

### COIN+ Pillars and Proposed Interventions

1. **Set Investment Targets and Ensure Accountability**
   - **Establish a minimum investment requirement for insurers,** such as requiring insurers with over $1 billion of premiums collected from CA to invest at least 1% of assets in COIN-qualified investments (i.e., community development, climate, green investments which create benefits for LMI and rural communities).
   - **Renew annual data reporting requirements** for community development and green investments made by insurers operating in California (previous mandate expired in 2020).
   - **Require insurers to identify climate adaptation finance / climate risk reduction investments** they are making, in data reporting.

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2. **Build a Climate Resilience Investment Pipeline and Align COIN with State's Climate Priorities**
    - **Create a dedicated COIN Resilience Investment Bulletin** that offers investible projects and initiatives that reduce risks associated with wildfire, extreme heat, drought, flooding, and / or sea level rise, for insurers' consideration.
    - **Create a dedicated, ongoing open call** for COIN Resilience Investment Bulletin submissions by investment managers and project developers seeking capital for initiatives that support climate resilience.
    - **Integrate "climate risk reduction" as a statutory COIN program goal and benefit**. "Climate risk reduction" benefits can be defined as those that can bolster resilience against the key climate impacts faced by the state as well as insurers, e.g., wildfire, flood, extreme heat, drought, sea level rise.
    - **Require COIN CDI staff to coordinate with state agencies focused on climate adaptation** and relevant investments (e.g., Governor's Office of Land Use and Climate Innovation (LCI); California Natural Resources Agency (CNRA); California Housing and Homelessness Agency (CHHA), I-Bank) on a regular basis to identify priority climate resilience investment areas for which to solicit Bulletins on a 1-2 year basis.
    - **Require COIN CDI staff to coordinate with existing state financing programs and funding opportunities** to identify pathways for COIN-qualified CDFIs to access capital that supports climate resilience lending, e.g., GoGreen Financing, California Wildfire Resilience Loan Program established by SB 894.
    - **Require COIN CDI staff to convene an annual Climate Investor Forum** for insurers, fund managers, other potential investors, and state agency staff.

3. **Incentivize Insurer Investments in Climate Resilience and Community Development**
    - **Offer tax credits for investments in CDFIs that benefit LMI and/or rural communities, with a higher tier of credits for projects that also address climate resilience (**e.g., home hardening retrofits, climate resilient affordable housing).
    - **Identify additional incentives toward insurer participation,** in particular, approaches that connect COIN investing with a reduction in volatility and uncertainty for insurers' property lines of business.

4. **Prioritize Benefits for Climate-Vulnerable Communities**
    - **Require that a minimum of 40% of COIN Resilience Investment Bulletins dollars (as recommended to be created under Pillar 2) provide direct benefits to LMI, rural, and tribal communities in California**; particularly those experiencing overlapping risks based on exposure to selected climate hazards, e.g., wildfire, flood, extreme heat, drought, sea level rise.

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