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Insurance Commissioner Poizner Sues To Stop Insurance Companies From Investing In Iran

Attorney General Jerry Brown Will Represent the Insurance Commissioner

California Insurance Commissioner Steve Poizner today announced that he is filing a lawsuit challenging a California Office of Administrative Law (OAL) determination, issued last month at the behest of the insurance industry, that the Commissioner's efforts to stop insurers from investing in Iran constituted an "underground regulation." The Commissioner's lawsuit contests the OAL analysis of this procedural issue and seeks to clarify his authority to address the critical issue of insurer support of the Iranian terror regime and the solvency of insurer investment portfolios. Attorney General Jerry Brown is representing the Commissioner in the lawsuit.

"I intend to ensure that any insurance company licensed in California is not doing business, in any way, with the Iranian regime," said Commissioner Poizner. "Insurance premium dollars that Californians pay should not end up supporting a regime that has shown time and time again its disregard for the concerns of the global community. The consensus is clear, as seen in the sanctions that the United Nations, the European Union, the U.S. government, and the California Legislature have imposed over the past two years -- responsible businesses should not be doing business with Iran. Since companies doing business with Iran face financial risk, I have the authority to protect insurer portfolios from investments in those companies."

Recent statements by U.S. Defense Secretary Robert Gates affirm that divestment actions, like those initiated by Commissioner Poizner, and other sanctions are impacting Iran's economic vitality and are posing significant hurdles to the country's ability to develop nuclear weapons.

In June 2009, the Commissioner launched an initiative to identify Iran-related investments in the portfolios of insurers doing business in California, requesting that the 1,300 insurers licensed in California identify all investments in companies doing business with the Iranian nuclear, defense, and energy sectors. The Department identified 50 companies ("the list"), including the well-known corporations Royal Dutch Shell and Siemens, with ongoing business activities in Iran. During the spring of 2010, the Commissioner requested a "moratorium," calling on insurers not to make any new investments in companies on the CDI list. The vast majority of insurers agreed to this request, with more than 1,000 insurers signing-on to the moratorium.

Financial reports that insurers file quarterly with the Department indicate that the Commissioner's Iran Initiative has produced a profound change in insurer investment behavior. During 2009 alone, the insurance industry invested nearly \$1 billion in companies on the Department's list. That figure plummeted to \$32 million in new investments during the second quarter of 2010, the first quarter during which the moratorium was in effect. The value of existing insurer investments in companies on the Department's list declined by \$337 million dollars in 2010, indicating that some insurers are moving beyond the moratorium and actually divesting Iran-related assets that had been acquired over the previous two decades.

"These numbers tell a promising story, both in the reduced involvement of California insurers in Iranian business activities and by demonstrating that insurers can drop companies on the Department's list from their investment portfolios without adversely affecting their investment returns," said Commissioner Poizner.

Since Commissioner Poizner initiated his Terror Financing Probe, a number of nations have imposed sanctions on Iran, including the United States, Britain, China, France, and Russia - all permanent members of the United Nations Security Council. The European Union also recently approved a new set of sanctions against Iran. The California Legislature also has just passed legislation barring contracts between California and companies doing business with Iran's energy sector.

For a copy of the lawsuit, please click on www.insurance.ca.gov

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