

AMENDED IN ASSEMBLY APRIL 27, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL**

**No. 705**

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**Introduced by Assembly Member Blumenfield Members Blumenfield  
and Feuer  
(Coauthor: Assembly Member Gatto)**

February 17, 2011

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An act to ~~amend Section 1241.1 of~~ *add Section 1241.2* to the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 705, as amended, Blumenfield. Insurance: risk retention.

Existing law prohibits domestic insurers from acquiring foreign investments from or located in foreign jurisdictions designated as state sponsors of terrorism by the United States Secretary of State.

~~This bill would require that an admitted foreign insurer's foreign investments, located in foreign jurisdictions designated as state sponsors of terrorism by the United States Secretary of State, be disallowed and treated as nonadmitted assets on the financial statements of the admitted foreign insurer filed with the Insurance Commissioner. The bill would also require that if a jurisdiction was not so designated when an investment was made, the investment be disallowed and treated as nonadmitted.~~

*This bill would prohibit a domestic insurer from acquiring any direct or indirect investment, as defined, in Iran. The bill would disallow and treat as a nonadmitted asset on the financial statements required to be filed with the Insurance Commissioner any direct or indirect investment of an admitted foreign insurer in Iran.*

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 1241.2 is added to the Insurance Code,  
2 to read:

3 1241.2. (a) The Legislature finds and declares the following:  
4 (1) Direct investments in Iran and investments in companies  
5 doing business with the Iranian energy sector are subject to  
6 financial risk as a result of Iran’s pursuit of nuclear weapons,  
7 sponsorship of international terrorism, and consequent  
8 international isolation.

9 (2) This section furthers the commissioner’s authority to ensure  
10 that investments by insurers doing business in California are  
11 financially sound and not subject to risk based on ties to Iran.

12 (b) In addition to the requirements of Section 1241.1, a domestic  
13 insurer shall not acquire any direct or indirect investment in Iran.

14 (c) Any direct or indirect investment of an admitted foreign  
15 insurer shall be disallowed and treated as a nonadmitted asset on  
16 the financial statements of the foreign insurer filed with the  
17 commissioner.

18 (d) For purposes of this section, “business operations” shall  
19 mean engaging in commerce in any form, including, but not limited  
20 to, acquiring, developing, maintaining, owning, selling, possessing,  
21 leasing, or operating equipment, facilities, personnel, products,  
22 services, personal property, real property, or any other apparatus  
23 of business or commerce.

24 (e) For purposes of this section “direct investment” shall mean  
25 an investment in either of the following:

26 (1) The government of Iran, including any political subdivision,  
27 agency, or instrumentality thereof and including any entity  
28 controlled by the government of Iran.

29 (2) In a person or asset domiciled or headquartered, or real  
30 estate located, in the territory of Iran, or any other territory or  
31 marine area, including the exclusive economic zone and continental  
32 shelf, over which the government of Iran claims sovereignty,  
33 sovereign rights, or jurisdiction, provided that the government of  
34 Iran exercises partial or total de facto control over the area or

1 *derives a benefit from economic activity in the area pursuant to*  
2 *an international agreement.*

3 (f) *For purposes of this section “energy sector” shall have the*  
4 *same meaning as set forth in subdivision (b) of Section 2202 of*  
5 *the Public Contract Code.*

6 (g) *For purposes of this section “indirect investment” shall*  
7 *mean an investment in a person identified on the current list*  
8 *developed by the Department of General Services pursuant to*  
9 *subdivision (b) of Section 2203 of the Public Contract Code.*

10 SECTION 1. ~~Section 1241.1 of the Insurance Code is amended~~  
11 ~~to read:~~

12 ~~1241.1. (a) A domestic insurer shall not acquire any investment~~  
13 ~~(1) respecting a foreign jurisdiction, (2) supporting economic or~~  
14 ~~political activity in, or military activity by or on behalf of, that~~  
15 ~~foreign jurisdiction, or (3) denominated in the currency of that~~  
16 ~~foreign jurisdiction, if that jurisdiction is designated as a state~~  
17 ~~sponsor of terrorism by the United States Secretary of State~~  
18 ~~pursuant to Section 6(j) of the Export Administration Act, Section~~  
19 ~~40 of the Arms Export Control Act, and Section 620A of the~~  
20 ~~Foreign Assistance Act. If any investment made pursuant to Section~~  
21 ~~1241 later becomes prohibited by this section, that investment shall~~  
22 ~~not be retained as an investment made pursuant to this code.~~

23 ~~(b) Any investment of an admitted foreign insurer (1) respecting~~  
24 ~~a foreign jurisdiction, (2) supporting economic or political activity~~  
25 ~~in, or military activity by or on behalf of, that foreign jurisdiction,~~  
26 ~~or (3) denominated in the currency of that foreign jurisdiction, if~~  
27 ~~that jurisdiction is designated as a state sponsor of terrorism by~~  
28 ~~the United States Secretary of State pursuant to Section 6(j) of the~~  
29 ~~Export Administration Act, Section 40 of the Arms Export Control~~  
30 ~~Act, and Section 620A of the Foreign Assistance Act, shall be~~  
31 ~~disallowed and treated as a nonadmitted asset on the financial~~  
32 ~~statements of the foreign insurer filed with the commissioner. If~~  
33 ~~a jurisdiction was not so designated when an investment was made,~~  
34 ~~the investment shall be disallowed and treated as nonadmitted on~~  
35 ~~statements filed with the commissioner after the designation is~~  
36 ~~made.~~

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